



FEDERAL RESERVE BANK  
OF DALLAS

WILLIAM H. WALLACE  
FIRST VICE PRESIDENT

July 17, 1985

DALLAS, TEXAS 75222

Circular 85-94

**TO:** The Chief Executive Officer of all member banks and others concerned in the Eleventh Federal Reserve District

**SUBJECT**

**Amendments to Regulation G -- Securities Credit By Persons Other Than Banks, Brokers, Or Dealers, and Regulation T -- Credit By Brokers and Dealers**

**DETAILS**

The Board of Governors of the Federal Reserve System has announced the adoption of amendments, effective July 22, 1985, to its Regulations G and T. The amendment to Regulation G permits persons other than banks, brokers, or dealers to extend credit to trusts for ESOPs. In addition, the amendment to Regulation G allows certain institutions to extend credit on margin stocks on the same basis as banks. The amendment to Regulation T permits brokers-dealers to extend and arrange credit for ESOPs.

Although the amendment to Regulation T is effective July 22, 1985, comments will be received until that date and appropriate modifications, if any are deemed necessary, will be made. Comments, which should refer to Docket No. R-0529, should be addressed to Mr. William H. Wiles, Secretary, Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

**ATTACHMENTS**

The Board's press release and the amendments as submitted for publication in the Federal Register are attached.

**MORE INFORMATION**

For further information, please contact this Bank's Legal Department at (214) 651-6228.

Sincerely yours,

# FEDERAL RESERVE press release



For immediate release

June 21, 1985

The Federal Reserve Board today adopted an amendment to its Regulation G to permit persons other than banks, brokers or dealers to extend credit to trusts for employee stock option plans (ESOPs).

The amendment will permit savings and loan associations, insurance companies and finance companies to extend credit on margin stocks on the same basis as banks.

The Board also adopted an amendment to its Regulation T (Credit by Brokers and Dealers) that permits brokers-dealers to extend and to arrange credit for employee stock ownership plans (ESOPs).

The changes will become effective July 22. However, comment will be received regarding Regulation T until that date so that modifications can be made in that regulation if needed.

The Board's notices are attached.

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Attachment

FEDERAL RESERVE SYSTEM

REGULATION G

(12 CFR 207)

[Docket No. R-0529]

SECURITIES CREDIT BY PERSONS OTHER THAN BANKS, BROKERS, OR DEALERS

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final Rule.

SUMMARY: The Board is amending its Regulation G (12 CFR 207) to permit non-bank, non-broker lenders to extend credit to trusts for employee stock option plans (ESOPs) qualified under section 401 of the Internal Revenue Code without regard to the credit limitations normally applicable under Regulation G. This will permit savings and loans and other "G-lenders" to extend such credit on margin stock on the same basis as banks are currently allowed to lend under a special exemptive provision in Regulation U. Comments have been received on this proposal which was published in the Federal Register on March 19, 1985 (50 Fed. Reg. 10972), and they were generally supportive.

EFFECTIVE DATE: July 22, 1985.

FOR FURTHER INFORMATION CONTACT: Laura Homer, Securities Credit Officer or Susan Meyers, Securities Regulation Analyst, Division of Banking Supervision and Regulation, (202) 452-2781, or Joy W. O'Connell, Telecommunication Device for the Deaf (TDD) (202) 452-3244.

FINAL REGULATORY FLEXIBILITY ANALYSIS:

The Board's Initial Regulatory Flexibility Analysis of the proposal to amend Regulation G to permit G-lenders to extend, on an exempt basis, credit to ESOPs indicated that it was not expected to have any adverse impact on a substantial number of small businesses. No comments to the contrary have been received except for one relating to small broker-dealers.

The Board is simultaneously adopting an amendment to Regulation T (12 CFR 220) that will eliminate any problem of unequal treatment to broker-dealers. The Board, therefore, certifies for the purposes of 5 U.S.C. § 605(b) that the amendment is not expected to have any adverse impact on a substantial number of small businesses.

List of Subjects in 12 CFR 207

Banks, Banking, Credit, Federal Reserve System, Margin, Margin Requirements, Reporting and Recordkeeping Requirements, Securities.

