FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 74-6
January 3, 1974

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

The Board of Governors of the Federal Reserve System has lowered its margin requirements for purchasing or carrying stocks from 65 per cent to 50 per cent, effective today January 3, 1974.

The Board's action applies specifically to new extensions of credit by brokers and dealers (Regulation T) and loans by banks and other lenders (Regulation U and G respectively) for the purpose of purchasing or carrying margin stocks.

Copies for insertion into the Regulations Binder for Regulations G, T, and U will follow shortly.

Yours very truly,

P. E. Coldwell,

President

Enclosure

FEDERAL RESERVE

press release

For Immediate Release January 2, 1974

The Board of Governors of the Federal Reserve System today lowered its margin requirements for purchasing or carrying stocks from 65 per cent to 50 per cent, effective Thursday, January 3, 1974.

The action will cover new extensions of credit for the purpose of purchasing or carrying stocks that are registered on a national stock exchange or included in the Board's over-the-counter margin list. Its effect will be to require persons buying such stocks on credit to put up a minimum of 50 per cent of the purchase price -- instead of 65 per cent -- at the time of the transaction. Credit may be obtained for the remaining 50 per cent.

In announcing the change, the Board noted the sharp reduction that has occurred in stock market credit since margin requirements were increased from 55 to 65 per cent effective November 24, 1972. Margin credit extended by brokers and dealers declined last November for the eleventh consecutive month. The level of margin debt at broker-dealers on November 30 was about $5.5 billion, or 31 per cent below the peak of $7.9 billion in December 1972.

Today's action was taken under the authority granted to the Board in the Securities Exchange Act of 1934 to prevent the excessive use of credit to finance securities transactions.

In line with the new margin requirement, the required deposit on short sales was also lowered from 65 to 50 per cent, also effective January 3.

No change was made in the 50 per cent margin requirement for purchasing or carrying convertible bonds, or in the 70 per cent "retention requirement" that applies to under-margined accounts. This latter requirement relates to that portion of the proceeds of a sale of securities that must be retained in an account if the account's equity does not meet the initial margin requirement -- 50 per cent beginning tomorrow.

Today's action applies specifically to new extensions of credit by brokers and dealers (Regulation T) and loans by banks and other lenders (Regulation U and G respectively) for the purpose of purchasing or carrying margin stocks.