

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 68-34  
February 16, 1968

## REGULATION G

**To Nonbank Lenders and Others Concerned,  
in the Eleventh Federal Reserve District:**

The Board of Governors of the Federal Reserve System has issued, pursuant to the Securities Exchange Act of 1934, a new Regulation G — Credit by Persons Other than Banks, Brokers, or Dealers for Purpose of Purchasing or Carrying Registered Equity Securities. The regulation is effective March 11, 1968, but certain of its requirements apply to loans made on or after February 1, 1968. A copy is enclosed.

The regulation applies to credit (loans) secured in any way by stocks registered on a national securities exchange, or debt securities convertible into such stocks ("registered equity securities", as defined in the regulation). Persons who have extended or arranged for credit so secured in a total amount of \$50,000 or more during the last calendar quarter of 1967, or had outstanding during such calendar quarter a total of \$100,000 or more of such credit, are required to register by completing and returning two copies of the enclosed Federal Reserve Form G-1 to this Bank before April 10, 1968, in the enclosed self-addressed prepaid envelope. Persons who meet the registration requirements in any subsequent calendar quarter are required to register within 30 days after the end of such quarter.

The regulation also requires registrants to file quarterly reports on a form (Federal Reserve Form G-4) that will be furnished later.

No registration is required at this time of persons who, during the last calendar quarter of 1967, extended, arranged for, or maintained credit against registered equity securities in less than the minimum amounts described above. In such case, please complete the enclosed statement to this effect in place of Federal Reserve Form G-1, and return promptly.

If your office is a branch of a larger organization, this letter, with enclosures, should be forwarded to the individual within your organization who would handle such matters. However, each subsidiary which is separately incorporated must register, if subject to the registration requirements.

Attention is called to some other provisions of the regulation, including (1) margin requirements on certain extensions of credit, (2) "retention" requirements applying to withdrawal and substitution of collateral in certain circumstances, (3) a requirement that a statement on Federal Reserve Form G-3 be obtained from borrowers whose loan is secured by any registered equity securities, (4) a requirement that persons acting as agent in connection with credit that is secured by such collateral obtain and accept in good faith a statement from the principal that he is not violating any of the margin regulations of the Board of Governors which may apply to him, and (5) a prohibition against arranging for any credit which the arranger could not extend (with the exception of arranging for credit to be extended by banks that are subject to margin regulations).

A specimen Form G-3 — purpose statement — reduced in size is bound with the regulation for your information. Full size specimen copies of this form suitable for reproduction are available upon request from this Bank.

It is important that persons subject to this regulation register and comply with its provisions, since failure to do so may result in criminal penalties.

We shall be pleased to answer any question you may have regarding Regulation G or the forms described above. Please direct your calls to J. O. Russell, Chief Examiner of this Bank.

Yours very truly,

P. E. Coldwell

President

Enclosures (8)

## SUPPLEMENT TO REGULATION G

### SECTION 207.5—SUPPLEMENT

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective March 11, 1968

(a) **Maximum loan value of registered equity securities.**—For the purpose of section 207.1, the maximum loan value of any registered equity security, except convertible securities subject to section 207.1(d), shall be 30 per cent of its current market value, as determined by any reasonable method.

(b) **Maximum loan value of convertible securities subject to section 207.1(d).**—For the purpose of section 207.1, the maximum loan value of any security against which credit is extended pursuant to section 207.1 (d) shall be 50 per cent of its current market value, as determined by any reasonable method.

(c) **Retention requirement.**—For the purpose of section 207.1, 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 registered equity security and of a security against which credit is extended pursuant to section 207.1(d) shall be 70 per cent of its current market value, as determined by any reasonable method.

**BOARD OF GOVERNORS  
of the  
FEDERAL RESERVE SYSTEM**

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**CREDIT BY PERSONS OTHER THAN BANKS,  
BROKERS, OR DEALERS FOR PURPOSE OF  
PURCHASING OR CARRYING REGISTERED  
EQUITY SECURITIES**



**REGULATION G  
(12 CFR 207)**

**Effective March 11, 1968**



## **INQUIRIES REGARDING THIS REGULATION**

**Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the district in which the inquiry arises.**

## **FORMS**

**The forms furnished with this copy of the Regulation have been reduced in size and are for information only. Copies of the forms for actual use can be obtained from any Federal Reserve Bank.**

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## REGULATION G

(12 CFR 207)

Effective March 11, 1968

### CREDIT BY PERSONS OTHER THAN BANKS, BROKERS, OR DEALERS FOR PURPOSE OF PURCHASING OR CARRYING REGISTERED EQUITY SECURITIES

#### SECTION 207.1—GENERAL RULE

(a) **Registration.**—Every person who, in the ordinary course of his business, during any calendar quarter ended after October 20, 1967, extends or arranges for the extension of a total of fifty thousand dollars (\$50,000) or more, or has outstanding at any time during the calendar quarter, a total of one hundred thousand dollars (\$100,000) or more, in credit, secured directly or indirectly, in whole or in part, by collateral that includes any registered equity securities, unless such person is subject to Part 220 (Regulation T) or Part 221 (Regulation U) of this Chapter, is subject to the registration requirements of this paragraph and shall, within 30 days following the end of the calendar quarter during which the person becomes subject to such registration requirements, register with the Board of Governors of the Federal Reserve System by filing a statement in conformity with the requirements of Federal Reserve Form G-1 with the Federal Reserve Bank of the district in which the principal office of the lender is located: *Provided*, That no such statement need be filed with respect to credit extended in the calendar quarter that ended December 31, 1967, until April 10, 1968.

(b) **Termination of registration.**—Any person so registered who has not, during the preceding six calendar months, extended or maintained or arranged for the extension or maintenance of any credit secured directly or indirectly, in whole or in part, by collateral that includes any registered equity securities may apply for termination of such registration by filing Federal Reserve Form G-2 with the Federal Reserve Bank of the district in which the principal office of the lender is located.

(c) **Definition of lender and applicability of margin requirements.**—Any person subject to the registration requirements of paragraph (a) of this section who, in the ordinary course of his business, extends or maintains or arranges for the extension or maintenance of any credit for the purpose of purchasing or

carrying any registered equity security<sup>1</sup> (hereinafter called “**purpose credit**”), if such credit is secured directly or indirectly<sup>2</sup> in whole or in part by collateral that includes any such security, is a “**lender**” subject to this Part and shall not after February 1, 1968, except as provided in section 207.4(a), extend or arrange for the extension of any purpose credit in an amount exceeding the maximum loan value of the collateral, as prescribed from time to time for registered equity securities in section 207.5 (the Supplement to Regulation G), or as determined by the lender in good faith for any collateral other than registered equity securities: *Provided*, That any collateral consisting of convertible securities described in paragraph (d) of this section shall have loan value only as provided in that paragraph: *And provided further*, That in respect to a credit extended after February 1, 1968, and before March 11, 1968, any reduction in the credit or deposit of collateral required to meet this requirement shall be accomplished by April 10, 1968.

(d) **Credit on convertible securities.**—(1) A lender may extend credit for the purpose specified in paragraph (c) of this section on collateral consisting of any security convertible into a registered equity security or any security carrying a warrant or right to subscribe to or purchase such a security (sometimes herein referred to as a “convertible security”).

(2) Credit extended under this paragraph shall be subject to the same conditions as any other credit subject to this section except: (A) the entire amount of such credit shall be considered a single credit treated separately from the single credit specified in paragraph (g) of this section and all the collateral securing such credit shall be considered in determining whether or not the credit complies with this Part, and (B) the maximum loan value of the collateral shall be as prescribed from time to time in section 207.5(b) (the Supplement to Regulation G).

(3) Any convertible security originally eligible as collateral for a credit extended under this paragraph shall be treated as such as long as continuously held as collateral for such credit even though it ceases to be convertible or to carry warrants or rights.

(4) In the event that any stock is substituted for a convertible security held as collateral for a credit extended under this section the stock and any credit extended on it in compliance with this Part shall thereupon be treated as subject to paragraph (c)

<sup>1</sup> See § 207.2(d).

<sup>2</sup> See § 207.2(g).

of this section and not to this paragraph and the credit extended under this paragraph shall be reduced by an amount equal to the maximum loan value of the convertible security withdrawn less the maximum loan value of any convertible security described in subparagraph (d) (1) deposited as collateral.

