

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, May 3, 1960

**To All Banks in the
Eleventh Federal Reserve District:**

As you perhaps know, the Board of Governors of the Federal Reserve System has recently adopted a reporting form, FR 728, which must be filed by all persons other than banks subject to Regulation U, and brokers or dealers subject to Regulation T, who extend credit in the ordinary course of business for the purpose of purchasing or carrying securities registered on a national securities exchange. These reports are required pursuant to section 221.3(j) of Regulation U, as amended effective June 15, 1959. The time for filing the Form was recently extended to May 15, 1960, and persons failing to comply may be subject to criminal penalties.

At the time that the Board adopted the amendment to section 221.3(j) of Regulation U, under which Form FR 728 was promulgated, it also adopted section 221.3(q), requiring banks to treat as regulated all loans to persons "engaged principally, or as one of the person's important activities, in the business of making loans" for the purpose of purchasing or carrying stock registered on a national securities exchange. In this connection it should be noted that bank loans described under section 221.3(q) are regulated loans whether or not secured by stock, and that a lender may be engaged "principally" or as one of his important activities in this business even though only a minor portion of his loans is for the described purpose, since the portion of loans is only one of the tests which would be applied in making the determination. Coverage of Form FR 728 is quite wide, and many persons are required to file the Form even though not engaged in a business of the kind described in section 221.3(q). All lenders, other than banks or brokers, are required to file the Form if they have had outstanding on or after December 15, 1959, as much as one loan for the purpose of purchasing or carrying securities registered on a national securities exchange.

Banks will, of course, wish to know whether any of their loans are subject to section 221.3(q) of the Regulation, and it is believed that the information required on Form FR 728 will assist the Board of Governors in making this determination. Accordingly, we solicit your cooperation in calling this filing requirement to the attention of borrowers in all cases where there is reason to suppose that the borrower's business may be of the kind described in this section. Lenders may obtain copies of the reporting Form from this Bank by directing their requests to the Bank Examination Department.

Yours very truly,

Watrous H. Irons,
President