

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 3749]
August 29, 1951]

**AMENDMENT NO. 11 TO REGULATION T OF THE BOARD
OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

*To Brokers and Dealers in Securities, Members of National Securities
Exchanges, and Other Interested Persons, in the
Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System has adopted Amendment No. 11 to Regulation T. Following is the text of the statement issued by the Board of Governors relating to the amendment, and released for publication August 30, 1951:

The Board of Governors of the Federal Reserve System has adopted an amendment making certain minor technical changes in Regulation T, the regulation which relates to margin requirements of brokers, dealers and members of national securities exchanges.

One change excuses brokers from obtaining margin in margin accounts when the amount to be obtained for transactions on a given day does not exceed \$100. Another change somewhat broadens the exemption that is already contained in the regulation for certain capital contribution loans to members of securities exchanges. Both of these changes become effective September 3, 1951. A third change, which becomes effective September 17, 1951, clarifies and strengthens the rules regarding the withdrawal of dividends that are received on securities in under-margined accounts.

A printed copy of Amendment No. 11 to Regulation T is enclosed; additional copies may be obtained upon request.

ALLAN SPROUL,
President.

**EXTENSION AND MAINTENANCE OF CREDIT
BY BROKERS, DEALERS, AND MEMBERS OF
NATIONAL SECURITIES EXCHANGES**

AMENDMENT NO. 11 TO REGULATION T

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Regulation T is hereby amended in the following respects, the amendments to sections 3(g) and 4(f) (2) to become effective September 3, 1951, and the amendment to section 6(g) to become effective September 17, 1951:

1. By adding the following sentence at the end of section 3(g):

In any case in which an excess so created, or increase so caused, by transactions on a given day does not exceed \$100, the creditor need not obtain the deposit specified therefor in the first paragraph of section 3(b).

2. By changing section 4(f) (2) to read as follows:

(2) make loans, and may maintain loans, to or for any partner of a firm which is a member of a national securities exchange to enable such partner to make a contribution of capital to such firm, or may make and maintain subordinated loans to such a member firm for capital purposes, provided (A) the lender as well as the borrower is a partner in such firm, or (B) the borrower is a member of such exchange, the lender is a corporation all of the common stock of which is owned directly or indirectly by the firm or by general partners and employees of the firm, and, in addition to the fact that an appropriate committee of the exchange has approved the firm's affiliation with the corporation and is satisfied that the loan is not in contravention of any rule of the exchange, the loan has the approval of such committee, or (C) the lender as well as the borrower is a member of such exchange, the loan has the approval of an appropriate committee of the exchange, and the committee, in addition to being satisfied that the loan is not in contravention of any rule of the exchange, is satisfied that the loan is outside the ordinary course of the lender's business, and that, if the borrower's firm does any dealing in securities for its own account, the loan is not for the purpose of enabling the firm to increase the amount of such dealing;

3. By changing the second paragraph of section 6(g) to read as follows:

A creditor may permit interest, dividends or other distributions received by the creditor with respect to securities in a general account to be withdrawn from the account only on condition that the adjusted debit balance of the account does not exceed the maxi-

maximum loan value of the securities in the account after such withdrawal, or on condition that (1) such withdrawal is made within 35 days after the day on which, in accordance with the creditor's usual practice, such interest, dividends or other distributions are entered in the account, (2) such entry in the account has not served in the meantime to permit in the account any transaction which could not otherwise have been effected in accordance with this regulation, and (3) any cash withdrawn does not represent any arrearage on the security with respect to which it was distributed, and the current market value of any securities withdrawn does not exceed 10 per cent of the current market value of the security with respect to which they were distributed. Failure by a creditor to obtain in a general account any cash or securities that are distributed with respect to any security in the account shall, except to the extent that withdrawal would be permitted under the preceding sentence, be deemed to be a transaction in the account which occurs on the day on which the distribution is payable and which requires the creditor to obtain in accordance with section 3(b) a deposit of cash or maximum loan value of securities at least as great as that of the distribution.