

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 3316]
March 9, 1948]

AMENDMENTS TO REGULATIONS T AND U OF THE BOARD
OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

*To all Member Banks, Members of National Securities
Exchanges, and Other Interested Persons, in the
Second Federal Reserve District:*

For your information we quote below the text of a press statement issued by the Board of Governors of the Federal Reserve System and released for publication on March 9, 1948:

Effective April 1, 1948, the Board of Governors of the Federal Reserve System has made technical amendments to its Regulations T and U in order to permit a customer to make substitutions in an undermargined account (one having a margin of less than 75 per cent) without having to supply additional margin. Such substitutions in an account may be made, for example, by the sale of one security and the purchase of another. Previously such substitutions were limited by the rule that the proceeds of sales of securities in an undermargined account be used to the extent necessary to increase the margin on the remaining securities until it is on the 75 per cent basis. The amendments do not add to the amount of credit available for stock market transactions under existing regulations.

Enclosed are printed copies of Amendment No. 7 to Regulation T and of Amendment No. 8 to Regulation U, referred to in the press statement.

Additional copies of this circular and of the enclosed amendments will be furnished upon request.

ALLAN SPROUL,
President.

AMENDMENT NO. 7 TO REGULATION T

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective April 1, 1948, Regulation T is hereby amended by striking out the first sentence of the second paragraph of section 3(b) and amending the remaining sentence of such paragraph so that the paragraph will read as follows:

No withdrawal of cash or registered or exempted securities shall be permissible if the account, after such withdrawal, would have an adjusted debit balance exceeding the maximum loan value of the securities in the account, except that (1) cash may be withdrawn upon the deposit in the account of securities having maximum loan value at least as great as the amount of such cash, or (2) securities may be withdrawn upon the deposit in the account of cash, securities, or both, such that the *maximum loan value* of the securities deposited (plus the amount of any cash deposited) is at least as great as the *maximum loan value* of the securities withdrawn, and the current market value of the securities deposited (plus the amount of any cash deposited) is at least as great as the *current market value* of the securities withdrawn.

NOTE.—Amendments Nos. 1 through 6 were incorporated in the December 1, 1946, reprint of Regulation T.

AMENDMENT NO. 8 TO REGULATION U

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective April 1, 1948, Regulation U is hereby amended by striking out the third paragraph of section 1 and substituting therefor the following paragraph:

While a bank maintains any such loan, whenever made, the bank shall not at any time permit any withdrawal or substitution of collateral if, after such withdrawal or substitution, the loan exceeds the maximum loan value of the collateral, except that the bank may permit such a withdrawal or substitution provided the loan is reduced, other collateral is deposited, or both, such that the *maximum loan value* of the collateral deposited (plus the amount of any reduction in the loan) is at least as great as the maximum loan value of the collateral withdrawn, and the *current market value* of the collateral deposited (plus the amount of any reduction in the loan) is at least as great as the current market value of the collateral withdrawn. If the maximum loan value of the collateral has become less than the amount of the loan, such amount may nevertheless be increased if there is provided additional collateral having a maximum loan value at least equal to the amount of the increase.

FEDERAL RESERVE BANK
OF NEW YORK

March 9, 1948

AMENDMENT NO. 8 TO REGULATION U OF THE BOARD
OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

*To Nonmember Banks, and Other Interested Persons,
in the Second Federal Reserve District:*

For your information we quote below the text of a press statement issued by the Board of Governors of the Federal Reserve System and released for publication on March 9, 1948:

Effective April 1, 1948, the Board of Governors of the Federal Reserve System has made technical amendments to its Regulations T and U in order to permit a customer to make substitutions in an undermargined account (one having a margin of less than 75 per cent) without having to supply additional margin. Such substitutions in an account may be made, for example, by the sale of one security and the purchase of another. Previously such substitutions were limited by the rule that the proceeds of sales of securities in an undermargined account be used to the extent necessary to increase the margin on the remaining securities until it is on the 75 per cent basis. The amendments do not add to the amount of credit available for stock market transactions under existing regulations.

Enclosed is a printed copy of Amendment No. 8 to Regulation U, referred to in the press statement.

Additional copies of this letter and of the enclosed amendment will be furnished upon request.

ALLAN SPROUL,
President.

AMENDMENT NO. 8 TO REGULATION U

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective April 1, 1948, Regulation U is hereby amended by striking out the third paragraph of section 1 and substituting therefor the following paragraph:

While a bank maintains any such loan, whenever made, the bank shall not at any time permit any withdrawal or substitution of collateral if, after such withdrawal or substitution, the loan exceeds the maximum loan value of the collateral, except that the bank may permit such a withdrawal or substitution provided the loan is reduced, other collateral is deposited, or both, such that the *maximum loan value* of the collateral deposited (plus the amount of any reduction in the loan) is at least as great as the maximum loan value of the collateral withdrawn, and the *current market value* of the collateral deposited (plus the amount of any reduction in the loan) is at least as great as the current market value of the collateral withdrawn. If the maximum loan value of the collateral has become less than the amount of the loan, such amount may nevertheless be increased if there is provided additional collateral having a maximum loan value at least equal to the amount of the increase.