(e) **Statements as to purpose of credit.**—In connection with any extension of credit secured directly or indirectly, in whole or in part, by collateral that includes any registered equity security, the lender shall, prior to such extension, obtain a statement in conformity with the requirements of Federal Reserve Form G-3 executed by the customer and executed and accepted in good faith by the lender. The lender shall retain such statement in his records for at least six years after such credit is extinguished. In determining whether credit is “purpose credit”, the lender may rely on the statement executed by the customer if accepted in good faith. To accept the customer’s statement in good faith, the lender must (1) be alert to the circumstances surrounding the credit and (2) if he has any information which would cause a prudent man not to accept the statement without inquiry, have investigated and be satisfied that the customer’s statement is truthful. Circumstances which could indicate that the lender has not exercised reasonable diligence in so acquainting himself and so investigating would include, but are not limited to, facts such as that (1) the proceeds of the credit were paid to a broker or to a bank in connection with contemporaneous delivery of registered equity securities, whether or not payment was made against delivery, (2) there were frequent substitutions of registered equity securities serving as collateral for the credit, or (3) the amount of the credit was disproportionate, or the terms inappropriate, to the stated purpose.

(f) **Credit extended to person subject to Regulation T.**—(1) No lender shall extend or maintain any credit for the purpose of purchasing or carrying any registered equity security to any person who is subject to Part 220 of this Chapter (Regulation T) without collateral or on collateral consisting of registered securities (other than exempted securities<sup>3</sup>). Where the credit is to be used in the ordinary course of business of such person, such credit is presumed to be for the purpose of purchasing or carrying registered equity securities unless the lender has in his records statements obtained and executed in conformity with the requirements of paragraph (e) of this section.

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<sup>3</sup> As defined in 15 U.S.C. 78c(a)(12).



(2) The prohibition of this paragraph (*f*) shall not apply to a credit which is unsecured or secured by collateral other than registered equity securities, and which is (i) made to a dealer (as defined in section 220.2(*a*) of Regulation T) to aid in the distribution of securities to customers not through the medium of a national securities exchange, or (ii) subordinated to the claims of general creditors by a subordination agreement approved by an appropriate committee of a national securities exchange or by a "satisfactory subordination agreement" as defined in paragraph (e) (7) of Rule 240-15c3-1 of the Securities and Exchange Commission.

**(g) Combining purpose credit extended to the same customer.**—For the purpose of this Part, except for a credit subject to paragraph (*d*) of this section, the aggregate of all outstanding purpose credit extended to a person by a lender after February 1, 1968, shall be considered a single credit and, except as provided in paragraphs (*d*) and (*i*) of this section, all the collateral securing such a credit, whether directly or indirectly, in whole or in part, shall be considered in determining whether the credit complies with this Part.

**(h) Purpose and nonpurpose credit extended to the same person.**—No lender shall after February 1, 1968, extend or maintain or arrange for the extension of any purpose credit, or shall arrange for the maintenance of any purpose credit extended after February 1, 1968, if the credit is secured directly or indirectly, in whole or in part, by collateral that includes any registered equity security which also secures, directly or indirectly, in whole or in part, any other credit extended to the same customer; and no lender shall have outstanding at the same time to the same customer both purpose credit extended after February 1, 1968, and any other credit extended after February 1, 1968.

**(i) Purpose credit secured both by registered equity securities and by other collateral.**—No lender shall after February 1, 1968, extend or maintain or arrange for the extension of any purpose credit, or shall arrange for the maintenance of any purpose credit extended after February 1, 1968, which is secured directly or indirectly, in whole or in part, by collateral that includes any registered equity security, unless at the time such credit was extended, the lender thereof obtained collateral consisting of registered equity securities in an amount sufficient to meet the requirements of paragraph (*c*) of this section, and such credit was thereafter maintained in accordance with the re-

quirements of this Part, and where any such credit is so secured, no other collateral shall have any loan value in respect to such credit for the purposes of this Part.

(j) **Withdrawals and substitutions of collateral.**—(1) *General rule.* Except as permitted by the next subparagraph and by section 207.4(a), while a lender maintains any purpose credit extended after February 1, 1968, the lender shall not at any time permit any withdrawal or substitution of collateral unless either (i) the credit would not exceed the maximum loan value of the collateral after such withdrawal or substitution, or (ii) the credit is reduced by at least the amount by which the maximum loan value of any collateral deposited is less than the “retention requirement” of any collateral withdrawn. The retention requirement of collateral other than registered equity securities is the same as its maximum loan value and the retention requirement of collateral consisting of registered equity securities or securities convertible into registered equity securities is prescribed from time to time in section 207.5 (the Supplement to Regulation G).

(2) *Same-day substitution of collateral.* Except as prohibited by section 207.4(a) a lender may permit a substitution of registered equity securities effected by a purchase and sale on orders executed within the the same day: *Provided*, That (i) if the proceeds of the sale exceed the total cost of the purchase, the credit is reduced by at least an amount equal to the retention requirement in respect to the sale less the retention requirement in respect to the purchase, or (ii) if the total cost of the purchase exceeds the proceeds of the sale, the credit may be increased by an amount no greater than the maximum loan value of the securities purchased less the maximum loan value of the securities sold. If the maximum loan value of the collateral securing the credit has become less than the amount of the credit, the amount of the credit may nonetheless be increased if there is provided additional collateral having maximum loan value at least equal to the amount of increase, or the credit is extended pursuant to section 207.4(a).

#### SECTION 207.2—DEFINITIONS

For the purpose of this Part, unless the context otherwise requires:

(a) The term “**person**” means an individual, a corporation, a partnership, an association, a joint stock company, a business trust, or an unincorporated organization.

(b) The term “**in the ordinary course of his business**” means occurring or reasonably expected to occur from time to time in the course of any activity of the lender for profit or the management and preservation of property or in addition, in the case of a lender other than an individual, carrying out or in furtherance of any business purpose.

(c) The “**purpose**” of a credit is determined by substance rather than form.

(1) Credit which is for the purpose, whether immediate, incidental, or ultimate, of purchasing or carrying a registered equity security is “purpose credit”, despite any temporary application of funds otherwise.

(2) Credit to enable the customer to reduce or retire indebtedness which was originally incurred to purchase a registered equity security is for the purpose of “carrying” such a security.

(3) Credit for the purpose of purchasing or carrying a security issued by an investment company registered pursuant to section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8), whose assets customarily include registered equity securities, is for the purpose of purchasing or carrying such registered equity securities.

(4) Credit for the purpose of purchasing or carrying any security convertible into a stock registered on a national securities exchange or any security carrying a warrant or right to subscribe to or purchase a stock registered on a national securities exchange is for the purpose of purchasing or carrying such registered equity securities.

(d) The term “**registered equity security**” means any equity security<sup>4</sup> which (1) is registered on a national securities exchange; or (2) has unlisted trading privileges on a national securities exchange, or (3) is exempted by the Securities and Exchange Commission from the operation of section 7(c) (2) of the Securities Exchange Act of 1934 (15 U.S.C. 78g(c) (2)) only to the extent necessary to render lawful any direct or indirect extension or maintenance of credit on such security; or (4) any security convertible with or without consideration into such registered equity security or carrying any warrant or right to subscribe to or purchase such registered equity security, or any such warrant or right.

(e) (1) The term “**purchase**” includes any contract to buy, purchase, or otherwise acquire.

<sup>4</sup> As defined in U.S.C. 78c(a) 11.

(2) The term “sale” includes any contract to sell or otherwise dispose of.

(f) The term “customer” includes any recipient of the credit to whom credit is extended directly or indirectly for the use of the customer, and also includes any person engaged in a joint venture, or as a member of a syndicate or a group, with the customer with respect to a purpose loan.

(g) The term “indirectly secured” includes, except as provided in section 207.4(a)(3), any arrangement as to assets of the customer which (1) serves to protect the interests of the lender, (2) serves to make assets of the borrower more readily available to the lender than to other creditors of the borrower, or (3) under which the borrower surrenders the right to dispose of assets so long as the credit remains outstanding.

#### SECTION 207.3—REPORTS AND RECORDS

(a) Every person who is registered pursuant to section 207.1(a) of this Part shall within thirty (30) days following the end of each succeeding calendar quarter file a report on Federal Reserve Form G-4 with the Federal Reserve Bank of the district in which the principal office of the lender is located.

(b) Every person who has registered pursuant to section 207.1(a) of this Part shall maintain such records as shall be prescribed by the Board of Governors of the Federal Reserve System to enable it to perform the functions conferred upon it by the Securities Exchange Act of 1934. (15 U.S.C. 78).

