



FEDERAL RESERVE BANK
OF DALLAS

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

DALLAS, TEXAS
75265-5906

July 22, 1999

Notice 99-59

TO: The Chief Operating Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

**New Margins for the
Valuation of Collateral**

DETAILS

The Federal Reserve System periodically reassesses the margins that are used in the valuation of collateral pledged to the U.S. Treasury and the Federal Reserve for Treasury Tax and Loan, Discount Window, and Payments Systems Risk purposes. This reassessment helps to ensure that the collateral margins reflect current market conditions. These margins are used to account for various risks and are applied both to priced and to nonpriced pledged collateral.

As a result of a recent reevaluation of the current priced and nonpriced collateral margins, the Federal Reserve System will update the margins effective August 30, 1999. For priced instruments, the margins decreased for only three asset types: U.S. Treasury Strips, Brady Bonds, and International Institution Bonds. While many of the nonpriced margins also remained unchanged, the movement from the current margins ranged from a decrease of 5 percent to an increase of 10 percent. The updated margins are depicted in the two attached tables. These margins will be used for all priced and nonpriced collateral held by this Reserve Bank in book-entry and in definitive forms.

We would also like to advise you that, effective immediately, financial institutions may perform bank to bank repositioning of securities to pledged accounts, free of payment, up until the closing of the Fedwire™ book-entry system (normally 7 p.m. ET). Currently these transfers may be performed only until the close of the secondary securities market. This change will allow the interbank movement of securities between ABAs for the pledging of collateral for Discount, Payments Systems Risk, Treasury Tax and Loan, Circular 154, Circular 176, and state and local government purposes.

ATTACHMENTS

Two tables depicting the updated margins are attached.

MORE INFORMATION

For more information regarding Treasury Tax and Loan , please contact Nancy Barton at (214) 922-6746. For more information regarding the Discount Window, please contact Finlay Higgins at (214) 922-5335. For information regarding Payments Systems Risk, please contact Paul Elzner at (214) 922-5590.

For additional copies of this Bank's notice, contact the Public Affairs Department at (214) 922-5254.

Sincerely,

Helen E. Holcomb

Federal Reserve Bank Discount and PSR Collateral Margins Table*

Collateral Category	Lendable Value for with Market Prices (% of Market Price)	Lendable Value for Securities without Market Prices (% of Par or Outstanding Principal Balance)	
		Minimal /1	Normal /2
U.S. Treasuries:			
<i>Bills, Notes, Bonds, Inflation Indexes</i>	97%	95%	N/A
<i>Zero Coupons, Strips</i>	93%	N/A	N/A
U.S. Government Guaranteed Agency:			
<i>Notes, Bonds</i>	97%	95%	N/A
<i>Zero Coupons, Strips</i>	93%	N/A	N/A
U.S. Government Sponsored Enterprises	97%	95%	N/A
International Agencies	93%	90%	90%
Brady Bonds	87%	60%	60%
Foreign Governments	93%	90%	90%
Municipal Bonds:			
<i>Local General Obligations</i>	94%	90%: 0-3 yrs. 75%: >3 yrs.	85%: 0-3 yrs. 65%: >3 yrs.
<i>State General Obligations</i>	94%	90%	85%
<i>State and Local Revenue Bonds</i>	94%	85%: 0-3 yrs. 75%: >3 yrs.	80%: 0-3 yrs. 65%: >3 yrs.
Industrial Revenue Bonds	94%	85%: 0-3 yrs. 75%: >3 yrs.	80%: 0-3 yrs. 65%: >3 yrs.
Corporate Bonds	92%	90%: 0-3 yrs. 75%: >3 yrs.	85%: 0-3 yrs. 65%: >3 yrs.
Asset-Backed Securities (AAA)	95%	80%	N/A
Asset-Backed Securities (non AAA)	92%	75%	N/A
Mortgage Backed Securities (GNMA, FNMA, FHLMC)	95%	90%	N/A
Collateralized Mortgage Obligations (GNMA, FNMA, FHLMC, Private)	95%	70%	N/A
Bankers Acceptances and Commercial Paper		90%	90%
Commercial and Agricultural Loans and Agency Guaranteed Loans		90%: 0-2 yrs. 75%: >2 yrs.	85%: 0-2 yrs. 65%: >2 yrs.
1-4 Family Residential Mortgages		90%	90%
Home Equity		80%	80%
Commercial Real Estate Loans		80%: 0-3 yrs. 60%: >3 yrs.	80%: 0-3 yrs. 60%: >3 yrs.
Consumer Loans		80%	80%

* This document is for informational purposes only and is subject to change without notice. This is not binding on the Federal Reserve System in any particular transaction.

/1 Minimal Risk is defined as investment grade. The Federal Reserve System only accepts securities that are investment grade.

/2 Normal Risk is defined as below investment grade, however considered a "pass-credit" from a regulatory standpoint.

Treasury Tax & Loan (TT&L) Collateral Margins Table

Collateral Category	Collateral Value for Securities or Instruments With Market Prices	Collateral Value for Securities or Instruments if Market Price Not Available	Collateral Value for Loans /1	
	(% of Market Price)	(% of par or O/S Prin Bal*)	Minimal Risk/2	Normal Risk/3
U.S. Treasuries:				
<i>Bills, Notes, Bonds</i>	97%	95%		
<i>Zero Coupons, STRIPS</i>	93%			
U.S. Government Guaranteed Agency Debentures	97%	95%		
U.S. Government Sponsored Enterprises	97%	95%		
International Agencies	93%	90%		
Student Loans		80%		
Municipal Bonds:				
<i>Local General Obligations</i>	94%	90%: 0-3 yrs. 75%: >3 yrs.		
<i>State General Obligations</i>	94%	90%		
<i>State and Local Revenue Bonds</i>	94%	85%: 0-3 yrs. 75%: >3 yrs.		
Industrial Revenue Bonds	94%	85%: 0-3 yrs. 75%: >3 yrs.		
Corporate Bonds /4	92%	90%: 0-3 yrs. 75%: >3 yrs.		
Mortgage Backed Securities (GNMA, FNMA, FHLMC)	95%	90%		
Collateralized Mortgage Obligations (GNMA, FNMA, FHLMC, Private)	95%	70%		
Bankers Acceptances and Commercial Paper /4		90%		
Commercial and Agricultural Loans			90%: 0-2 yrs. 75%: >2 yrs.	85%: 0-2 yrs. 65%: >2 yrs.
1-4 Family Residential Mortgages /5				90%

This document is for informational purposes only and is subject to change without notice.

Notes:

* O/S Prin Bal = Outstanding Principal Balance

/1 Lendable values for loans will be calculated on the outstanding principal balance.

/2 Minimal Risk is defined as investment grade.

/3 Normal Risk is defined as below investment grade, however, considered a "pass-credit" from a regulatory standpoint.

/4 Securities and Instruments are not acceptable if they are issued by a bank, bank holding company, or an affiliate of a bank holding company.

/5 These assets are acceptable for Treasury Tax & Loan purposes for Special Direct Investment Participants only.