

Federal Reserve Notes

Federal Reserve Bank of San Francisco • March 1985

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FOR PUBLIC COMMENT

Voluntary Capital Adequacy Guidelines

The New York Federal Reserve Bank is proposing voluntary capital adequacy standards for U.S. government securities dealers not currently covered by other forms of federal supervision or oversight, and has requested comments by **March 31, 1985**.

At the heart of the proposal is a guideline specifying that dealers' liquid capital-to-potential risk ratio should always exceed 1.2 to 1. The proposal suggests a system of formulas to estimate the amount of money that could be lost in a significantly adverse market, and requires that a participating dealer in government securities keep the size of its risk consistent with the amount of liquid capital available to absorb losses.

Comments should be addressed to Mr. Edward J. Geng, Senior Vice President, Federal Reserve Bank of New York, 33 Liberty Street, New York City, NY 10045. Further information is available by calling Public Information at (212) 691-6141.

Regulation T Credit by Brokers and Dealers

The Federal Reserve Board is requesting public comment by **March 15, 1985**, on an amendment to Regulation T that would change the initial margin requirements for the writing of options on equity securities. The Board presently specifies the margin requirement at 30 percent of the value of the underlying securities plus any unrealized loss or minus any unrealized gain.

The proposed amendment would require an initial margin that is identical to the maintenance margin required by the National Securities Exchange or associations under rules that have been approved by the Securities and Exchange Commission.

The Board's notice is available from Corporate Services at (415) 974-2752. For further information, please contact David Vandre in Consumer Affairs at (415) 974-2965.

Regulation Y BHC and Change in Bank Control

The Federal Reserve Board is requesting comment by **March 29, 1985** on whether it should initiate rules establishing a framework for bank holding companies (BHCs) to engage in real estate investment activities. Some of the specific conditions on which the Board is requesting comment follow:

- A requirement that the activity be conducted only through a direct real estate subsidiary of the BHC
- A requirement that the BHC meet certain capital requirements before it could engage in real estate activities
- A limitation on the amount of a BHC's investment in real estate subsidiaries and a limitation on leverage for the subsidiaries
- A geographic limitation on real estate investment activities

The Board also is seeking comment on whether additional or alternative rules should be made to limit the conduct of real estate activities through nonbank subsidiaries of banks controlled by BHCs.

The Board's notice is available from Corporate Services at (415) 974-2752. For further information, please contact Robert Johnston at (415) 974-2352.

MONETARY POLICY OBJECTIVES FOR 1985

Federal Reserve Chairman Paul Volcker presented a report to the Congress on the Federal Reserve's monetary policy objectives for 1985 on February 20. The report includes a summary of the Federal Reserve's monetary policy plans along with a review of economic and financial developments in 1984 and the economic outlook in 1985. Single or multiple copies of the report can be obtained upon request from the Public Information Department, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, CA 94120. Phone (415) 974-2246.

REGULATIONS AND OPERATIONS UPDATE

Regulation C Home Mortgage Disclosure Act

Form HMDA-1, for reporting loan data under the Home Mortgage Disclosure Act and Regulation C, has been revised. The changes relate primarily to style and terminology; the content and basic format remain the same.

As in previous years, two copies of the report should be filed with a financial institution's appropriate federal regulatory agency on or before **March 31, 1985** and also be made available to the public by that date. State-member banks should send their forms to the attention of Mr. David Robbins, Consumer Affairs Specialist, Consumer Affairs Unit, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, CA 94120. Please contact David Robbins at (415) 974-2967 for further information.

Regulations G,T,U List of Marginable OTC Stocks

The Federal Reserve Board has published a list of over-the-counter (OTC) stocks subject to its margin regulations, effective February 12, 1985. The List includes all over-the-counter securities designated by the Board pursuant to its established criteria as well as all securities qualified for trading in the national market system. The next publication of the Board's List is scheduled for May 1985.

Copies of the list are available from Corporate Services at (415) 974-2752. For further information, please contact David Vandre in Consumer Affairs at (415) 974-2965.

Regulation J Collection of Checks and Other Items

The Federal Reserve has adopted amendments to Regulation J, governing checks, to improve the system of notification for nonpayment of checks of \$2500 or more that are processed through the Federal Reserve. Simultaneously, the Board approved a proposal to improve notification services offered by the Reserve Banks as part of the check collection process. Both actions will take effect **October 1, 1985**.

The text of the amendments is available from Corporate Services at (415) 974-2752. For further information, please contact Robert Mulford in our Law Department at (415) 974-2256.

Fees for Definitive Securities Safe- keeping and Noncash Collection Services

The Federal Reserve Board approved revised fee structures that took effect February 28, 1985 for the definitive securities safekeeping and noncash collection service.

Changes that have been implemented in the Twelfth District include: (a) a \$10 fee charged to depositing institutions for each coupon deposit that is returned as uncollectible and (b) an increase in the coupon envelope fee from \$4 to \$5. The Twelfth District has no plans for offering the mixed deposit program or for charging a higher fee for collecting items payable at country endpoints. Also, the San Francisco Reserve Bank does not offer definitive securities safekeeping except under certain collateral arrangements.

Copies of the Board's notice and the revised fee structures are available from Corporate Services at (415) 974-2752. For further information, please contact David Kerr (415) 974-2345.

STRIPS Program

On January 15, 1985, the Treasury Department announced a new program to facilitate Separate Trading of Registered Interest and Principal of Securities (STRIPS). Under this program, selected Treasury securities may be maintained in the book-entry system operated by the Federal Reserve Banks in a way that permits interest and principal payments to be separately owned and traded. This will make it possible, for the first time, for the market to trade separate principal and interest components, or zero coupon instruments, in book-entry form as direct obligations of the United States.

The Treasury Department's statement is available from Corporate Services at (415) 974-2752. For further information, please contact the Securities Services officer at your local Federal Reserve Branch.