



FEDERAL RESERVE BANK  
OF DALLAS

ROBERT D. McTEER, JR.  
PRESIDENT  
AND CHIEF EXECUTIVE OFFICER

June 7, 1991

DALLAS, TEXAS 75222

**Notice 91-46**

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

**SUBJECT**

**Request for Comments on Proposed Amendments to Regulation G (Securities Credit by Persons Other than Banks, Brokers, or Dealers) and Regulation U (Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks)**

**DETAILS**

The Federal Reserve Board has requested public comment on proposed amendments to Regulation G (Securities Credit by Persons Other than Banks, Brokers, or Dealers) and Regulation U (Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks).

Regulations G and U both permit the transfer of loans between lenders even if the amount of the loan outstanding exceeds the maximum loan value of the collateral securing the credit at the time of transfer. This treatment is currently limited to transfers of such credits from one Regulation U lender to another Regulation U lender or from one Regulation G lender to another Regulation G lender. The proposed amendments primarily reduce distinctions between lenders subject to Regulations G and U. The goal is to allow transfers of such loans between Regulation G lenders and Regulation U lenders.

The Board must receive comments by June 24, 1991. Comments should be addressed to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551. All comments should refer to Docket No. R-0730.

**ATTACHMENT**

Attached is a copy of the Board's notice as it appears on pages 23252-54, Vol. 56, No. 98, of the Federal Register dated May 21, 1991.

**MORE INFORMATION**

For more information, please contact Eugene Coy at (214) 744-7480. For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 651-6289.

Sincerely yours,

**FEDERAL RESERVE SYSTEM****12 CFR Parts 207 and 221**

[Docket No. R-0730]

RIN 7100-AA99

**Securities Credit Transactions; Regulations G and U; Transfers of Credit**

May 16, 1991.

**AGENCY:** Board of Governors of the Federal Reserve System.**ACTION:** Proposed rule.**SUMMARY:** The Board is proposing for public comment amendments to

Regulations G and U (12 CFR parts 207 and 221) to permit transfers of loans between lenders subject to Regulation G and lenders subject to Regulation U on the same basis as transfers between two lenders subject to the same regulation. Adoption of these amendments would partially reverse a 1936 amendment to Regulation U and further the Board's goal of reducing unnecessary distinctions between lenders subject to Regulation G and lenders subject to Regulation U.

**DATES:** Comments should be received on or before June 24, 1991.

**ADDRESSES:** Comments, which should refer to Docket R-0730, may be mailed to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street & Constitution Avenue, NW., Washington, DC 20551, or delivered at the C Street Entrance between 8:45 a.m. and 5:15 p.m. weekdays to room B-2223. Comments may be inspected in room B-1122 between 8:45 a.m. and 5:15 p.m. weekdays.

**FOR FURTHER INFORMATION CONTACT:** Laura Homer, Securities Credit Officer, or Scott Holz, Attorney, Division of Banking Supervision and Regulation (202) 452-2781. For the hearing impaired only, Dorothea Thompson, Telecommunications Device for the Deaf (TDD) (202) 452-3544.

**SUPPLEMENTARY INFORMATION:** Regulations G and U each permit the transfer of a validly-made, regulated loan between lenders even if the amount of the loan outstanding exceeds the maximum loan value of the collateral securing the credit at the time of transfer. This treatment is currently limited to transfers of credit between Regulation U lenders (banks) or between Regulation G lenders. If a Regulation G lender wants to transfer a regulated loan that is currently undersecured to a bank, the bank must treat the loan as a new loan, and the customer would be required to bring in additional collateral or pay down part of

the loan to bring it into conformity with the initial margin requirements of Regulation U.

**The Transfer Provision in Regulation U**

When Regulation U first became effective on May 1, 1936, a bank was permitted to "accept the transfer of a loan from another lender \* \* \* without following the requirements of this regulation as to the making of a loan, provided the loan is not increased and the collateral for the loan is not changed." However, a subsequent amendment to Regulation U, effective shortly thereafter, changed the phrase "from another lender" to "from another bank."

**The Transfer Provision in Regulation G**

In 1968, Regulation G was adopted by the Board to regulate lenders other than banks, brokers, or dealers. Unlike Regulations T and U, Regulation G did not originally have a provision on transfers of credit. An undermargined loan by a Regulation G lender could not be transferred to another Regulation G lender without bringing the loan into compliance as if it were a new extension of credit. This lack of parallel treatment among margin regulations was eliminated on December 6, 1973, when Regulation G was amended to permit transfers from one Regulation G lender to another on the same basis as transfers from one bank to another or from one broker to another.

One of the goals of the comprehensive revision of Regulations G and U in 1983 was to eliminate unnecessary differences between the regulations and make them as similar as possible. Allowing transfers between banks and Regulation G lenders would further this goal by reducing unnecessary distinctions between the two types of lenders.

**List of Subjects****12 CFR Part 207**

Banks, Banking, Credit, Federal Reserve System, Insurance companies, Margin, Margin requirements, National Market System (NMS Security), Reporting and recordkeeping requirements, Savings and loan associations, Securities.

**12 CFR part 221**

Banks, Banking, Credit, Federal Reserve System, Margin, Margin requirements, National Market System (NMS Security), Reporting and recordkeeping requirements, Securities.

Accordingly, pursuant to the Board's authority under sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and 78w), the Board proposes to amend 12 CFR parts 207 and 221 (Regulations G and U) as follows:

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

1. The authority citation for part 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. In § 207.3, paragraphs (1)(1)(i), (ii) and (3) are revised to read as follows:

**§ 207.3 General requirements.**

\* \* \* \* \*

(1) *Transfers of credit.* (1) A transfer of a credit between customers or lenders or between a lender and a bank shall not be considered a new extension of credit if:

(i) The original credit was extended by a lender in compliance with this part or was extended by a bank in a manner that would have complied with this part;

(ii) The transfer is not made to evade this part or part 221 of this chapter;

\* \* \* \* \*

(3) When a transfer is made between lenders or between a lender and a bank, the transferee shall obtain a copy of the Form FR G-3 or Form FR U-1 originally filed with the transferor lender and retain the copy with its records of the transferee account. If no form was originally filed with the transferor, the transferee may accept in good faith a statement from the transferor describing the purpose of the loan and the collateral securing it.

\* \* \* \* \*

**PART 221—CREDIT BY BANKS FOR THE PURPOSE OF PURCHASING OR CARRYING MARGIN STOCKS**

1. The authority citation for part 221 continues to read as follows:

**Authority:** Secs. 3, 7, 8, and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78c, 78g, 78h and 78w).

2. In § 221.3, paragraphs (i)(1)(i), (ii) and (3) are revised to read as follows:

**§ 221.3 General requirements.**

\* \* \* \* \*

(i) *Transfers of credit.* (1) A transfer of a credit between customers or banks or between a bank and a lender subject to part 207 of this chapter shall not be considered a new extension of credit if:

(i) The original credit was extended by a bank in compliance with this part or by a lender subject to part 207 of this chapter in a manner that would have complied with this part;

(ii) The transfer is not made to evade this part or part 207 of this chapter;

\* \* \* \* \*

(3) When a transfer is made between banks or between a bank and a lender subject to part 207 of this chapter, the transferee shall obtain a copy of the

Form FR U-1 or Form FR G-3 originally filed with the transferor and retain the copy with its records of the transferee account. If no form was originally filed with the transferor, the transferee may accept in good faith a statement from the transferor describing the purpose of the loan and the collateral securing it.

By order of the Board of Governors of the Federal Reserve System, May 16, 1991.

**William W. Wiles,**

*Secretary of the Board.*

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