



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

April 12, 1990

DALLAS, TEXAS 75222

Circular 90-15

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

SUBJECT

Final Amendments to Regulation T

DETAILS

The Federal Reserve Board has announced final amendments to Regulation T to permit marginability of certain foreign securities and to accommodate settlement and clearance of transactions in foreign securities. Effective April 30, 1990, foreign securities which meet the requirements of Regulation T will be eligible for margin at broker-dealers. Regulation T was also amended to allow foreign currency debits to be considered separately for purposes of computing deficiencies in a margin account. In this connection, creditors now may extend credit denominated in a foreign currency secured by foreign margin securities denominated or traded in the same foreign currency subject to the rules set out in the Regulation. Other amendments to Regulation T ease restrictions on payment and settlement.

ENCLOSURES

The attached Board press release discusses the amendments in greater detail. The final amendments to be published in the Federal Register will be incorporated into Regulation T at 12 CFR part 220.

Copies of the Board's final rules may be obtained by contacting the Public Affairs Department at (214) 651-6289.

MORE INFORMATION

For more information, please contact Jane Anne Schmoker at (214) 651-6228. For additional copies of this circular, please contact the Public Affairs Department at (214) 651-6289.

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 press release



For immediate release

March 22, 1990

The Federal Reserve Board has approved amendments to Regulation T (Credit by Brokers and Dealers) to accommodate the settlement and clearance of transactions in foreign securities and to permit marginability of foreign securities at broker-dealers. The amendments are effective April 30, 1990.

The amendments will:

- permit foreign equity and debt securities that meet prescribed criteria to be eligible for margin at broker-dealers on the same basis as margin securities;
- permit recognition and isolation of debt denominated in foreign currencies and allow foreign securities denominated in that currency to be used as margin for the debt without conversion into dollars;
- ease restrictions on payment and settlement for foreign securities to accommodate the practices of the market where the trade occurs; and
- allow a broker-dealer subject to Regulation T to arrange with foreign persons to extend credit on foreign securities.

Foreign equity securities will be eligible for margin treatment if they meet the following criteria:

- trading for at least six months on an exchange or in a recognized foreign securities market outside the United States;
- continuous availability to U.S. broker-dealers of quotations of both bid and asked or last sale prices for the security through an electronic quotation system;

(OVER)

- an aggregate market value for the security of at least \$1 billion;
- an average weekly trading volume of either at least 200,000 shares or the equivalent of \$1 million; and
- the existence of the issuer or a predecessor in interest for at least five years.

The Board will publish quarterly a list of foreign equity securities that are marginable together with its regularly scheduled List of Marginable OTC Stocks.

Foreign corporate debt securities will be marginable if the original issue had outstanding a principal amount of at least \$100 million, the issue is not in default on interest or principal payments, and the issue is rated in one of the two highest rating categories by a nationally recognized statistical rating service.

The Board's notice is attached.

Attachment