

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 71-294
December 6, 1971

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 December 3, 1971:

"The Board of Governors of the Federal Reserve System today lowered its margin requirement for purchasing or carrying stocks from 65 to 55 percent, effective Monday, December 6.

"In making the change, the Board cited the moderate level of outstanding stock market credit and the absence of indications of the excessive use of such credit. Margin credit extended by brokers totaled about \$5 billion at the end of October compared with the peak of about \$6.5 billion reached during June 1968. At large banks, loans for the purpose of purchasing or carrying securities currently amount to about \$2.5 billion.

"Today's action 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 stocks registered on a national stock exchange or named in the Board's over-the-counter margin list.

"No change was made in the 50 percent margin requirements for purchasing or carrying convertible bonds or in the 70 percent retention requirement applicable to undermargined accounts. This latter requirement specifies the portion of the proceeds of a sale of securities from a margin account that must be retained in the account if its equity does not match the new margin requirement.

"In line with the new margin requirement, the required deposit on short sales was also lowered from 65 to 55 percent, also effective Monday.

"Federal Reserve margin requirements set the minimum down payment that must be made to purchase margin securities. Under a 55 percent margin requirement, a purchaser is required to pay 55 percent of the purchase price and may obtain credit for the remaining 45 percent."

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