

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 1632 ]  
[ January 25, 1936 ]

**AMENDMENT AND SUPPLEMENT TO REGULATION T OF THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.**

*To Members of National Securities Exchanges,  
Brokers and Dealers in Securities, and Banking  
Institutions, in the Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System on January 24, 1936, approved Amendment No. 7 to Regulation T and issued a supplement to such regulation, both effective February 1, 1936. In this connection the Board issued a press statement reading in part as follows:

The amendment provides that the margin requirements applicable to members of national security exchanges and brokers or dealers who transact a business in securities through the medium of such members shall be as prescribed from time to time by the Board of Governors of the Federal Reserve System in supplements to the regulation.

The supplement approved today provides that the maximum loan value of registered securities (other than exempted securities) shall be 45% (instead of 55%) of the current market value of the security in those cases in which this amount is greater than the lowest market price of the security during the prescribed base period.

The amendment referred to reads as follows:

**Amendment No. 7 of Regulation T—Effective February 1, 1936.**

Subsections (a), (b) and (c) of section 3 of Regulation T are hereby amended to read as follows:

“(a) **General Rule.**—No creditor shall make any initial extension of credit to any customer on any registered security (other than an exempted security) for the purpose of purchasing or carrying any security, in an amount which causes the total credit extended on such registered security to exceed the maximum loan value of such registered security. Except as specifically provided elsewhere in this regulation, the maximum loan value of a registered security (other than an exempted security) shall be the maximum loan value which the Board of Governors of the Federal Reserve System shall prescribe as of general application under this regulation from time to time in supplements to this regulation, which will be issued in advance of the date upon which such maximum loan value becomes effective.

“(b) **Extension of credit to other members, brokers and dealers.**—In a special account recorded separately, any creditor may extend credit on any registered security to any other member, broker or dealer in an amount not greater than the maximum loan value of such security, which (except in the case of an exempted security) shall be such special maximum loan value as the Board of Governors of the Federal Reserve System shall prescribe for the purposes of this subsection (b) from time to time in supplements to this regulation, which will be issued in advance of the date on which such maximum loan value becomes effective: *Provided*, That (1) such other member, broker, or dealer is subject to the provisions of this regulation or has places of business only in foreign countries, (2) such credit is extended or maintained solely for the purpose of enabling such member, broker, or dealer to carry accounts for his customers other than his partners, and (3) any credit extended or maintained by such creditor to or for such other member, broker, or dealer for the purpose of purchasing or carrying securities for his own account or for the account of his firm or any of his partners shall not be included in such special account and shall be subject to the other provisions of this section.

“(c) **Extension of credit to distributors, syndicates, etc.**—In a special account recorded separately, any creditor may extend credit on any regis-

tered security to the persons and for the purposes specified below in an amount not greater than the maximum loan value of such security, which (except in the case of an exempted security) shall be such special maximum loan value as the Board of Governors of the Federal Reserve System shall prescribe for the purposes of this subsection (c) from time to time in supplements to this regulation, which will be issued in advance of the date upon which such maximum loan value becomes effective: *Provided*, That such credit is extended:

(1) To any dealer, for the purpose of financing the distribution of an issue of securities at wholesale or retail; or

(2) To any group, joint account or syndicate, for the purpose of underwriting or distributing an issue of securities."

The supplement referred to reads as follows:

**SUPPLEMENT TO REGULATION T**  
**ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**  
**Effective February 1, 1936.**

**Maximum loan values of registered securities (other than exempted securities)  
for purposes of Regulation T.**

Pursuant to the provisions of section 7 of the Securities Exchange Act of 1934 and section 3 of its Regulation T, as amended, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum loan values of registered securities (other than exempted securities) for the purposes of Regulation T:

(1) **General rule.**—Except as provided in paragraphs (2) and (3) of this supplement, the maximum loan value of a registered security (other than an exempted security) shall be whichever is the higher of:

(A) 45 percent of the current market value of the security; or

(B) 100 percent of the lowest market value of the security computed at the lowest market price therefor during the period of 36 calendar months immediately prior to the first day of the current month, but not more than 75 percent of the current market value: *Provided*, That until July 1, 1936, for the purpose of this regulation, the lowest price at which a security has sold on or after July 1, 1933, but prior to the first day of the current month, shall be considered as the lowest market price of such security during the preceding 36 calendar months; and *Provided*, That the lowest market price which could be used under the provisions of this regulation during any calendar month may be used during the first 7 calendar days of the succeeding calendar month.

(2) **Extension of credit to other members, brokers and dealers.**—The maximum loan value of a registered security (other than an exempted security) in a special account with another member, broker or dealer, which special account complies with subsection (b) of section 3 of Regulation T, as amended, shall be 80 percent of the current market value of the security.

(3) **Extension of credit to distributors, syndicates, etc.**—The maximum loan value of a registered security (other than an exempted security) in a special account with a distributor, syndicate, etc., which special account complies with subsection (c) of section 3 of Regulation T, as amended, shall be 80 percent of the current market value of the security.

Additional copies of this circular will be furnished upon request.

J. H. CASE,  
*Federal Reserve Agent.*