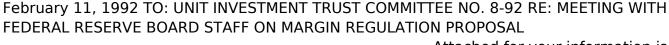
MEMO# 3509

February 11, 1992

MEETING WITH FEDERAL RESERVE BOARD STAFF ON MARGIN REGULATION PROPOSAL



Attached for your information is a memorandum describing a meeting last week between the Institute and its outside counsel and members of the staff of the Federal Reserve Board. The purpose of the meeting was to discuss the Institute's proposal that the Board consider liberalizing the margin treatment for securities issued by unit investment trusts (and other investment companies) under Regulation T, thereby eliminating certain discrepancies that exist under current law. Currently, under Regulation T, securities issued by open-end investment companies or unit investment trusts are treated as "margin equity securities" eligible for 50 percent margin treatment. Under the Institute's proposal, Regulation T would be amended to permit brokers to give good faith loan value to securities issued by an investment company, provided that at least 95 percent of the investment company's portfolio consisted of exempted securities. We are pleased to report that the Federal Reserve Board staff seemed receptive to our proposal and expressed a willingness to work with us on it. Most significantly, the staff indicated that the timing of our proposal is very good because the Board's regulatory agenda for this year includes a complete review of Regulation T. Despite these encouraging signs, it is not possible to predict at this time what action, if any, the Board ultimately may take. We will keep you informed of developments. Frances M. Stadler Assistant General Counsel Attachment

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