

MEMO# 7163

August 2, 1995

DRAFT COMMENT LETTER ON PROPOSED AMENDMENTS TO REGULATION T CONCERNING MARGIN TREATMENT OF INVESTMENT COMPANY SECURITIES

1 See Memorandum to Closed-End Fund Committee No. 31-95, SEC Rules Committee No. 78-95 and Unit Investment Trust Committee No. 52-95, dated June 29, 1995. August 2, 1995 TO: CLOSED-END FUND COMMITTEE No. 42-95 SEC RULES COMMITTEE No. 94-95 UNIT INVESTMENT TRUST COMMITTEE No. 63-95 RE: DRAFT COMMENT LETTER ON PROPOSED AMENDMENTS TO REGULATION T CONCERNING MARGIN TREATMENT OF INVESTMENT COMPANY SECURITIES

As we recently reported, the Federal Reserve Board has proposed amendments to Regulation T that, among other things, would liberalize the margin treatment of securities issued by certain registered investment companies.¹ Some of the proposed amendments are based on recommendations made by the Institute in a September 1992 submission to the Board. The attached draft letter expresses the Institutes support for the proposed changes involving investment company securities. (Briefly, as previously indicated, these changes would: (1) permit brokers and dealers to give "good faith" loan value to securities issued by "exempted securities mutual funds," as proposed to be defined, and to money market funds; and (2) treat money market funds as "cash equivalents" that may be used to cover put options written in a customers cash account.) The letter also suggests several technical changes. Comments on the proposed amendments must be filed by August 28th. Please contact me at (202) 326-5822 by Friday, August 18th if you have any comments on the attached draft letter. Frances M. Stadler Associate Counsel Attachment