

MEMO# 2717

April 25, 1991

MARGIN REQUIREMENTS FOR SECURITIES ISSUED BY UNIT INVESTMENT TRUSTS

April 25, 1991 TO: UNIT INVESTMENT TRUST COMMITTEE NO. 19-91 RE: MARGIN
REQUIREMENTS FOR SECURITIES ISSUED BY UNIT INVESTMENT TRUSTS

At the suggestion of several members of the Unit Investment Trust Committee and as discussed at recent Committee meetings, the Institute is considering submitting a request to the Federal Reserve Board to amend the margin requirements currently applicable to securities issued by unit investment trusts pursuant to Regulation T and related Board interpretations. Currently, UIT securities are treated as "margin equity securities" eligible for 50 percent margin treatment. The submission would propose generally that margin treatment for securities issued by UITs be determined based on the nature of the securities in the trust's portfolio. In most cases, this would result in the ability to margin the securities to a greater extent than is currently permitted. We have asked Fulbright & Jaworski to assist us with this project. They prepared the attached memorandum which describes present margin requirements, contains a draft proposal for change, discusses certain background information, and identifies possible business reasons to justify the proposal. After you have had an opportunity to review the Fulbright & Jaworski memorandum (which was also distributed at the Committee meeting earlier this week), please contact me if you have any comments or suggestions. We will keep you informed of developments. Frances M. Stadler Assistant General Counsel
Attachment