



FEDERAL RESERVE BANK  
OF DALLAS

WILLIAM H. WALLACE  
FIRST VICE PRESIDENT  
AND CHIEF OPERATING OFFICER

DALLAS, TEXAS 75222

March 24, 1988

Circular 88-24

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

**SUBJECT**

**Slip sheet with amendments to Regulations G, T and U -- Securities Credit Transactions**

**DETAILS**

The Board of Governors of the Federal Reserve System has published amendments in slip-sheet form to Regulations G, T and U, effective February 1988. The new slip sheet should be inserted in Volume 2 of your Regulations Binders and should replace the one dated September 1987.

**ATTACHMENTS**

Attached is the slip sheet to Regulations G, T and U.

**MORE INFORMATION**

For more information, please contact Dean A. Pankonien of this Bank's Legal Department at (214) 651-6228.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Wallace".

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For additional copies of any circular please contact the Public Affairs Department at (214) 651-6289. Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank (800) 442-7140 (intrastate) and (800) 527-9200 (interstate).

# Amendments to Regulations G, T, and U Securities Credit Transactions February 1988\*

## 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:

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

\* The Board's margin regulations, as amended effective January 25, 1988, consist of—

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

Item 7 is new. All other items were included on the April 1985 slip sheet.

6. *Effective August 27, 1987, section 220.2(r) is amended by deleting the period at the end of paragraph (2)(iii) and inserting “; or” and by adding a new paragraph (3):*

(3) A mortgage-related security as defined in section 3(a)(41) of the act.

7. *Effective January 25, 1988, section 220.3 is amended by adding a new paragraph (e)(4) to read as follows:*

(4) A creditor may accept, in lieu of securities, a properly executed exercise notice for a stock option issued by the customer's employer and instructions to the issuer to deliver the resulting stock to the creditor. Prior to acceptance, the creditor must verify that the issuer will deliver the securities promptly and the customer must designate the account into which the securities are to be deposited.

8. *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.

9. *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).

10. *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.

\* \* \* \* \*

11. *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).

12. *Section 220.14(b)(2) of Regulation T is corrected by adding the word “and” after the semicolon.*

13. *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.

14. *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.

(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);

16. *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)".*

17. *Effective September 23, 1987, paragraphs (b) and (c)(1) of section 221.3 are amended by adding "; in an amount exceeding \$100,000," after "credit secured directly or indirectly by margin stock".*

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

(l) *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.

## REGULATION U

15. *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),*

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