

Regulatory Circular RG91-63

Date: November 18, 1991

To: Selected Members and Member Organizations

From : The Department of Financial Compliance

Subject: Escrow Receipts for CAPS™

A CAPS put or call contract carried short in the cash account may be covered by an escrow receipt that is collateralized by cash or cash equivalents equal to the difference between the contract's strike price and cap price which is the maximum amount that the customer would be required to deliver if the contract was exercised. Section 220.8 (a)(3) of Regulation T defines cash equivalents as any of the following instruments with one year or less to maturity: securities issued or guaranteed by the United States or its agencies, negotiable bank certificates of deposit, or bankers acceptances issued by banking institutions in the United States and payable in the United States.

Questions regarding CAPS escrow receipts may be directed to Diane Malley at (312) 786-7924.