#### SECTION 207.4—MISCELLANEOUS PROVISIONS

(a) **Stock option and employee stock purchase plans.**—In respect to any credit extended and maintained by a corporation or by a lender wholly controlled by such corporation (such corporations and such lenders are both sometimes referred to as “plan-lenders”), to an officer or employee of the corporation or subsidiary thereof to finance the exercise of rights granted such officer or employee under a stock option plan or employee stock purchase plan adopted by the corporation and approved by a majority of its stockholders to purchase registered equity securities of such corporation or subsidiary,

(1) Sections 207.1(c), (d), (f), (g), (h), and (i) of this Part shall not apply to any such credit extended to finance the exercise of such rights granted to any named officer or employee prior to February 1, 1968, and effectively exercised by such

officer or employee prior to February 1, 1969, nor to any credit extended, prior to February 1, 1969, to a plan-lender pursuant to a bona fide written commitment in existence on February 1, 1968, to finance the exercise of such rights;

(2) The restrictions imposed by section 207.1(c) and (d) and section 207.5 (the Supplement to this Part) on the maximum loan value of registered equity securities serving as collateral for purpose credit shall not apply to securities purchased, and serving as direct or indirect collateral for credit extended, pursuant to such a plan, *Provided*, That:

(i) The entire amount of credit extended to any officer or employee pursuant to this paragraph in connection with the exercise of rights under such plan or plans shall be considered a single credit;

(ii) At the time when credit is extended under a plan subject to this paragraph, (A) the plan-lender computes the amount by which the credit exceeds the maximum loan value of the collateral as prescribed by section 207.5 (the Supplement to Regulation G), (the "deficiency"), and (B) the agreement under which the credit is extended provides that except as permitted by the proviso in subparagraph (iii) the officer or employee shall, in respect to such deficiency, make equal repayments to the plan-lender at least quarterly and equivalent to at least 20 per cent of such deficiency per annum, or such lesser amount as the Board of Governors, upon application, may permit, for at least three years from the extension of the credit;

(iii) The officer or employee is not permitted under such plan or agreement to sell, withdraw, pledge, or otherwise dispose of all or any part of such collateral until (A) all repayments have been made for at least the three-year period provided in subparagraph (ii) and the deficiency has been repaid, or (B) the maximum loan value of the collateral, as prescribed by section 207.5 (the Supplement to Regulation G), is at least equal to the credit which remains owing from the officer or employee to the plan-lender, whichever shall occur first: *Provided*, That this restriction need not apply where such collateral is required to be sold to meet emergency expenses arising from circumstances not reasonably foreseeable at the time of the extension of the credit (for this purpose such emergency expenses shall include the death, disability, or involuntary termination of employment of the officer or employee or some other change in his circumstances, involving

extreme hardship, not reasonably foreseeable at the time the credit is extended. The opportunity to realize monetary gain is not a "change in his circumstances" for this purpose); and

(iv) At such time as either of the conditions with respect to sale, withdrawal, pledge, or other disposition of collateral specified in subparagraph (iii) are satisfied, the credit is thereafter treated as a credit subject to all the requirements of this Part.

(3) No extension of credit to a plan-lender to finance such a plan shall be deemed to be indirectly secured by a registered equity security purchased pursuant to the plan provided such security is not repledged by the plan-lender to secure such extension of credit to the plan-lender and the amount of the credit does not exceed the total amount of credit currently extended by such plan-lender pursuant to such plan.

(b) **List of securities.**—In determining whether a security is a registered equity security or a security convertible into such security, or a security of the kind described in section 207.2(c) (3), a lender may rely upon the latest list of equity securities registered on a national securities exchange and securities of the kind described in section 207.2(c) (3) issued by the Board of Governors of the Federal Reserve System.

(c) **Extensions and renewals.**—The renewal or extension of maturity of a credit need not be treated as the extension of a credit if the amount of the credit is not increased except by the addition of interest or service charges on the credit or of taxes on transactions in connection with the credit.

(d) **Reorganization or recapitalization.**—Nothing in this Part shall be construed to prohibit withdrawal or substitution of securities to enable a customer to participate in a reorganization or recapitalization.

(e) **Mistakes in good faith.**—Failure to comply with this Part due to a mechanical mistake made in good faith in determining, recording, or calculating any credit, balance, market price or loan value, or other similar mechanical mistake, shall not constitute a violation of this Part if promptly after discovery of the mistake the lender takes whatever action is practicable to remedy the noncompliance.

(f) **Acting as agent.**—No person shall act as agent for any lender, bank, or creditor subject to Parts 207, 220, or 221 of this Chapter (Regulation G, T, or U) extending, maintaining, or arranging for any credit which the agent knows, or should know,

is secured directly or indirectly by any registered security unless the agent obtains and accepts in good faith a statement signed by such lender, bank, or creditor that he does not extend or maintain credit to or for customers in violation of such Part. For this purpose such activities of an "agent" include, but are not limited to receiving securities to be used as collateral for such credit, determining whether the market value of the collateral for such credit is adequate, and requiring the deposit of additional collateral or the reduction of such credit. In determining whether there has been an extension of credit subject to the provisions of Parts 207, 220, or 221 of this Chapter, and whether he can rely in good faith on the statement described herein, the person shall (1) be alert to the circumstances surrounding the credit and (2) if he has any information which would cause a prudent man not to accept the statement without inquiry, must have investigated and be satisfied that the credit either is not subject to such Part, or is extended and maintained in conformity with such Part.

(g) **Arranging for credit.**—A lender may arrange for the extension or maintenance of credit by any person upon the same terms and conditions as those upon which the lender, under the provisions of this Part, may himself extend or maintain such credit, but only upon such terms and conditions, except that this limitation shall not apply with respect to the arranging by a lender for a bank subject to Part 221 of this Chapter (Regulation U) to extend or maintain credit on registered securities or exempted securities.

## APPENDIX

There are printed below certain provisions of the Securities Exchange Act of 1934: (15 U.S.C., 78) :

### DEFINITIONS

#### Sec. 3. (a)

\* \* \*

(3) The term "member" when used with respect to an exchange means any person who is permitted either to effect transactions on the exchange without the services of another person acting as broker, or to make use of the facilities of an exchange for transactions thereon without payment of a commission or fee or with the payment of a commission or fee which is less than that charged the general public, and includes any firm transacting a business as broker or dealer of which a member is a partner, and any partner of any such firm.

(4) The term "broker" means any person engaged in the business of effecting transactions in securities for the account of others, but does not include a bank.

(5) The term "dealer" means any person engaged in the business of buying and selling securities for his own account, through a broker or otherwise, but does not include a bank, or any person insofar as he buys or sells securities for his own account, either individually or in some fiduciary capacity, but not as a part of a regular business.

(6) The term "bank" means (A) a banking institution organized under the laws of the United States, (B) a member bank of the Federal Reserve System, (C) any other banking institution, whether incorporated or not, doing business under the laws of any State or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks under section 11(k) of the Federal Reserve Act, as amended, and which is supervised and examined by State or Federal authority having supervision over banks, and which is not operated for the purpose of evading the provisions of this title, and (D) a receiver, conservator, or other liquidating agent of any in-



stitution or firm included in clauses (A), (B), or (C) of this paragraph.

\* \* \*

(9) The term "person" means an individual, a corporation, a partnership, an association, a joint-stock company, a business trust, or an unincorporated organization.

(10) The term "security" means any note, stock, treasury stock, bond, debenture, certificate of interest or participation in any profit-sharing agreement or in any oil, gas, or other mineral royalty or lease, any collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit, for a security, or in general, any instrument commonly known as a "security"; or any certificate of interest or participation in, temporary or interim certificate for, receipt for, or warrant or right to subscribe to or purchase, any of the foregoing; but shall not include currency or any note, draft, bill of exchange, or banker's acceptance which has a maturity at the time of issuance of not exceeding nine months, exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited.

(11) The term "equity security" means any stock or similar security; or any security convertible, with or without consideration, into such a security; or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right; or any other security which the Commission shall deem to be of similar nature and consider necessary or appropriate, by such rules and regulations as it may prescribe in the public interest or for the protection of investors, to treat as an equity security.

\* \* \*

(13) The terms "buy" and "purchase" each include any contract to buy, purchase, or otherwise acquire.

(14) The terms "sale" and "sell" each include any contract to sell or otherwise dispose of.

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#### MARGIN REQUIREMENTS

Sec. 7.(a) For the purpose of preventing the excessive use of credit for the purchase or carrying of securities, the Board of Governors of the Federal Reserve System shall,

prior to the effective date of this section and from time to time thereafter, prescribe rules and regulations with respect to the amount of credit that may be initially extended and subsequently maintained on any security (other than an exempted security) registered on a national securities exchange. For the initial extension of credit, such rules and regulations shall be based upon the following standard: An amount not greater than whichever is the higher of—

(1) 55 per centum of the current market price of the security, or

(2) 100 per centum of the lowest market price of the security during the preceding thirty-six calendar months, but not more than 75 per centum of the current market price.

Such rules and regulations may make appropriate provision with respect to the carrying of undermargined accounts for limited periods and under specified conditions; the withdrawal of funds or securities; the substitution or additional purchases of securities; the transfer of accounts from one lender to another; special or different margin requirements for delayed deliveries, short sales, arbitrage transactions, and securities to which paragraph (2) of this subsection does not apply; the bases and the methods to be used in calculating loans, and margins and market prices; and similar administrative adjustments and details. For the purposes of paragraph (2) of this subsection, until July 1, 1936, the lowest price at which a security has sold on or after July 1, 1933, shall be considered as the lowest price at which such security has sold during the preceding thirty-six calendar months.

