



# FEDERAL RESERVE

press release

July 9, 1962

For release at 4 p.m. E.D.T.  
Monday, July 9, 1962

The Board of Governors of the Federal Reserve System today amended Regulations T and U, relating respectively to margin requirements for stock market credit extended by brokers and banks, by reducing margin requirements from 70 to 50 per cent, effective July 10, 1962.

In general terms, the Board's margin regulations require credit buyers of stocks to put up a minimum equity when the purchase is made. Under the new amendment, that equity must be at least 50 per cent, beginning tomorrow.

Margin requirements were established initially in October, 1934, under authority Congress granted to the Board of Governors in the Securities Exchange Act of 1934, "for the purpose of preventing excessive use of credit for the purchase or carrying of securities."

The requirements have ranged between 40 and 100 per cent, except in the earliest period of regulation. The change ordered today was the first since July 28, 1960, when the requirements were reduced from 90 to 70 per cent.

In making this change, the Board took into account a sharp reduction in stock market credit in recent weeks and the abatement in speculative psychology.

Bank loans to customers for the purpose of purchasing or carrying registered stocks declined more than 5 per cent in June to a level of \$1.3 billion. Furthermore, preliminary data indicate a \$600 million drop in borrowing by stock exchange member firms from banks on customer collateral, the largest monthly decline recorded in the post-war period. On the basis of these data, a substantial decline will be shown in customer debit balances and in total stock market customer credit, when final figures are available for June.

The reduced requirements apply to both purchases and short sales. No other change was made in the regulation.