

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

August 4, 1961

AMENDMENT TO REGULATION T

**To All Banks and Others Concerned
in the Eleventh Federal Reserve District:**

There is enclosed an amendment to Regulation T, issued by the Board of Governors of the Federal Reserve System, effective August 7, 1961. The purpose of the amendment to § 220.4 is to clarify the Board's position as to the situations in which credit may be extended under paragraph (d) of § 220.4 outside the margin restrictions of § 220.3 General Accounts, and to provide more explicit standards for the use of these sections in arbitrage situations. A conforming change is being made to paragraph (d) (3) of § 220.3. The purpose of the amendment to paragraph (d) of § 220.6, relating to the transfer of general accounts between customers, is to eliminate possible ambiguities and to make clearer what situations are covered and what situations are not covered by that provision.

Member banks are requested to insert this amendment in their ring binders containing the Regulations of the Board of Governors and the Bulletins of this bank.

Yours very truly,

Watrous H. Irons
President

**CREDIT BY BROKERS, DEALERS, AND
MEMBERS OF NATIONAL SECURITIES
EXCHANGES**

AMENDMENT TO REGULATION T

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective August 7, 1961, sections 220.3(d)(3), 220.4(d), and 220.6(d) are amended to read as follows:

SECTION 220.3--GENERAL ACCOUNTS

(d) Adjusted debit balance.— * * *

(3) the current market value of any securities (other than unissued securities) sold short in the account plus, for each such security (other than an exempted security), such amount as the Board shall prescribe from time to time in § 220.8 as the margin required for such short sales, except that such amount so prescribed in § 220.8 need not be included when there are held in the account securities exchangeable or convertible within 90 calendar days, without restriction other than the payment of money, into such securities sold short;

SECTION 220.4--SPECIAL ACCOUNTS

(d) Special arbitrage account.—In a special arbitrage account, a member of a national securities exchange may effect and finance for any customer bona fide arbitrage transactions in securities. For the purposes of this paragraph, the term "arbitrage" means (1) a purchase or sale of a security in one market together with an offsetting sale or purchase of the same security in a different market at as nearly the same time as practicable, for the purpose of taking advantage of a difference in prices in the two markets, or (2) a purchase of a security which is, without restriction other than the payment of money, exchangeable or convertible within 90 calendar days following the date of its purchase into a second security together with an offsetting sale at or about the same time of such second security, for the purpose of taking advantage of a disparity in the prices of the two securities.

(Over)

SECTION 220.6--CERTAIN TECHNICAL DETAILS

(d) **Transfer of accounts.**—(1) In the event of the transfer of a general account from one creditor to another, such account may be treated for the purposes of this part as if it had been maintained by the transferee from the date of its origin: *Provided*, That the transferee accepts in good faith a signed statement of the transferor that no cash or securities need be deposited in the account in connection with any transaction that has been effected in the account or, in case he finds that it is not practicable to obtain such a statement from the transferor, accepts in good faith such a signed statement from the customer.

(2) In the event of the transfer of a general account from one customer to another, or to others, as a bona fide incident to a transaction that is not undertaken for the purpose of avoiding the requirements of this part, each transferee account may be treated by the creditor for the purposes of this part as if it had been maintained for the transferee from the date of its origin: *Provided*, That the creditor accepts in good faith and keeps with the transferee account a signed statement of the transferor describing the circumstances giving rise to the transfer.