(b) Notwithstanding the provisions of subsection (a) of this section, the Board of Governors of the Federal Reserve System, may, from time to time, with respect to all or specified securities or transactions, or classes of securities, or classes of transactions, by such rules and regulations (1) prescribe such lower margin requirements for the initial extension or maintenance of credit as it deems necessary or appropriate for the accommodation of commerce and industry, having due regard to the general credit situation of the country, and (2) prescribe such higher margin requirements for the initial extension or maintenance of credit as it may deem necessary or appropriate to prevent the excessive use of credit to finance transactions in securities.

## REGULATION G APPENDIX

(c) It shall be unlawful for any member of a national securities exchange or any broker or dealer who transacts a business in securities through the medium of any such member, directly or indirectly to extend or maintain credit or arrange for the extension or maintenance of credit to or for any customer—

(1) On any security (other than an exempted security) registered on a national securities exchange, in contravention of the rules and regulations which the Board of Governors of the Federal Reserve System shall prescribe under subsections (a) and (b) of this section.

(2) Without collateral or on any collateral other than exempted securities and/or securities registered upon a national securities exchange, except in accordance with such rules and regulations as the Board of Governors of the Federal Reserve System may prescribe (A) to permit under specified conditions and for a limited period any such member, broker, or dealer to maintain a credit initially extended in conformity with the rules and regulations of the Board of Governors of the Federal Reserve System, and (B) to permit the extension or maintenance of credit in cases where the extension or maintenance of credit is not for the purpose of purchasing or carrying securities or of evading or circumventing the provisions of paragraph (1) of this subsection.

(d) It shall be unlawful for any person not subject to subsection (c) to extend or maintain credit or to arrange for the extension or maintenance of credit for the purpose of purchasing or carrying any security registered on a national securities exchange, in contravention of such rules and regulations as the Board of Governors of the Federal Reserve System shall prescribe to prevent the excessive use of credit for the purchasing or carrying of or trading in securities in circumvention of the other provisions of this section. Such rules and regulations may impose upon all loans made for the purpose of purchasing or carrying securities registered on national securities exchanges limitations similar to those imposed upon members, brokers, or dealers by subsection (c) of this section and the rules and regulations thereunder. This subsection and the rules and regulations thereunder shall not apply (A) to a loan made by a person not in the ordinary course of his business, (B) to a loan on an exempted security, (C) to a loan to a dealer to

aid in the financing of the distribution of securities to customers not through the medium of a national securities exchange, (D) to a loan by a bank on a security other than an equity security, or (E) to such other loans as the Board of Governors of the Federal Reserve System shall, by such rules and regulations as it may deem necessary or appropriate in the public interest or for the protection of investors, exempt, either unconditionally or upon specified terms and conditions or for stated periods, from the operation of this subsection and the rules and regulations thereunder.

\* \* \*

#### RESTRICTIONS ON BORROWING BY MEMBERS, BROKERS, AND DEALERS

Sec. 8. It shall be unlawful for any member of a national securities exchange, or any broker or dealer who transacts a business in securities through the medium of any such member, directly or indirectly—

(a) To borrow in the ordinary course of business as a broker or dealer on any security (other than an exempted security) registered on a national securities exchange except (1) from or through a member bank of the Federal Reserve System, (2) from any nonmember bank which shall have filed with the Board of Governors of the Federal Reserve System an agreement, which is still in force and which is in the form prescribed by the Board, undertaking to comply with all provisions of this Act, the Federal Reserve Act, as amended, and the Banking Act of 1933, which are applicable to member banks and which relate to the use of credit to finance transactions in securities, and with such rules and regulations as may be prescribed pursuant to such provisions of law or for the purpose of preventing evasions thereof, or (3) in accordance with such rules and regulations as the Board of Governors of the Federal Reserve System may prescribe to permit loans between such members and/or brokers and/or dealers, or to permit loans to meet emergency needs. Any such agreement filed with the Board of Governors of the Federal Reserve System shall be subject to termination at any time by order of the Board, after appropriate notice and opportunity for hearing because of any failure by such bank to comply with the provisions thereof or with such provisions of law or rules or

regulation; and, for any willful violation of such agreement, such bank shall be subject to the penalties provided for violations of rules and regulations prescribed under this title. The provisions of sections 21 and 25 of this title shall apply in the case of any such proceeding or order of the Board of Governors of the Federal Reserve System in the same manner as such provisions apply in the case of proceedings and orders of the Commission.

(b) To permit in the ordinary course of business as a broker his aggregate indebtedness to all other persons, including customers' credit balances (but excluding indebtedness secured by exempted securities), to exceed such percentage of the net capital (exclusive of fixed assets and value of exchange membership) employed in the business, but not exceeding in any case, 2,000 per centum, as the Commission may by rules and regulations prescribe as necessary or appropriate in the public interest or for the protection of investors.

(c) In contravention of such rules and regulations as the Commission shall prescribe for the protection of investors to hypothecate or arrange for the hypothecation of any securities carried for the account of any customer under circumstances (1) that will permit the commingling of his securities without his written consent with the securities of any other customer, (2) that will permit such securities to be commingled with the securities of any person other than a bona fide customer, or (3) that will permit such securities to be hypothecated, or subjected to any lien or claim of the pledgee, for a sum in excess of the aggregate indebtedness of such customers in respect of such securities.

(d) To lend or arrange for the lending of any securities carried for the account of any customer without the written consent of such customer.

\* \* \*

#### ACCOUNTS AND RECORDS, REPORTS, EXAMINATIONS

Sec. 17. (b) Any broker, dealer, or other person extending credit who is subject to the rules and regulations prescribed by the Board of Governors of the Federal Reserve System pursuant to this title shall make such reports to the Board as it may require as necessary or appropriate to en-

able it to perform the functions conferred upon it by this title. If any such broker, dealer, or other person shall fail to make any such report or fail to furnish full information therein, or, if in the judgment of the Board it is otherwise necessary, such broker, dealer, or other person shall permit such inspections to be made by the Board with respect to the business operations of such broker, dealer, or other person as the Board may deem necessary to enable it to obtain the required information.

\* \* \*

#### VALIDITY OF CONTRACTS

Sec. 29. (a) Any condition, stipulation, or provision binding any person to waive compliance with any provision of this title or of any rule or regulation thereunder, or of any rule of an exchange required thereby shall be void.

(b) Every contract made in violation of any provision of this title or of any rule or regulation thereunder, and every contract (including any contract for listing a security on an exchange) heretofore or hereafter made the performance of which involves the violation of, or the continuance of any relationship or practice in violation of, any provision of this title or any rule or regulation thereunder, shall be void (1) as regards the rights of any person who, in violation of any such provision, rule, or regulation, shall have made or engaged in the performance of any such contract, and (2) as regards the rights of any person who, not being a party to such contract, shall have acquired any right thereunder with actual knowledge of the facts by reason of which the making or performance of such contract was in violation of any such provision, rule or regulation.

\* \* \*

(c) Nothing in this title shall be construed (1) to affect the validity of any loan or extension of credit (or any extension or renewal thereof) made or of any lien created prior or subsequent to the enactment of this title, unless at the time of the making of such loan or extension of credit (or extension or renewal thereof) or the creating of such lien, the person making such loan or extension of credit (or extension or renewal thereof) or acquiring such lien shall have actual knowledge of facts by reason of which the making of such loan or extension of credit (or extension or

renewal thereof) or the acquisition of such lien is a violation of the provisions of this title or any rule or regulation thereunder, or (2) to afford a defense to the collection of any debt or obligation or the enforcement of any lien by any person who shall have acquired such debt, obligation, or lien in good faith for value and without actual knowledge of the violation of any provision of this title or any rule or regulation thereunder affecting the legality of such debt, obligation, or lien.

\* \* \*

#### PENALTIES

Sec. 32. (a) Any person who willfully violates any provision of this title, or any rule or regulation thereunder the violation of which is made unlawful or the observance of which is required under the terms of this title, or any person who willfully and knowingly makes, or causes to be made, any statement in any application, report, or document required to be filed under this title or any rule or regulation thereunder or any undertaking contained in a registration statement as provided in subsection (d) of section 15 of this title, which statement was false or misleading with respect to any material fact, shall upon conviction be fined not more than \$10,000, or imprisoned not more than two years, or both, except that when such person is an exchange, a fine of not exceeding \$500,000 may be imposed; but no person shall be subject to imprisonment under this section for the violation of any rule or regulation if he proves that he had no knowledge of such rule or regulation.

