FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT

July 31, 1986

DALLAS. TEXAS 75222

Circular 86-67

TO: The Chief Executive Officer of all
depository institutions in the
Eleventh Federal Reserve District

SUBJECT

Treasury announces methodology for collateral security valuations of STRIPS' components

DETAILS

The Department of the Treasury has announced it will use the "lost bond program" for determining component values of STRIPS (Separate Trading of Registered Interest and Principal of Securities) when they become eligible as collateral for Treasury Tax and Loan Depositories as defined in 31 CFR 203.

ATTACHMENTS

Attached is the Treasury's press release announcing the methodology for security valuations of STRIPS components.

MORE INFORMATION

For further information, please contact Tyrone Gholson (214) 651-6263 at the Head Office; Robert W. Schultz (915) 544-4730 at the El Paso Branch; Luke E. Richards (713) 659-4433 at the Houston Branch; or Tony G. Valencia (512) 224-2141 at the San Antonio Branch.

Sincerely yours,

William H Wallace

TREASURY NEWS

FOR IMMEDIATE RELEASE   July 1, 1986

TREASURY ANNOUNCES METHODOLOGY FOR COLLATERAL
SECURITY VALUATIONS OF STRIPS COMPONENTS

The Department of the Treasury announced today the methodology it will use for determining component values of STRIPS (Separate Trading of Registered Interest and Principal of Securities) when they become eligible as collateral for Treasury Tax and Loan Depositaries as defined in 31 CFR 203.

The method for determining component values will be Treasury's "lost bond program", which is used to find the present value of a zero-coupon instrument that is consistent with a given par value yield curve. This is the same method used for valuing STRIPS components for broker reporting purposes in Internal Revenue Service Publication 1212.

Prior to the expected early 1987 effective date for eligibility, Treasury instructions governing collateral security will be amended to provide that STRIPS components with a remaining period to maturity of one year or less will be accepted at par, and that amounts of STRIPS components maturing beyond one year will be taken on the basis of authorized valuation rates issued by Treasury every three months (or more frequently, if needed).

The changes that need to be made to the Federal Reserve Banks' automated systems are in progress and are expected to be completed in time for an implementation date early in calendar year 1987.

The Department will make a public announcement of the effective date for the availability of STRIPS components as collateral after the necessary system modifications are completed.

Questions about the methodology for the valuation of STRIPS components should be referred to the Bureau of the Public Debt's Office of Financing in Washington, D. C., (202) 376-4350, or to your local Federal Reserve office.

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DEPARTMENT OF THE TREASURY
WASHINGTON

June 1986

Collateral Security Valuation Rates for STRIPS Components
(for use from 3-01-1987 to 5-31-1987)

STRIPS Component Payable	*Percent	STRIPS Component Payable	*Percent	STRIPS Component Payable	*Percent
5-15-1987	100	5-15-1997	45	5-15-2007	20
8-15-1987	100	8-15-1997	44	8-15-2007	20
11-15-1987	100	11-15-1997	43	11-15-2007	19
2-15-1988	100	2-15-1998	42	2-15-2008	19
5-15-1988	91	5-15-1998	41	5-15-2008	19
8-15-1988	90	8-15-1998	40	8-15-2008	18
11-15-1988	88	11-15-1998	40	11-15-2008	18
2-15-1989	86	2-15-1999	39	2-15-2009	18
5-15-1989	85	5-15-1999	38	5-15-2009	18
8-15-1989	83	8-15-1999	37	8-15-2009	17
11-15-1989	81	11-15-1999	37	11-15-2009	17
2-15-1990	80	2-15-2000	36	2-15-2010	17
5-15-1990	78	5-15-2000	35	5-15-2010	17
8-15-1990	76	8-15-2000	34	8-15-2010	16
11-15-1990	75	11-15-2000	34	11-15-2010	16
2-15-1991	73	2-15-2001	33	2-15-2011	16
5-15-1991	72	5-15-2001	32	5-15-2011	16
8-15-1991	70	8-15-2001	32	8-15-2011	16
11-15-1991	69	11-15-2001	31	11-15-2011	16
2-15-1992	68	2-15-2002	30	2-15-2012	15
5-15-1992	66	5-15-2002	30	5-15-2012	15
8-15-1992	65	8-15-2002	29	8-15-2012	15
11-15-1992	64	11-15-2002	29	11-15-2012	15
2-15-1993	63	2-15-2003	28	2-15-2013	15
5-15-1993	61	5-15-2003	27	5-15-2013	15
8-15-1993	60	8-15-2003	27	8-15-2013	14
11-15-1993	59	11-15-2003	26	11-15-2013	14
2-15-1994	58	2-15-2004	26	2-15-2014	14
5-15-1994	57	5-15-2004	25	5-15-2014	14
8-15-1994	56	8-15-2004	25	8-15-2014	14
11-15-1994	55	11-15-2004	24	11-15-2014	14
2-15-1995	53	2-15-2005	24	2-15-2015	13
5-15-1995	52	5-15-2005	23	5-15-2015	13
8-15-1995	51	8-15-2005	23	8-15-2015	13
11-15-1995	50	11-15-2005	22	11-15-2015	13
2-15-1996	49	2-15-2006	22	2-15-2016	13
5-15-1996	48	5-15-2006	21	5-15-2016	13
8-15-1996	48	8-15-2006	21	8-15-2016	13
11-15-1996	47	11-15-2006	21	11-15-2016	12
2-15-1997	46	2-15-2007	20	2-15-2017	12

*The percentages provided above are based on a current Treasury yield curve