



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 29, 1998

George R. Barr, Jr., Esq.  
Deputy General Counsel  
Keystone Financial, Inc.  
One Keystone Plaza  
North Front & Market Streets  
P.O. Box 3660  
Harrisburg, PA 17105-3660

Dear Mr. Barr:

This is in response to the request by Keystone Financial, Inc., Harrisburg, Pennsylvania ("Keystone"), for relief from certain commitments made in connection with its proposal to acquire Martindale Andres & Company, West Conshohocken, Pennsylvania ("Martindale"), and thereby engage in certain investment advisory activities, including providing discretionary investment management services to non-institutional customers.<sup>1/</sup> Keystone requests relief from the following commitments: (a) Martindale will not adopt a name that is similar to Keystone (commitment 3); and (b) Martindale will not purchase, for discretionary advisory customers, securities for which Keystone or any other affiliate of Keystone is acting as underwriter, dealer, distributor or placement agent, other than U.S. government securities, unless directed in writing by the customer after prior disclosure of the affiliated relationship (commitment 7).

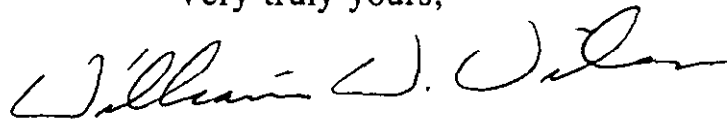
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- <sup>1/</sup> See Keystone Financial, Inc., 82 Federal Reserve Bulletin 84 (1996) ("Keystone Order"). The commitments made in connection with the proposal are listed in the Appendix.

The Board recently amended Regulation Y to remove many of the restrictions that the Board has required in the past in connection with financial and investment advisory activities, including those reflected in commitments 1, 2, 5, and 6 set forth in the Appendix.<sup>2/</sup> In addition, the Board no longer requires a bank holding company seeking to engage in the investment advisory activities approved in the Keystone Order to provide commitment 3. These advisory activities remain subject to the requirements of applicable state and federal laws governing fiduciary and advisory activities. Commitment 7 is not applicable to Keystone because it does not operate a subsidiary engaged in securities underwriting and dealing activities that would not be permissible for a member bank. Moreover, the Board recently rescinded a similarly worded firewall restriction that was applicable to section 20 subsidiaries.<sup>3/</sup>

Based on all the facts of record, the Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board (12 C.F.R. 265.7(a)(2)), has determined to grant Keystone's request for relief from commitments. Except as modified by this letter, all other aspects of the Keystone Order shall remain in effect. Keystone also remains subject to all requirements in the Bank Holding Company Act and Regulation Y, including the requirements of the Board's interpretive rule on investment advisory activities (12 C.F.R. 225.125).

Very truly yours,



William W. Wiles  
Secretary of the Board

cc: Federal Reserve Bank of Philadelphia

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<sup>2/</sup> See Bank Holding Companies and Change in Bank Control (Regulation Y) 62 Federal Register 9290 (1997). Keystone previously received relief from commitment 4. See Letter dated June 13, 1996, from Richard Spillenkothen to George Barr.

<sup>3/</sup> See 62 Federal Register 45,295 (1997).

## APPENDIX

### Commitments made in connection with the Keystone Order

1. No transaction on behalf of discretionary investment advisory accounts for non-institutional customers will be conducted through Keystone or any of its affiliates.
2. The fees charged by Martindale for its discretionary investment advisory services to non-institutional customers will not be based upon the number of account transactions executed.
3. Martindale will not adopt a name that is the same or similar to Keystone. Keystone will market Martindale only as permitted by law.
4. Martindale will not maintain offices in or near any of Keystone's depository subsidiaries. Martindale will, however, have an employee located at several of the bank subsidiaries' branches. These employees will also be appointed officers of the respective financial institutions for the purpose of effecting appropriate investments. These individuals will not be there for general marketing purposes, nor will they have contact with non-institutional customers of the banks for purposes unrelated to trust business.
5. Martindale, except for a few of its existing customers (which have previously been identified to the Federal Reserve), will not provide discretionary investment advisory services to non-institutional customers. Therefore, except for trust related business, no referrals of non-institutional customers will be made by Keystone's depository institutions subsidiaries to Martindale.
6. Keystone will not share confidential information by and among Keystone, Martindale, and Keystone's other affiliates without the customer's consent.
7. Martindale will not purchase, for discretionary investment advisory services, securities for which Keystone or any other affiliate of Keystone is acting as underwriter, dealer, distributor or placement agent, other than obligations of the United States, unless directed to do so in writing by the customer prior to each transaction and after disclosure to any such customer of the affiliated relationship involves the particular transaction.