

FEDERAL RESERVE BANK OF DALLAS  
DALLAS, TEXAS 75222

Circular No. 68-85  
April 2, 1968

**PRESS RELEASE CONCERNING AN INTERPRETATION  
REGARDING REGULATION U AND THE  
NEW REGULATION G**

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

There is enclosed for your information a copy of a press release concerning an interpretation issued by the Board of Governors of the Federal Reserve System regarding the appropriate date as of which collateral must be valued by a bank subject to Regulation U or by a lender subject to Regulation G in order to calculate the amount of the required deposit of cash or securities in the case of a purpose credit made prior to March 11, 1968, that must be brought to full margin by April 10, 1968.

Yours very truly,

P. E. Coldwell  
President

Enclosure (1)



# FEDERAL RESERVE

press release

For immediate release.

March 27, 1968

In response to questions, the Board of Governors today issued an interpretation regarding the date to be used by a bank (subject to Regulation U) or other lender (subject to Regulation G) in valuing collateral (including convertible bonds) posted to meet margin requirements set by recent amendments to the Board's regulations governing stock market credit. These amendments specified that additional collateral, as required, must be deposited by April 10 in connection with certain loans made prior to March 11.

In order to determine the amount of the additional deposit required, it is necessary to value the collateral originally securing the loan. The Board has determined that such collateral should be valued as of the date the loan was originally made, or as of March 11, whichever gives the higher figure.

The effect of the Board's interpretation is to limit the amount of additional margin a borrower will have to put up to the amount he would have had to deposit in connection with a fully margined loan on the date the loan was made. However, where a security has increased in value since the time the loan was made, the borrower may take advantage of the added value in determining the amount of additional deposit which he must make to comply with the requirements of the regulations.

If made against stocks, loans subject to the requirement must be brought up to a 70 per cent margin (\$70 down for each \$100 worth of securities purchased) and if against convertible bonds, such loans must be brought up to a 50 per cent margin (\$50 down for each \$100 worth of convertible bonds purchased).

Valuation will be required, and loans must be brought into conformity with margin requirements by April 10, in the following situations:

1. Where a loan was made by a bank, subject to Regulation U, after October 20, 1967, and prior to March 11, 1968, for the purpose of purchasing or carrying a debt security convertible into registered stock, if the loan is secured by any stock or by a security convertible into stock.

2. Where a loan was made after February 1, 1968, and prior to March 11, 1968, by a lender subject to Regulation G, and the loan was (i) for the purpose of purchasing or carrying a registered equity security (including a bond convertible into such a security), and (ii) the loan was secured by such a security.