

have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts, if any, disclosed by the customer as to the customer's other security holdings and as to the customer's financial situation and needs.

(e) *Customer information.* Prior to the execution of a transaction recommended to a non-institutional customer, a bank that is a government securities broker or dealer shall make reasonable efforts to obtain information concerning:

- (1) The customer's financial status;
- (2) The customer's tax status;
- (3) The customer's investment objectives; and
- (4) Such other information used or considered to be reasonable by the bank in making recommendations to the customer.

[Reg. H, 62 FR 13285, Mar. 19, 1997]

§ 208.26 Frequency of examination.

(a) *General.* The Federal Reserve examines insured member banks pursuant to authority conferred by 12 U.S.C. 325 and the requirements of 12 U.S.C. 1820(d). The Federal Reserve is required to conduct a full-scope, on-site examination of every insured member bank at least once during each 12-month period.

(b) *18-month rule for certain small institutions.* The Federal Reserve may conduct a full-scope, on-site examination at least once during each 18-month period, rather than each 12-month period as provided in paragraph (a) of this section, if the following conditions are satisfied:

- (1) The insured member bank has total assets of \$250 million or less;
- (2) The insured member bank is well capitalized as defined in subpart B of this part (§208.33);
- (3) At its most recent examination, the Federal Reserve found the insured member bank to be well managed;
- (4) At its most recent examination, the Federal Reserve determined that the insured member bank was in outstanding or good condition, that is, it received a composite rating of 1 or 2 under the Uniform Financial Institutions Rating System (Copies are available at the address specified in §216.6 of this chapter);

(5) The insured member bank currently is not subject to a formal enforcement proceeding or order by the FDIC, OCC, or Federal Reserve Board; and

(6) No person acquired control of the insured member bank during the preceding 12-month period in which a full-scope on-site examination would have been required but for this section.

(c) *Authority to conduct more frequent examinations.* This section does not limit the authority of the Federal Reserve to examine any insured member bank as frequently as the agency deems necessary.

[Reg. H, 62 FR 6452, Feb. 12, 1997]

§ 208.28 Prohibition against use of interstate branches primarily for deposit production.

(a) *Purpose and scope—(1) Purpose.* The purpose of this section is to implement section 109 (12 U.S.C. 1835a) of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act).

(2) *Scope.* (i) This section applies to any State member bank that has operated a covered interstate branch for a period of at least one year, and any foreign bank that has operated a covered interstate branch licensed by a State for a period of at least one year.

(ii) This section describes the requirements imposed under 12 U.S.C. 1835a, which requires the appropriate Federal banking agencies (the Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation) to prescribe uniform rules that prohibit a bank from using any authority to engage in interstate branching pursuant to the Interstate Act, or any amendment made by the Interstate Act to any other provision of law, primarily for the purpose of deposit production.

(b) *Definitions.* For purposes of this section, the following definitions apply:

(1) *Bank* means, unless the context indicates otherwise:

- (i) A State member bank as that term is defined in 12 U.S.C. 1813(d)(2); and
- (ii) A foreign bank as that term is defined in 12 U.S.C. 3101(7) and 12 CFR 211.21.