

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

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To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

**Federal Reserve Announces New Schedule of Margins Applicable for Collateral Pledged by
Depository Institutions**

The Federal Reserve System is announcing new collateral margins for discount window lending and payment system risk purposes, effective July 1, 2014. These changes stem from the most recent review of margins and valuation practices that the Federal Reserve periodically conducts, as well as the incorporation of updated market data. The new collateral margins table, frequently asked questions, and the Federal Reserve Collateral Guidelines can be viewed on the Discount Window & Payment System Risk website at www.frbdiscountwindow.org.

Collateral management is a central element of the Federal Reserve's credit risk management practices. Accordingly, the Federal Reserve periodically conducts reviews of its margins and valuation practices, making adjustments as needed. The new collateral margins table announced today continues that practice.

There are no changes to the key principles underlying the Federal Reserve's collateral management practices: frequent revaluation of assets, use of margins to mitigate Reserve Bank exposure to market and credit risk, use of the best available data, and periodic reassessments of model assumptions. Likewise, there are no changes to the range of assets accepted as collateral.

The most significant change from the current collateral margins table is the introduction of separate margins for fixed-rate and floating-rate individually deposited loans, representing an improvement in the Federal Reserve's collateral valuation practices. In addition, loan collateral margins have been adjusted to better account for differences among various loans. Among the adjustments is the discontinuation of a policy that the collateral value of individually deposited loans would be greater than or equal to that of comparable group deposited loans. The changes in loan collateral margins reflect recent improvements in the Federal Reserve's collection of data about pledged loans.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking-supervision/publications/district-circular-letters/>.

For additional information, please contact:

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