**SPECIMEN ONLY**

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

**REGISTRATION STATEMENT FOR LENDERS OTHER THAN  
COMMERCIAL BANKS AND BROKERS THAT EXTEND CREDIT  
SECURED BY REGISTERED EQUITY SECURITIES**

(Pursuant to Section 207.1(a) of Federal Reserve Regulation G)

**Registration Requirement<sup>1</sup>**

Every person not subject to Federal Reserve Regulations T and U, who, in the ordinary course of business, during the calendar quarter ended December 31, 1967, extended or arranged for the extension of a total of \$50,000 or more, or had outstanding at any time during such calendar quarter a total of \$100,000 or more, in credit, against collateral that included registered equity securities shall prior to April 10, 1968 register with the Board of Governors by filing Form G-1 with the Federal Reserve Bank of the district in which the principal office of the lender is located. Thereafter, any such person not already registered who during any calendar quarter (a) extends or arranges for the extension of \$50,000 or more of such credit, or (b) has outstanding \$100,000 or more of such credit, shall register within 30 days after the end of that quarter.

**General Instructions**

All persons subject to the preceding registration requirement should (1) supply the background information specified below; (2) complete Schedules A and B; and (3) file a balance sheet (as of the end of the registrant's latest fiscal year).

Registrants should submit, if available, a balance sheet certified by an independent public accountant which is accompanied by the accountant's opinion and related explanatory notes. If the registrant is subject to supervision by a State or Federal regulatory authority, the balance sheet last filed with such regulatory authority may be used. If neither of the two preceding types of balance sheets is available, registrants should complete Schedule C. Balance sheets for any date prior to June 30, 1967 will not be acceptable.

Registration forms will be returned to registrants for corrections if not all items have been answered in the manner required or if the forms are otherwise unacceptable for filing.

<sup>1</sup> The following definitions of terms may help to clarify the meaning of this requirement; for additional definitions, see Section 207.2 of Regulation G.

**Person** (as used in the registration requirement): An individual, a corporation, a partnership, an association, a joint stock company, a business trust, or an unincorporated organization.

**In the ordinary course of business:** Occurring or reasonably expected to occur from time to time in the course of any activity of the lender for profit or the management and preservation of property or in addition, in the case of a lender other than an individual, carrying out or in furtherance of any business purpose.

**Registered equity security:** Any equity security which (1) is registered on a national securities exchange, (2) has unlisted trading privileges on a national securities exchange, or (3) any security convertible with or without consideration into such registered equity security or carrying any warrant or right to subscribe to or purchase or carry such registered equity security, or any such warrant or right.



**BACKGROUND INFORMATION**

1. Full name of registrant: \_\_\_\_\_ IRS Employee Identification No.: \_\_\_\_\_  
2. Name under which business is conducted, if different than as stated in No. 1: \_\_\_\_\_

3a. Address of principal place of business: (Do not use P.O. Box No.) \_\_\_\_\_

b. Mailing address, if different than as stated in "a": \_\_\_\_\_

4. Principal lines of business: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Registrant is (check one)  
Sole proprietorship \_\_\_\_\_ Other (specify) \_\_\_\_\_  
Partnership \_\_\_\_\_  
Corporation \_\_\_\_\_

6. If registrant is sole proprietor, state full residence address: \_\_\_\_\_

7. If registrant is a partnership, list names and nature of interest of all general partners and those limited partners that have a more than 10 per cent interest in the partnership:

<u>Partner</u>	<u>Nature of Interest</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

8. If registrant is a corporation,  
a. State date and place of incorporation: \_\_\_\_\_  
Date \_\_\_\_\_ Place \_\_\_\_\_

b. Furnish names and titles of all principal officers:

<u>Officer</u>	<u>Title</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**BACKGROUND INFORMATION (continued)**

9. If registrant is other than a sole proprietor, partnership, or corporation, indicate names of principals:

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10a. Does any person not named in Items 1 and 6 through 9, inclusive, directly or indirectly, through stock ownership, agreement, or otherwise, exercise or have power to exercise a controlling influence over the management or policies of registrant? Yes \_\_\_\_\_ No \_\_\_\_\_

b. If answer to "a" is yes, state the name of each such person and describe the agreement or other basis through which such person exercises a controlling influence:

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11. If registrant has any arrangement with any other person, firm, or organization under which any of the accounts or records of registrant are kept or maintained by such other person, firm or organization, furnish the name and address of the other person, firm, or organization:

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If additional space is needed to answer any of the above items, supplemental sheets should be attached.

**SIGNATURE**

The Registrant filing this Form and its attachments and the person by whom it is executed represent hereby that all information contained therein is true and complete. It is understood that all applicable items and schedules are considered integral parts of this form.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

\_\_\_\_\_  
(Name of Corporation, Partnership, or other organization)

\_\_\_\_\_  
(Manual signature of Sole Proprietor, General Partner, Managing Agent or Principal Officer)

\_\_\_\_\_  
(Title)

**A FALSE OR DISHONEST STATEMENT ON THIS FORM MAY BE  
PUNISHABLE BY FINE OR IMPRISONMENT (U.S. CODE, TITLE 15,  
SECTION 78# AND TITLE 18, SECTION 1001.)**

**Schedule A**  
**SECURITIES CREDIT OUTSTANDING AT END**  
**OF LATEST FISCAL QUARTER**  
(In dollars)

(Date \_\_\_\_\_)

**A. CREDIT EXTENDED TO PURCHASE OR CARRY REGISTERED EQUITY SECURITIES**

**1. Secured directly**

- a. In whole or in part by registered equity securities \_\_\_\_\_
- b. Wholly by other collateral \_\_\_\_\_

**2. Secured indirectly <sup>1</sup>**

- a. In whole or in part by registered equity securities \_\_\_\_\_
- b. Wholly by other collateral \_\_\_\_\_

**B. OTHER EXTENSIONS OF CREDIT SECURED IN WHOLE OR IN PART BY REGISTERED EQUITY SECURITIES**

**1. Secured directly** \_\_\_\_\_

**2. Secured indirectly <sup>1</sup>** \_\_\_\_\_

**Schedule B**  
**VOLUME OF SECURITIES CREDIT EXTENDED**  
**IN LATEST FISCAL QUARTER**  
(Fiscal Quarter ended \_\_\_\_\_)

	Number of loans	Volume (In dollars)
--	--------------------	------------------------

**A. CREDIT EXTENDED TO PURCHASE OR CARRY REGISTERED EQUITY SECURITIES**

**1. Secured directly**

- a. In whole or in part by registered equity securities \_\_\_\_\_
- b. Wholly by other collateral \_\_\_\_\_

**2. Secured indirectly <sup>1</sup>**

- a. In whole or in part by registered equity securities \_\_\_\_\_
- b. Wholly by other collateral \_\_\_\_\_

**B. OTHER EXTENSIONS OF CREDIT SECURED IN WHOLE OR IN PART BY REGISTERED EQUITY SECURITIES**

**1. Secured directly** \_\_\_\_\_

**2. Secured indirectly <sup>1</sup>** \_\_\_\_\_

<sup>1</sup> For purposes of these schedules registrants should exclude loans made pursuant to loan agreements containing negative pledge or other similar provisions. However, indicate in the boxes that follow whether your loan agreements normally contain such provisions.  yes  no

For specific instructions in completing these schedules see next page

### Instructions for Schedules A and B

- (1) Registrants need supply data only on the lines indicated; summations will be made by the Federal Reserve.
- (2) Data on credits outstanding (Schedule A) and the volume of credits extended (Schedule B) should be reported in even dollars; cents should be omitted.
- (3) **“Registered equity securities,”** as indicated by the definition set forth at the bottom of page 1 of this registration statement, include bonds or debentures convertible into stocks registered on national securities exchanges as well as the stocks themselves. A list containing the names of all registered stocks can be obtained from your nearest Federal Reserve Bank.
- (4) Credit extensions included under Section A of Schedules A and B are **“purpose”** credits, as defined in section 207.2(c) of Regulation G; and those included under Section B of the schedules are **“non-purpose”** credits.
- (5) The term **“other collateral”** in lines A(1)b and A(2)b of both schedules includes—in addition to non-registered equity securities, non-convertible bonds, and other financial assets—any nonfinancial assets pledged against the loan.
- (6) For purposes of completing lines A(2) and B(2), the term **“secured indirectly”** means any arrangement as to assets of the borrower which (1) serves to protect the interest of the lender in insuring that the credit is repaid, or (2) serves to make assets of the borrower more readily available to the lender than to other creditors of the borrower.
- (7) A **“negative pledge”** is a covenant signed by the borrower agreeing not to sell, encumber, or otherwise dispose of any of his assets without first obtaining the consent of the lender.

