FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

November 5, 1963

SUPPLEMENTS TO REGULATIONS T AND U

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

The Board of Governors of the Federal Reserve System has amended the supplements to Regulations T and U by increasing margin requirements from 50 percent to 70 percent, effective November 6, 1963. The press statement issued today in connection with this action is quoted below:

"The action covers extensions of credit by brokers (Regulation T) and loans by banks (Regulation U) for the purpose of purchasing or carrying securities registered on a national securities exchange. Its effect will be to require persons buying stock on credit to put up a minimum of 70 per cent of the price at the time of the transaction.

"The Board also amended the regulation to increase from 50 to 70 per cent, effective tomorrow, the amount that must be retained in an undermargined account with a brokerage firm or bank when there is a sale of part of the securities serving as collateral. An "undermargined" account or loan is one in which the customer has an equity amounting to less than the current margin requirement; e.g., beginning tomorrow, an equity of less than 70 per cent. Thus, in the case of a sale of part of the collateral securing such an account or loan, the amount of the sale proceeds that can be withdrawn by the customer will be 30 per cent. Since June 15, 1959, the amount that could be withdrawn had been 50 per cent.

"The Board's actions were taken pursuant to authority granted it by Congress in the Securities Exchange Act of 1934 for the purpose of preventing excessive use of credit for the purchase or carrying of securities.

(OVER)

"Since July 1962, when the margin requirements were reduced to 50 per cent from the 70 per cent that had previously prevailed, stock market credit, as reported by brokerage firms that are members of the New York Stock Exchange and by weekly reporting banks that are members of the Federal Reserve System, has risen by $2.1 billion or 43 per cent. Of the increase, nearly $1.8 billion was in customer net debits of the brokerage firms, which rose 49 per cent.

"No other changes were made in the regulations."

A copy of each of the amended supplements is enclosed. Member banks are requested to insert these new supplements 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

SUPPLEMENT TO REGULATION T

Section 220.8—SUPPLEMENT

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective November 6, 1963

(*a*) **Maximum loan value for general accounts.**—The maximum loan value of a registered security (other than an exempted security) in a general account, subject to § 220.3, shall be 30 percent of its current market value.

(*b*) **Margin required for short sales in general accounts.**—The amount to be included in the adjusted debit balance of a general account, pursuant to § 220.3 (*d*) (3), as margin required for short sales of securities (other than exempted securities) shall be 70 percent of the current market value of each such security.

(*c*) **Retention requirement for general accounts.**—In the case of a general account which would have an excess of the adjusted debit balance of the account over the maximum loan value of the securities in the account following a withdrawal of cash or securities from the account, the "retention requirement" of a registered security (other than an exempted security), pursuant to § 220.3 (*b*) (2), shall be 70 percent of its current market value.

SUPPLEMENT TO REGULATION U

Section 221.4—SUPPLEMENT

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective November 6, 1963

(*a*) **Maximum loan value of stocks.**—For the purpose of § 221.1, the maximum loan value of any stock, whether or not registered on a national securities exchange, shall be 30 percent of its current market value, as determined by any reasonable method.

(*b*) **Retention requirement.**—For the purpose of § 221.1, in the case of a loan which would exceed the maximum loan value of the collateral following a withdrawal of collateral, the "retention requirement" of a stock, whether or not registered on a national securities exchange, shall be 70 percent of its current market value, as determined by any reasonable method.