

FEDERAL RESERVE BANK OF DALLAS
DALLAS 13, TEXAS

Dallas, Texas, May 16, 1949

AMENDMENT TO REGULATION U

**To All Banking Institutions in the
Eleventh Federal Reserve District:**

There is reproduced on the reverse side of this letter an amendment to Regulation U, issued by the Board of Governors of the Federal Reserve System effective today.

This amendment increases from 50 per cent to 75 per cent the loan value of securities acquired through the exercise of subscription rights, whether exercised by the original holder or by a purchaser of the rights. The amendment specifies that extensions of credit for such purposes shall be made through a separate loan and that substitutions or withdrawals may not be made. No new credit may be granted to a customer under the preferential terms at any time that a previously made preferential credit has been outstanding more than nine months without being reduced to the 50 percent basis generally applicable under the regulation.

Member banks are requested to file this letter in ring binders containing copies of the regulations of the Board of Governors of the Federal Reserve System and bulletins of this bank.

Yours very truly,

R. R. GILBERT

President

AMENDMENT NO. 10 TO REGULATION U

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective May 16, 1949, Regulation U is hereby amended by changing section 3(p) of said regulation to read as follows:

“(p) A loan need not comply with the other requirements of this regulation if it is to enable the borrower to acquire a stock by exercising a right to acquire such stock which is evidenced by a warrant or certificate issued to stockholders and expiring within 90 days of issuance, provided that (1) each such acquisition under this subsection shall be treated separately, and the loan when made shall not exceed 75 per cent of the current market value of the stock so acquired as determined by any reasonable method, (2) while the borrower has any loan outstanding at the bank under this subsection no withdrawal or substitution of stock used to make such loan shall be permissible, except that when the loan has become equal to or less than the maximum loan value of the stock as prescribed for section 1 in the supplement to this regulation the stock and indebtedness may thereafter be treated as subject to section 1 instead of this subsection, and (3) no loan shall be made under this subsection at any time when the borrower has any such loan at the bank which has been outstanding more than 9 months without becoming eligible to be treated as subject to section 1. In order to facilitate the exercise of a right under this subsection, a bank may permit the right to be withdrawn from a loan subject to section 1 without regard to any other requirement of this regulation.”