**Schedule C**  
**BALANCE SHEET AT END OF LATEST FISCAL YEAR <sup>1</sup>**

(As of \_\_\_\_\_)  
Date

(To the Nearest  
Dollar)

**ASSETS**

1. Cash, deposits, and owned securities maturing in one year or less <sup>2</sup>
2. Notes and accounts receivable (net of allowance for bad debts of \$\_\_\_\_\_)
3. Plant, equipment and other fixed assets (net of depreciation and depletion amounting to \$\_\_\_\_\_)
4. Inventories
5. Equity in non-consolidated subsidiaries <sup>3</sup>
6. All other assets
7. Total Assets

**LIABILITIES**

8. Bank loans maturing in one year or less <sup>2</sup>
9. Other notes and accounts payable maturing in one year or less <sup>2</sup>
10. Long-term debt
11. Other liabilities
12. Total Liabilities

**NET WORTH**

13. Paid-in capital, and paid-in surplus
14. Earned surplus and/or undivided profits
15. Total Net Worth
16. Total Liabilities and Net Worth

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<sup>1</sup> To be completed *only* by firms not submitting corporate balance sheets certified by an independent public accountant or used to meet reporting requirements of supervisory agencies.

<sup>2</sup> Items maturing in one year or less include those that have shortened with the passage of time as well as items with original maturities of one year or less.

<sup>3</sup> Includes the parent company's share of earnings retained in the non-consolidated subsidiary as well as its direct contributions of capital.

<sup>4</sup> Registrants for which items 13 and 14 are not relevant should still fill in item 15.

**SPECIMEN ONLY**

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

**DEREGISTRATION STATEMENT FOR LENDERS REGISTERED PURSUANT TO REGULATION G  
(FEDERAL RESERVE FORM G-2)**

A. For use by Non-Corporate Lenders.

**Certificate**

I (We), doing business under the name, \_\_\_\_\_, hereby certify that I (we) have not extended or maintained, or arranged for the extension or maintenance of any credit secured, directly or indirectly, in whole or in part by collateral that includes any registered equity securities during the six calendar months prior to the date hereof.

I (We) understand that if I (we), in the future, extend or arrange for the extension of a total of fifty thousand dollars (\$50,000) or more during any calendar quarter, or have outstanding at any time during a calendar quarter a total of one hundred thousand dollars (\$100,000) or more, in credit secured, directly or indirectly, in whole or in part, by collateral that includes any registered equity securities, I (we) shall within 30 days following the end of such calendar quarter re-register with the Board of Governors of the Federal Reserve System by filing Federal Reserve Form G-1 with the Federal Reserve Bank of the district in which my (our) principal office is located.

This certification is given in connection with an application for termination of registration pursuant to section 207.1(b) of Regulation G of the Board of Governors of the Federal Reserve System (12 CFR 207).

Date \_\_\_\_\_

Signature \_\_\_\_\_

(Print or type name and title,  
if any, below signature)

\_\_\_\_\_  
(Name of Firm)

\_\_\_\_\_  
(Type of organization, e.g.  
individual proprietorship,  
partnership)

**A FALSE OR DISHONEST STATEMENT ON THIS FORM MAY BE  
PUNISHABLE BY FINE OR IMPRISONMENT (U. S. CODE, TITLE  
15, SECTION 78# AND TITLE 18, SECTION 1001).**

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

DEREGISTRATION STATEMENT FOR LENDERS REGISTERED PURSUANT TO REGULATION G  
(FEDERAL RESERVE FORM G-2)

B. For use by Corporate Lenders.

Officer's Certificate

I, \_\_\_\_\_, of \_\_\_\_\_,  
a \_\_\_\_\_ (Name) \_\_\_\_\_ (Title) \_\_\_\_\_ (Name of Corporation) has  
(State of Incorporation) (Name of Corporation)  
not extended or maintained, or arranged for the extension or maintenance of any credit secured, directly  
or indirectly, by collateral that includes any registered equity securities during the six calendar months  
prior to the date hereof.

It is understood that if \_\_\_\_\_ (Name of Corporation) shall, in the future, extend or arrange for  
the extension of a total of fifty thousand dollars (\$50,000) or more during any calendar quarter, or has  
outstanding at any time during a calendar quarter, a total of one hundred thousand dollars (\$100,000) or  
more, in credit that is secured, directly or indirectly, in whole or in part, by collateral that includes any  
registered equity securities, \_\_\_\_\_ (Name of Corporation) shall within 30 days following the end of  
such calendar quarter re-register with the Board of Governors of the Federal Reserve System, by filing  
Federal Reserve Form G-1 with the Federal Reserve Bank of the District in which the principal office of  
the corporation is located.

This certification is given in connection with an application for termination of registration pursuant to  
section 207.1(b) of Regulation G of the Board of Governors of the Federal Reserve System (12 CFR  
207).

In witness whereof I have hereunto set my hand and affixed the seal of the corporation this  
\_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_.

SEAL

Signature\* \_\_\_\_\_  
(Print or type name and title  
below signature)

ATTEST: \_\_\_\_\_  
(Corporate Secretary)

\* To be executed by a duly authorized president or vice president of the corporation.

**A FALSE OR DISHONEST STATEMENT ON THIS FORM MAY BE  
PUNISHABLE BY FINE OR IMPRISONMENT (U. S. CODE, TITLE  
15, SECTION 78ff AND TITLE 18, SECTION 1001).**

**SPECIMEN ONLY**

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

STATEMENT OF PURPOSE OF THE PROCEEDS OF AN EXTENSION OF CREDIT BY A  
PERSON OTHER THAN A BANK, BROKER, OR DEALER SECURED BY REGISTERED  
EQUITY SECURITIES. (FEDERAL RESERVE FORM G-3)

A FALSE OR DISHONEST STATEMENT BY THE CUSTOMER OR THE LENDER ON THIS FORM MAY  
BE PUNISHABLE BY FINE OR IMPRISONMENT (U.S. CODE, TITLE 15, SECTION 78f, AND TITLE 18,  
SECTION 1001).

Please print or type (if space is inadequate attach separate sheet).

I (we), \_\_\_\_\_, have applied for an extension of credit from  
(name(s))  
\_\_\_\_\_ in the amount of \$\_\_\_\_\_ secured in whole  
(name of lender)

or in part by registered equity securities as follows:

**Part I. Registered Equity Security Collateral**

Registered equity securities (list separately by issue)	Number of shares	Source of valuation	Market value (in \$)	TO BE COMPLETED BY THE LENDER	
				Source of valuation	Market value (in \$)

**Part II. Other Collateral**

List collateral (Itemize where 10 per cent or more)	Source of valuation	Market value (in \$)	Source of valuation	Market value (in \$)	Good faith loan value (in \$)
Total: \$_____			Total: \$_____		Total: \$_____

Total amount of credit granted \$\_\_\_\_\_.



Part III.

1. The proceeds of this credit are to be used for \_\_\_\_\_  
(describe in detail)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. I (we) have owned the registered equity securities securing this credit continuously for (check one)  
 six months or more  less than six months.

I (WE) HAVE READ THIS FORM AND HEREBY CERTIFY AND AFFIRM THAT TO THE BEST OF MY (OUR) KNOWLEDGE AND BELIEF THE STATEMENTS REQUIRED OF ME (US) ARE TRUE, ACCURATE, AND COMPLETE.

Manual signature of customer (s):

DATE \_\_\_\_\_

(SIGNED) \_\_\_\_\_

(Print name under each signature)

(Street address)

(City, state)

Part IV.

TO BE COMPLETED BY LENDER

1. State amount of any other credit extended to the customer(s) (a) secured in whole or in part, directly or indirectly, by any portion of collateral listed in Parts I and II: \$ \_\_\_\_\_ and (b) unsecured credit in excess of \$5,000 in the aggregate \$ \_\_\_\_\_.
2. Is the collateral listed in Part I to be delivered or has the collateral been delivered from a bank, broker, dealer, or a person other than the customer? \_\_\_\_\_ Against payment? \_\_\_\_\_.

I HAVE SUPPLIED THE INFORMATION REQUIRED OF THE LENDER AND ACCEPT THE CUSTOMER'S STATEMENT ON THIS FORM IN GOOD FAITH AS DEFINED BELOW.\* I AM FAMILIAR WITH THE PROVISIONS OF REGULATION G.

DATE \_\_\_\_\_

(SIGNED) \_\_\_\_\_

(Print name and title under signature)

(Name of lender)

(Street address)

(City, state)

\* Regulation G requires that the customer's statement on this form be accepted by the lender acting in good faith. Good faith requires that such lender (1) must be alert to the circumstances surrounding the credit, and (2) if he has any information which would cause a prudent man not to accept the statement without inquiry, has investigated and is satisfied that the statement is truthful.

This form must be retained by the lender for at least six years after the termination of the credit.

## BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

### REGISTRATION STATEMENT FOR LENDERS OTHER THAN COMMERCIAL BANKS AND BROKERS THAT EXTEND CREDIT SECURED BY REGISTERED EQUITY SECURITIES

(Pursuant to Section 207.1(a) of Federal Reserve Regulation G)

#### **Registration Requirement <sup>1</sup>**

Every person not subject to Federal Reserve Regulations T and U, who, in the ordinary course of business, during the calendar quarter ended December 31, 1967, extended or arranged for the extension of a total of \$50,000 or more, or had outstanding at any time during such calendar quarter a total of \$100,000 or more, in credit, against collateral that included registered equity securities shall prior to April 10, 1968 register with the Board of Governors by filing Form G-1 with the Federal Reserve Bank of the district in which the principal office of the lender is located. Thereafter, any such person not already registered who during any calendar quarter (a) extends or arranges for the extension of \$50,000 or more of such credit, or (b) has outstanding \$100,000 or more of such credit, shall register within 30 days after the end of that quarter.

#### **General Instructions**

All persons subject to the preceding registration requirement should (1) supply the background information specified below; (2) complete Schedules A and B; and (3) file a balance sheet (as of the end of the registrant's latest fiscal year).

Registrants should submit, if available, a balance sheet certified by an independent public accountant which is accompanied by the accountant's opinion and related explanatory notes. If the registrant is subject to supervision by a State or Federal regulatory authority, the balance sheet last filed with such regulatory authority may be used. If neither of the two preceding types of balance sheets is available, registrants should complete Schedule C. Balance sheets for any date prior to June 30, 1967 will not be acceptable.

Registration forms will be returned to registrants for corrections if not all items have been answered in the manner required or if the forms are otherwise unacceptable for filing.

<sup>1</sup> The following definitions of terms may help to clarify the meaning of this requirement; for additional definitions, see Section 207.2 of Regulation G.

**Person** (as used in the registration requirement): An individual, a corporation, a partnership, an association, a joint stock company, a business trust, or an unincorporated organization.

**In the ordinary course of business:** Occurring or reasonably expected to occur from time to time in the course of any activity of the lender for profit or the management and preservation of property or in addition, in the case of a lender other than an individual, carrying out or in furtherance of any business purpose.

**Registered equity security:** Any equity security which (1) is registered on a national securities exchange, (2) has unlisted trading privileges on a national securities exchange, or (3) any security convertible with or without consideration into such registered equity security or carrying any warrant or right to subscribe to or purchase or carry such registered equity security, or any such warrant or right.

**BACKGROUND INFORMATION**

1. Full name of registrant: \_\_\_\_\_ IRS Employee Identification No.: \_\_\_\_\_

2. Name under which business is conducted, if different than as stated in No. 1: \_\_\_\_\_

3a. Address of principal place of business: (Do not use P.O. Box No.) \_\_\_\_\_

b. Mailing address, if different than as stated in "a": \_\_\_\_\_

4. Principal lines of business: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Registrant is (check one)  
Sole proprietorship \_\_\_\_\_ Other (specify) \_\_\_\_\_  
Partnership \_\_\_\_\_  
Corporation \_\_\_\_\_

6. If registrant is sole proprietor, state full residence address: \_\_\_\_\_

7. If registrant is a partnership, list names and nature of interest of all general partners and those limited partners that have a more than 10 per cent interest in the partnership:

Partner Nature of Interest


8. If registrant is a corporation,  
a. State date and place of incorporation:  
Date \_\_\_\_\_ Place \_\_\_\_\_

b. Furnish names and titles of all principal officers:

<u>Officer</u>	<u>Title</u>

**BACKGROUND INFORMATION (continued)**

9. If registrant is other than a sole proprietor, partnership, or corporation, indicate names of principals:

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10a. Does any person not named in Items 1 and 6 through 9, inclusive, directly or indirectly, through stock ownership, agreement, or otherwise, exercise or have power to exercise a controlling influence over the management or policies of registrant? Yes \_\_\_\_\_ No \_\_\_\_\_

b. If answer to "a" is yes, state the name of each such person and describe the agreement or other basis through which such person exercises a controlling influence:

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11. If registrant has any arrangement with any other person, firm, or organization under which any of the accounts or records of registrant are kept or maintained by such other person, firm or organization, furnish the name and address of the other person, firm, or organization:

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If additional space is needed to answer any of the above items, supplemental sheets should be attached.

**SIGNATURE**

The Registrant filing this Form and its attachments and the person by whom it is executed represent hereby that all information contained therein is true and complete. It is understood that all applicable items and schedules are considered integral parts of this form.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

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(Name of Corporation, Partnership, or other organization)

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(Manual signature of Sole Proprietor, General Partner, Managing Agent or Principal Officer)

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(Title)

**A FALSE OR DISHONEST STATEMENT ON THIS FORM MAY BE  
PUNISHABLE BY FINE OR IMPRISONMENT (U.S. CODE, TITLE 15,  
SECTION 78ff AND TITLE 18, SECTION 1001.)**

**Schedule A**  
**SECURITIES CREDIT OUTSTANDING AT END**  
**OF LATEST FISCAL QUARTER**  
(In dollars)

(Date \_\_\_\_\_)

**A. CREDIT EXTENDED TO PURCHASE OR CARRY REGISTERED EQUITY SECURITIES**

**1. Secured directly**

- a. In whole or in part by registered equity securities \_\_\_\_\_
- b. Wholly by other collateral \_\_\_\_\_

**2. Secured indirectly <sup>1</sup>**

- a. In whole or in part by registered equity securities \_\_\_\_\_
- b. Wholly by other collateral \_\_\_\_\_

**B. OTHER EXTENSIONS OF CREDIT SECURED IN WHOLE OR IN PART BY REGISTERED EQUITY SECURITIES**

**1. Secured directly** \_\_\_\_\_

**2. Secured indirectly <sup>1</sup>** \_\_\_\_\_

**Schedule B**

**VOLUME OF SECURITIES CREDIT EXTENDED**  
**IN LATEST FISCAL QUARTER**

(Fiscal Quarter ended \_\_\_\_\_)

	Number of loans	Volume (In dollars)
<b>A. CREDIT EXTENDED TO PURCHASE OR CARRY REGISTERED EQUITY SECURITIES</b>		
<b>1. Secured directly</b>		
a. In whole or in part by registered equity securities	_____	_____
b. Wholly by other collateral	_____	_____
<b>2. Secured indirectly <sup>1</sup></b>		
a. In whole or in part by registered equity securities	_____	_____
b. Wholly by other collateral	_____	_____
<b>B. OTHER EXTENSIONS OF CREDIT SECURED IN WHOLE OR IN PART BY REGISTERED EQUITY SECURITIES</b>		
<b>1. Secured directly</b>	_____	_____
<b>2. Secured indirectly <sup>1</sup></b>	_____	_____

<sup>1</sup> For purposes of these schedules registrants should exclude loans made pursuant to loan agreements containing negative pledge or other similar provisions. However, indicate in the boxes that follow whether your loan agreements normally contain such provisions.  yes  no

For specific instructions in completing these schedules see next page

### Instructions for Schedules A and B

- (1) Registrants need supply data only on the lines indicated; summations will be made by the Federal Reserve.
- (2) Data on credits outstanding (Schedule A) and the volume of credits extended (Schedule B) should be reported in even dollars; cents should be omitted.
- (3) **“Registered equity securities,”** as indicated by the definition set forth at the bottom of page 1 of this registration statement, include bonds or debentures convertible into stocks registered on national securities exchanges as well as the stocks themselves. A list containing the names of all registered stocks can be obtained from your nearest Federal Reserve Bank.
- (4) Credit extensions included under Section A of Schedules A and B are **“purpose”** credits, as defined in section 207.2(c) of Regulation G; and those included under Section B of the schedules are **“non-purpose”** credits.
- (5) The term **“other collateral”** in lines A(1)b and A(2)b of both schedules includes—in addition to non-registered equity securities, non-convertible bonds, and other financial assets—any nonfinancial assets pledged against the loan.
- (6) For purposes of completing lines A(2) and B(2), the term **“secured indirectly”** means any arrangement as to assets of the borrower which (1) serves to protect the interest of the lender in insuring that the credit is repaid, or (2) serves to make assets of the borrower more readily available to the lender than to other creditors of the borrower.
- (7) A **“negative pledge”** is a covenant signed by the borrower agreeing not to sell, encumber, or otherwise dispose of any of his assets without first obtaining the consent of the lender.

