FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 70-108
May 6, 1970

CHANGE IN MARGIN REQUIREMENTS
(Regulations G, T and U)

To All Banks, Broker/Dealers, Regulation G Registrants, and
Others Concerned in the Eleventh Federal Reserve District:

The following is a press release issued by the Board of Governors of the Federal Reserve System on May 5, 1970:

"The Board of Governors of the Federal Reserve System today lowered its margin requirement for purchasing or carrying stock from 80 to 65 per cent, effective Wednesday (May 6).

"At the same time, the Board lowered the margin requirement for purchasing or carrying convertible bonds--those that can be converted into stock--from 60 to 50 per cent, also effective Wednesday (May 6).

"In making the changes, the Board cited the sharp reduction in the use of credit for stock purchases.

"In the Securities Exchange Act of 1934, Congress granted the Board of Governors authority to impose margin requirements 'for the purpose of preventing the excessive use of credit for the purchase or carrying of securities'.

"Since the last change in margin requirements in June 1968, when they were increased from 70 to 80 per cent for stocks and 50 to 60 per cent for convertible bonds, margin credit extended by brokers has dropped from $6.7 billion to $4.5 billion in March, 1970, and the number of margin accounts has dropped from 940,000 to 820,000. Meanwhile, credit extended by banks for purchasing or carrying securities has declined from a high of $2.8 billion in February, 1969, to $2.4 billion in March, 1970.

"The action, amending the Board's regulations relating to stock market credit will cover new extensions of credit by brokers and dealers (Regulation T), and loans by banks and other lenders (Regulations U and G respectively) for the purpose of purchasing or carrying securities registered on a national stock exchange or named in the Board's over-the-counter margin list.

"No change was made in the 70 per cent 'retention requirement' applicable to undermargined accounts. That requirement specifies the portion of the proceeds of a sale of securities from a margin account that must be retained in the account if the equity in that account does not match the new margin requirements.

"Federal Reserve margin requirements set the minimum downpayment that must be made to purchase a stock or a convertible bond on credit. Under a 65 per cent margin requirement, a purchaser of stock is required to put up 65 per cent of the purchase price in cash (or collateral with that much 'loan value' under the regulations) at the time of the transaction. He may then obtain credit for the remaining 35 per cent of the purchase price."

Printed copies of the supplements to Regulations G, T and U containing the new margin requirements will be furnished as soon as available.

Yours very truly,

P. E. Coldwell

President