

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 70-90
April 14, 1970

AT&T DEBENTURES

To All Banks and Regulation G Registrants
in the Eleventh Federal Reserve District:

On April 8, we forwarded to you under circular No. 70-85 a letter from the Board of Governors of the Federal Reserve System on the applicability of the Board's margin regulations (G, T and U) to the forthcoming issue of American Telephone & Telegraph Company (AT&T) debentures.

The New York Stock Exchange has also issued a circular on these debentures, and for your further information, we print below a summary of this circular so far as it relates to banks and registrants under Regulation G:

"In connection with any loans made on AT&T debentures, either a special subscription loan under section 221.3(p) of Regulation U or a convertible debt security loan under section 221.3(t) of the regulation, it is important for the bank or other lender to keep in mind the unusual provision under which these debentures will be issued only in registered form and will provide that the registered holder of record on October 15, 1970, will receive from the issuer two warrants.

"The bank or other lender should be careful to arrange that it obtains the warrants issuable on any debentures it holds as collateral. (Should the borrower receive the warrants and not deposit them as collateral for the loan, the bank or other lender might be in violation of the withdrawal provisions of Regulation U, and in addition, might suffer an impairment of collateral value.)

"It is also important for the bank to keep in mind that both the warrants and the debentures will be 'convertible debt securities' so long as they are held as collateral for either a special subscription loan under section 221.3(p) or a convertible debt security loan under section 221.3(t), and that the restrictions on withdrawals of collateral contained in those sections will apply to both the warrants and the debentures.

"Lenders subject to Regulation G should keep in mind that the regulation does not provide for subscription loans subject to margin requirements different from those applicable to ordinary 'purpose' loans secured by convertible debt securities."

Questions on this matter should be referred to the Regulations Department of the Federal Reserve Bank of Dallas.

Yours very truly,

P. E. Coldwell

President