Accordingly, the Board amends 12 C.F.R. 207 (Regulation G) in the following manner:

PART 207 -- SECURITIES CREDIT BY PERSONS OTHER THAN BANKS BROKERS, OR DEALERS

1. The authority citations for 12 C.F.R. 207 continues to read as follows:

AUTHORITY: Secs. 3, 7, 8, 17 and 23 of The Securities Exchange Act of 1934, as amended (15 U.S.C. 78c, 78g, 78h, 78q and 78w).

2. Section 207.5 is amended by revising the heading and adding a new paragraph (c) as follows:

Section 207.5 - Employee Stock Option, Purchase and Ownership Plans

\* \* \* \* \*

(c) Credit to ESOPs

A lender may extend and maintain purpose credit without regard to the provisions of this part, except for sections 207.3(a) and 207.3(o), if such credit is extended to an employee stock ownership plan (ESOP) qualified under section 401 of the Internal Revenue Code, as amended (26 U.S.C. § 401).

By order of the Board of Governors of the Federal Reserve System,  
June 19, 1985.

(signed) William W. Wiles

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William W. Wiles  
Secretary of the Board

FEDERAL RESERVE SYSTEM

Regulation T

[12 CFR 220]

[Docket No. R-0529]

Credit By Brokers and Dealers

Employee Stock Ownership Plans

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final Rule.

SUMMARY: The Board is amending Regulation T to permit broker-dealers to extend and to arrange credit for employee stock ownership plans qualified under section 401 of the Internal Revenue Code. Although the changes are being made effective July 22, 1985, comments will be received until that date and appropriate modifications, if any are deemed necessary, will be made in response to comments.

DATE: Comments should be received by July 22, 1985.

ADDRESSES: Comments, which should refer to Docket No. R-0529, may be mailed to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551 or delivered to the C Street Entrance between 8:45 a.m. and 5:15 p.m. weekdays. Comments may be inspected weekdays from 8:45 a.m. to 5:15 p.m. in Room B-1122.

FOR FURTHER INFORMATION CONTACT: Laura Homer, Securities Credit Officer or Susan Meyers, Securities Regulation Analyst, Division of Banking Supervision and Regulation, (202) 452-2781, or Joy W. O'Connell, Telecommunication Device for the Deaf (TDD) (202) 452-3244.

SUPPLEMENTARY INFORMATION: In the 1983 revision to Regulation U, the Board exempted credit extended by banks to employee stock ownership plans from the margin requirements (48 Fed. Reg. 35074, August 3, 1983). In 1985, the Board

proposed extending this exemption to lenders subject to Regulation G and asked for comment as to whether Regulation T should also be amended to provide a comparable exception for brokers and dealers. (50 Fed. Reg. 10933, March 19, 1985). Comments received were overwhelmingly in favor of such an amendment to Regulation T.

FINAL REGULATORY FLEXIBILITY ANALYSIS:

The Board's amendment to Regulation T is not expected to have any adverse impact on a substantial number of small businesses. For the purposes of 5 U.S.C. § 605(b), the Board so certifies.

List of Subject in 12 CFR Part 220

Banks, Banking, Brokers, Credit, Federal Reserve System, Margin, Margin Requirements, Investments, Reporting and Recordkeeping Requirements, Securities.

Accordingly, the Board amends 12 C.F.R. 220 (Regulation T) as set forth below:

PART 220 — CREDIT BY BROKERS AND DEALERS

1. The authority citation for 12 C.F.R. 220 is revised to read as follows:

AUTHORITY: Secs. 3, 7, 8, 17 and 23 of The Securities Exchange Act of 1934, as amended (15 U.S.C. 78c, 78g, 78h, 78q and 78w).

2. Section 220.9 is amended by revising the heading and by adding a new paragraph (a)(4) as set forth below:

SECTION 220.9 -- Nonsecurities Credit and Employee Stock Ownership Account

(a) \*\*\*

(4) extend and maintain credit to employee stock ownership plans without regard to the other sections of this part.

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By order of the Board of Governors of the Federal Reserve System,  
June 19, 1985.

(signed) William W. Wiles

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William W. Wiles  
Secretary of the Board