

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 77-14
January 21, 1977

REGULATION T--CREDIT BY BROKERS AND DEALERS

Temporary Suspension of Uniform Margin Requirements
For Options Specialists

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 suspended until further notice for options specialists a provision of Regulation T which provides a uniform margin for the writing of options.

Following is the text of a statement issued December 29, 1976, by the Board of Governors:

The Board of Governors of the Federal Reserve System today suspended until further notice--for options specialists--a provision of Regulation T (margin requirements for brokers and dealers) which provides a uniform margin for the writing of options.

The uniform margin rule will go into effect for others, as previously scheduled, on January 1, 1977.

On December 15, the Board published for comment--to be received by January 17, 1977--a proposed amendment to Regulation T that, among other things, would allow an option specialist to use an alternative method of calculating the required margin from that provided in the uniform rules to be effective January 1. Since the Board will not be able to conclude action on its proposed alternative method of calculation by January 1, it is suspending the effective date of the uniform rules, as they apply to options specialists, pending further announcement.

For your review, printed on the reverse of this circular is a copy of the Board's proposal as submitted for publication in the FEDERAL REGISTER.

Sincerely yours,
Robert H. Boykin
First Vice President

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**SUBCHAPTER A—BOARD OF GOVERNORS OF
THE FEDERAL RESERVE SYSTEM**

[Docket No. R-0004]

**PART 220—CREDIT BY BROKERS AND
DEALERS**

**Temporary Suspension of Uniform Margin
Requirements for Option Specialists**

The Board of Governors, pursuant to authority contained in sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and w), proposed for comment on December 16, 1976, an amendment to § 220.4(g) of Regulation T (41 FR 55552) governing credit which a broker or dealer extends to option Specialists in a Specialists' account. The existing rule requires that credit terms to Specialists conform to those available to public customers in a general account with two exceptions. One exception is applicable only if the account is that of a joint venture and it allows the broker carrying the account to disregard any disproportionate sharing of profits and losses when analyzing the amount of credit being extended. The other exception allows the creditor to determine "in good faith" the maximum loan value of any registered securities in the account rather than use the maximum loan value (currently 50 per cent)

which the Board of Governors changes from time to time.

The general account provision for the writing of options has been amended effective January 1, 1977 (41 FR 43895). In order to provide a sufficient period for the collection and analysis of comments on the proposed rule for Specialists' credit and to avoid the necessity for costly reprogramming of computer systems until such time as the Board acts upon the proposed amendment to § 220.4(g), the Board has determined to permit option Specialists to continue using the existing provisions of § 220.3(d)(5) after January 1, 1977, instead of the new general account provision which takes effect on that date. The effect of this action is to permit, in calculating the adjusted debit balance of a Specialist's account, the use of the amount of any margin customarily required by the creditor in connection with the issuance of the option, rather than the amount specified by the Board.

To implement this, the Board hereby temporarily suspends the application of § 220.3(d)(5) and (i) as such sections would apply after January 1, 1977 to transactions in options in a Specialist's account within the scope of § 220.4(g) of Regulation T.

The requirements of 5 U.S.C. 553 with respect to notice, public participation and deferred effective date were not followed in connection with this suspension since it temporarily relieves a restriction and the Board found that to follow the requirements of section 553 would be impractical and contrary to the public interest inasmuch as it might involve needless expense for option Specialists and possible market disruption.

Effective date: This suspension is effective on January 1, 1977.

By order of the Board of Governors,
December 29, 1976.

THEODORE E. ALLISON,
Secretary of the Board.

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