



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT

August 30, 1985

DALLAS, TEXAS 75222

Circular 85-114

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

SUBJECT

**Slip Sheet to Regulations G, T, and U -
Securities Credit Transactions**

DETAILS

The Board of Governors of the Federal Reserve System has issued final amendments, in slip sheet form, to Regulation G, T, and U, dated July 1985. The new slip sheet should be inserted in Volume 2 of your Regulations Binder.

ATTACHMENTS

The slip sheet for Regulation G, T, and U is attached.

MORE INFORMATION

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

Sincerely yours,

William H. Wallace

Amendments to Regulations G, T, and U Securities Credit Transactions July 1985*

REGULATION G

1. *Effective November 13, 1984, section 207.2(i) of Regulation G is amended by adding a new paragraph (3) and renumbering paragraphs (3), (4), and (5) to (4), (5), and (6). The new paragraph (3) reads as follows:*

(3) any OTC security designated as qualified for trading in the National Market System under a designation plan approved by the Securities and Exchange Commission (NMS Security);

2. *Effective April 19, 1985, section 207.2(i)(6) of Regulation G is amended (1) by deleting the period and substituting “; or” at the end of subparagraph (ii) and (2) by adding a new subparagraph (iii):*

(iii) a company which issues face-amount certificates as defined in 15 USC 80a-2(a)(15), but only with respect of such securities.

The parenthetical cite in subparagraph (ii) is corrected to read “15 USC 78c(a)(12)”.

3. *Effective November 13, 1984, section 207.3 of Regulation G is amended by adding a new paragraph (q) to read as follows:*

(q) *Lack of notice of NMS security designation.* Failure to treat an NMS security as a margin stock in connection with an extension of credit shall not be deemed a viola-

tion of this part if the designation is made between quarterly publications of the Board's list of OTC margin stocks and the lender does not have actual notice of the designation.

4. *Effective July 22, 1985, section 207.5 of Regulation G 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 USC 401).

REGULATION T

5. *Effective November 13, 1984, section 220.2(o) of Regulation T is amended by numbering the listed items and adding an item (paragraph (4)). Subsection (o) now reads as follows:*

- (o) “Margin security” means (1) any registered security;
(2) any OTC margin stock;
(3) any OTC margin bond;
(4) any OTC security designated as qualified for trading in the National Market System under a designation plan approved by the Securities and Exchange Commission (NMS security); or
(5) any security issued by either an open-end investment company or unit in-

* The Board's margin regulations, as amended effective September 22, 1985, consist of—

• the Securities Credit Transactions pamphlet dated December 1983 (see inside cover) and
• this slip sheet.

Items 4, 7, 8, and 12 are new. All other items were included on the April 1985 slip sheet.

vestment trust which is registered under section 8 of the Investment Company Act of 1940 (15 USC 80a-8).

6. *The last sentence of section 220.4(c)(1) of Regulation T is corrected to read as follows:*

Additional margin is required on any day when the day's transactions create or increase a margin deficiency in the account and shall be for the amount of the margin deficiency so created or increased.

7. *Effective September 30, 1985, section 220.5(c)(2) is amended to read as follows:*

(2) *Margin for options on equity securities.* The required margin for each transaction involving any short put or short call on an equity security shall be the amount set forth in section 220.18 (the supplement).

8. *Effective July 22, 1985, section 220.9 of Regulation T is amended by revising the heading and adding a new paragraph (a)(4) to read as follows:*

SECTION 220.9—Nonsecurities Credit and Employee Stock Ownership Account

(a) In a nonsecurities credit account a creditor may * * *

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

* * * * *

9. *Effective April 19, 1985, section 220.13 of Regulation T is amended by adding a new paragraph (c):*

(c) a subsequent loan or advance on a face-amount certificate as permitted under 15 USC 80a-28(d).

10. *Section 220.14(b)(2) of Regulation T is*

corrected by adding the word "and" after the semicolon.

11. *Effective April 13, 1984, section 220.14(b)(3) of Regulation T is amended to read as follows:*

(3) the deposit consists of any margin security and complies with the rules of the clearing agency which have been approved by the SEC.

12. *Effective September 22, 1985, section 220.18 of Regulation T is revised to read as follows:*

SECTION 220.18—Supplement: Margin Requirements

The required margin for each security position held in a margin account shall be as follows:

(a) Margin equity security, except for an exempted security or a long position in an option: 50 percent of the current market value of the security.

(b) Exempted security, registered non-convertible debt security or OTC margin bond: the margin required by the creditor in good faith.

(c) Short sale of nonexempted security: 150 percent of the current market value of the security, or 100 percent of the current market value if a security exchangeable or convertible within 90 calendar days without restriction other than the payment of money into the security sold short is held in the account.

(d) Short sale of an exempted security: 100 percent of the current market value of the security plus the margin required by the creditor in good faith.

(e) Nonmargin, nonexempted security or a long position in any option: 100 percent of the current market value.

(f) Short put or short call on a security, certificate of deposit, securities index or foreign currency:

(1) in the case of puts and calls issued by a registered clearing corporation and listed or traded on a registered national securities exchange or a registered securities association, the amount, or other position (except in the case of an option on an equity security), specified by the rules of the registered national securities exchange or the registered securities association authorized to trade the option, provided that all such rules have been approved or amended by the SEC; or

(2) in the case of all other puts and calls, the amount, or other position (except in the case of an option on an equity security), specified by the maintenance rules of the creditor's self-regulatory organization.

REGULATION U

13. *Effective November 13, 1984, section 221.2(h) of Regulation U is amended by adding a new paragraph (3) and renumbering paragraphs (3), (4), and (5) to (4), (5), and (6). The new paragraph (3) reads as follows:*

(3) any OTC security designated as qualified for trading in the National Market System under a designation plan approved by the Securities and Exchange Commission (NMS security);

14. *Effective April 19, 1985, section 221.2(h)(6) of Regulation U is amended (1) by deleting the period and substituting "; or" at the end of subparagraph (ii) and (2) by adding a new subparagraph (iii):*

(iii) a company which issues face-amount certificates as defined in 15 USC 80a-2(a)(15), but only with respect of such securities.

The parenthetical cite in subparagraph (ii) is corrected to read "15 USC 78c(a)(12)".

15. *Effective November 13, 1984, section 221.3 of Regulation U is amended by adding a new paragraph (1) to read as follows:*

(1) *Lack of notice of NMS security designation.* Failure to treat an NMS security as a margin stock in connection with an extension of credit shall not be deemed a violation of this part if the designation is made between quarterly publications of the Board's list of OTC margin stocks and the bank does not have actual notice of the designation.

16. *The mandatory effective date for compliance with the revised Regulation T is June 30, 1984.*