## Schedule C

### BALANCE SHEET AT END OF LATEST FISCAL YEAR <sup>1</sup>

(As of \_\_\_\_\_)  
Date

(To the Nearest  
Dollar)

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#### ASSETS

1. Cash, deposits, and owned securities maturing in one year or less <sup>2</sup>
2. Notes and accounts receivable (net of allowance for bad debts of \$\_\_\_\_\_)
3. Plant, equipment and other fixed assets (net of depreciation and depletion amounting to \$\_\_\_\_\_)
4. Inventories
5. Equity in non-consolidated subsidiaries <sup>3</sup>
6. All other assets
7. Total Assets

#### LIABILITIES

8. Bank loans maturing in one year or less <sup>2</sup>
9. Other notes and accounts payable maturing in one year or less <sup>2</sup>
10. Long-term debt
11. Other liabilities
12. Total Liabilities

#### NET WORTH

13. Paid-in capital, and paid-in surplus
14. Earned surplus and/or undivided profits
15. Total Net Worth
16. Total Liabilities and Net Worth

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<sup>1</sup> To be completed *only* by firms not submitting corporate balance sheets certified by an independent public accountant or used to meet reporting requirements of supervisory agencies.

<sup>2</sup> Items maturing in one year or less include those that have shortened with the passage of time as well as items with original maturities of one year or less.

<sup>3</sup> Includes the parent company's share of earnings retained in the non-consolidated subsidiary as well as its direct contributions of capital.

<sup>4</sup> Registrants for which items 13 and 14 are not relevant should still fill in item 15.

Statement to be returned to the Federal Reserve Bank of Dallas  
by persons not registering under Regulation G in respect to last  
calendar quarter of 1967.

\_\_\_\_\_ has not extended or arranged for  
(Name of firm)  
the extension of credit totaling \$50,000 or more, secured directly  
or indirectly by any registered equity securities, during the  
calendar quarter ended December 31, 1967, and did not have outstand-  
ing during such calendar quarter a total of \$100,000 or more in such  
credit.

Date \_\_\_\_\_ Signature \_\_\_\_\_  
(Print or type name and title,  
if any, below signature)

Name of firm \_\_\_\_\_

Type of Organization \_\_\_\_\_

Address of Principal Place  
of business \_\_\_\_\_

Mailing address, if different than  
stated above \_\_\_\_\_





# FEDERAL RESERVE

press release

For immediate release.

February 1, 1968.

The Board of Governors of the Federal Reserve System announced today that it has adopted a number of changes to broaden the coverage of, and, in most respects, to tighten its regulations governing the use of credit in stock market transactions. These changes are based on proposals which were published for comment on October 20, 1967. Interested persons were asked to submit their comments in writing by November 20, 1967. The proposals have been revised extensively in the light of numerous comments received in response to the Board's invitation. As adopted, the changes will:

1. Extend the period in which a broker or dealer must obtain the customer's margin deposit on a margin transaction by one day, to five full business days after the transaction. This change will become effective on February 5, 1968. The purpose of this liberalizing proposal is to reduce the current pressures on bookkeeping departments of brokerage firms by insuring that a weekend will always be included in the period of time within which the deposit must be obtained.

The margin required on stock transactions remains unchanged at 70 per cent. This means in effect that anyone buying a \$100 stock on credit must deposit in his margin account at least \$70 in cash, or securities with an equivalent loan value.

2. Impose a new margin requirement on loans made by banks for the purpose of purchasing or carrying securities convertible into registered stock. This requirement will be set independently of the margin requirement for loans to purchase or carry registered stock, and is fixed initially at 50 per cent in recognition of the fact that convertible securities combine characteristics of both stocks and bonds. The same requirement applies to loans by brokers and dealers on registered convertible securities, instead of the present 70 per cent, but margin requirements are removed from loans they make on non-convertible bonds. In consequence, banks, brokers and dealers will be on substantially the same footing in these respects.

Beginning March 11, the 50 per cent initial requirement will apply to all new loans on convertibles by banks, brokers and dealers, or other lenders. On loans made by banks between October 20, 1967, and March 11, 1968, a fully margined status must be achieved by April 10; bank loans made before October 20, 1967, are not affected unless there have been subsequent substitutions of collateral or conversions into stock. On loans made by lenders other than banks or brokers and dealers between February 1, 1968, and March 11, 1968, a fully margined status must also be achieved by April 10, 1968.

For all lenders--banks, brokers and others--loans on convertibles that have a margin status below the prescribed 50 per cent will be subject to a 70 per cent "retention requirement": that is, 70 per cent of the proceeds from a sale of these securities will have to be retained to improve the status of the loan until it is margined at the full 50 per cent.

3. Require that non-convertible bonds and exempted securities (e.g., Government securities) on the one hand, and convertible securities on the other, be segregated in two new accounts, separate from the ordinary margin account in which only stock may be held. The purpose of requiring

separate accounts is to foreclose use of the "same-day-substitution" privilege to circumvent the retention requirement for accounts that are below the prescribed margin. Placing convertible securities in a separate account will also, it is believed, avoid some bookkeeping and other mechanical problems which would result from having in the same margin account securities with different loan values.

4. Require that collateral in special subscription accounts-- that is, securities acquired by the exercise of subscription rights on the preferential 25 per cent initial margin presently allowed for such acquisitions--be brought into "fully margined" status by payments in four equal quarterly instalments. This provision, as adopted, requires that when a payment is not made, the bank, broker or dealer sell enough collateral so that the remaining credit will be roughly in the same proportion to the collateral remaining in the account as if the payment had been made. As originally proposed, the changes would have required all the collateral in the account to be sold, and the loan paid off, if a payment were missed.

5. Introduce a new regulation (designated "Regulation G") to extend to other lenders margin requirements corresponding to those long applicable to brokers, dealers, and banks on credit extended for the purpose of purchasing or carrying registered equity securities.

The "other lenders" whose security loans are thus put on a corresponding footing with those of banks and brokers include the following: "factors," "collateral lenders," and others whose stock loans usually rise during periods when both margin requirements and stock market activity are high; insurance companies; tax-exempt organizations; credit unions; finance companies; those State-chartered savings and loan associations

authorized to make such loans; and anyone acting as agent for a lender-- foreign or domestic--in handling securities loans.

The new Regulation G does not apply to any credit extended before February 1, 1968, and persons extending credit in relatively small amounts will not be subject to its requirements. Only credit on registered equity securities (stocks and securities convertible into stock) will be subject to the regulation (as contrasted with the proposals, which applied to credit on all registered securities). Lenders extending more than \$50,000 in credit in any calendar quarter against registered equity securities, or whose loans against such securities amount to \$100,000 at any time during the quarter, must register with the Board by the end of the month following the close of the quarter. Margin requirements will apply to any loan made for the purpose of purchasing or carrying registered equity securities by a person subject to the registration requirement, and all registered lenders must file quarterly reports.

An exception from initial margin requirements is provided for credit extended by corporations to finance the exercise of stock purchase rights granted officers and employees under corporate plans that contain certain safeguards designed to make it less likely that the credit will be repaid with proceeds of the sale of the securities. Exceptions are also made for borrowing to finance plans of this kind, and for rights that were granted prior to February 1, 1968.

6. Require that banks and other persons performing certain services "as agent" for foreign and other stock market lenders obtain a signed statement from their principals to the effect that the activities of the principal conform to the applicable margin regulations. The agent may

act in reliance on such a statement. A similar requirement has been inserted into Regulation T, as to services by brokers and dealers. Also, banks and other lenders will be forbidden to arrange for credit on lower margin than they can extend themselves; brokers and dealers have long been subject to this rule.

7. Require that banks and other lenders obtain from the borrower a signed statement of the purpose of any stock-secured loan, on a form prescribed by the Board, determine in good faith that the statement is correct, and sign it as so accepted. A false statement on the form may be punishable by fine or imprisonment. The forms will have to be kept in the records of the bank or lender for at least six years after the credit is extinguished. Loans by brokers and dealers are generally for the purpose of purchasing or carrying securities, and no statement of purpose is ordinarily required in connection with such loans.

In adopting the new provisions relating to convertible securities, the Board also published for comment a proposal to exempt from margin requirements loans made by banks to dealers to finance their market-making activities in convertible securities. If adopted, this exemption would become effective not later than March 11, 1968. Dealers who wish to be eligible for the exemption should begin to file reports promptly on Federal Reserve Form U-3, copies of which will be available from any Federal Reserve Bank. Information supplied on such reports will be accorded confidential treatment, in conformity with the Board's rules.

Margin requirements were established initially in October, 1934, under authority Congress granted the Federal Reserve Board in the Securities Exchange Act of 1934 "for the purpose of preventing the excessive use of credit for the purchase or carrying of securities."

Under present law, margin requirements can be applied only to loans for the purpose of purchasing or carrying securities registered on a national securities exchange. The Reserve Board has, however, submitted to Congress a legislative proposal that would provide authority to apply margin regulations also to securities that are actively traded in the over-the-counter market.