



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

March 24, 1989

DALLAS, TEXAS 75222

Circular 89-18

TO: The Chief Executive Officer of all
member banks and others concerned in
the Eleventh Federal Reserve District

SUBJECT

**Foreign Government Treatment of U.S. Companies Operating in
Government Debt Markets Abroad (Docket Number R-0658)**

DETAILS

The Federal Reserve Board has requested comment on whether U.S. companies operating in the government debt markets of certain foreign countries have the same competitive opportunities as domestic companies in those markets.

The Primary Dealers Act of 1988 provides that the Federal Reserve System may not permit a person of a foreign country to act as a primary dealer in U.S. government securities if that person's home country does not grant to U.S. companies the same competitive opportunities as the country accords to domestic companies in underwriting and distributing government debt obligations. The Act takes effect on August 23, 1989. The Federal Reserve System is undertaking a study of the government debt markets of four countries and would welcome comment on the specific respects in which U.S. companies are accorded, or not accorded, the same competitive opportunities in the underwriting and distribution of government debt instruments issued by the four countries as those countries accord to domestic companies.

Those who wish to comment on the Board's proposal should do so by addressing comments to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Comments should be received by May 1, 1989.

ATTACHMENTS

The Board's request is attached.

MORE INFORMATION

For further information regarding this circular, please contact Dean A. Pankonien at (214) 651-6228.

Sincerely yours,

For additional copies of any circular please contact the Public Affairs Department at (214) 651-6289. Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank (800) 442-7140 (intrastate) and (800) 527-9200 (interstate).

FEDERAL RESERVE SYSTEM

Docket No. R-0658

FOREIGN GOVERNMENT TREATMENT OF U. S.
COMPANIES OPERATING IN GOVERNMENT DEBT MARKETS ABROAD

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice of study and request for comment.

SUMMARY: Under the Primary Dealers Act of 1988, which becomes effective on August 23, 1989, the Federal Reserve System may not designate or permit the continuation of the designation as a primary dealer of any person of a foreign country if that person's home country does not grant to U. S. companies the same competitive opportunities in the underwriting and distribution of government debt instruments issued by such country as such country accords to domestic companies of such country. In order to implement this Act, the Federal Reserve is reviewing the government debt markets of certain countries and requests public comment on the treatment of U. S. companies with respect to these markets, focusing in particular on the treatment of U. S. companies relative to domestic firms.

DATE: Comments must be received by May 1, 1989.

ADDRESS: All comments, which should refer to Docket No. R-0658, should be mailed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, or delivered to Room B-2222, 20th & Constitution Avenue, N. W., Washington, D. C., between 8:45 a.m. and 5:15 p.m. weekdays. Comments may be inspected in Room B-1122 between 8:45 a.m. and 5:15 p.m. weekdays.

FOR FURTHER INFORMATION CONTACT: Ricki Rhodarmer Tigert, Associate General Counsel (202/452-3428); Kathleen M. O'Day, Senior Counsel (202/452-3786), Legal Division; or John D. Rea, Economist, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Earnestine Hill or Dorothea Thompson, (202/452-3544).

SUPPLEMENTARY INFORMATION: As noted above, under the Primary Dealers Act ("Act"), the Federal Reserve System may not permit a person of a foreign country to act as a primary dealer in U. S. government securities if the person's home country does not accord U. S. companies the same competitive opportunities as the foreign country accords domestic companies in underwriting and distributing government debt obligations of such countries. A "person of a foreign country" includes any foreign individual or company that directly or indirectly controls a primary dealer. The Act does not affect a primary dealer controlled by a foreign person if, by July 31, 1987, the primary dealer was designated as such and had been acquired by the foreign person or had informed the Federal Reserve Bank of New York of the intent of such foreign person to acquire the primary dealer. The Act also excludes from its coverage primary dealers controlled by persons from a country that had entered into a bilateral free trade agreement with the United States or was negotiating to enter into a trade agreement under the Trade Act of 1974, as of January 1, 1987.

The Federal Reserve System is undertaking a study of the government debt markets of four countries, the United Kingdom, Japan, the Federal Republic of Germany, and Switzerland, to determine whether U. S. companies are accorded national treatment in each of those countries in their access to government debt markets. Nationals of two of these countries, the United Kingdom and Japan, currently control primary dealers that are not grandfathered under the Act; nationals of the other two countries, the Federal Republic of Germany and Switzerland, have expressed active interest in becoming primary dealers.

The Federal Reserve System would welcome the views of U. S. firms or other persons on the specific respects in which U. S. companies are accorded, or not accorded, the same competitive opportunities in the underwriting and distribution of government debt instruments issued by the four countries as those countries accord to domestic companies. All such comments, which should be submitted by May 1, 1989, would be considered in the context of the study of these markets.

By order of the Board of Governors, January 31, 1989.

(Signed William W. Wiles)

William W. Wiles
Secretary of the Board