

**FEDERAL RESERVE BANK  
OF NEW YORK**

Fiscal Agent of the United States

[ Circular No. 4872 ]  
April 7, 1960

**TREASURY'S CURRENT CASH OFFERINGS  
Bases of Allotments and Amounts of Subscriptions**

*To All Banking Institutions, and Others Concerned,  
in the Second Federal Reserve District:*

The following statement was made public today by the Treasury Department:

Reports received from the Federal Reserve Banks show that subscriptions total about \$6,718 million for the 4 percent Treasury notes of May 15, 1962, and about \$370 million for the 4½ percent Treasury bonds of 1975-85, included in the Treasury's current financing.

The Treasury will allot in full all subscriptions received for the 4½ percent Treasury bonds of 1975-85. Subscriptions for the 4½ percent Treasury bonds of 1975-85 include \$187 million from subscribers in the savings-type investor groups; \$87 million from commercial banks for their own account; and \$96 million from all others. Among these subscriptions, there were 2,100 full-paid subscriptions for \$25,000 or less, aggregating about \$20 million.

The Treasury will also allot 30 percent on subscriptions in excess of \$100,000 for the current cash offering of \$2 billion, or thereabouts, of 4 percent Treasury notes maturing May 15, 1962. Subscriptions for \$100,000 or less will be allotted in full. Subscriptions for more than \$100,000 will be allotted not less than \$100,000. Subscriptions for the 4 percent Treasury notes include \$5,031 million from commercial banks for their own account, and \$1,687 million from all others.

In addition to allotments on account of public subscriptions, the Treasury has allotted \$100 million of the 4½ percent Treasury bonds of 1975-85 and \$27,400,000 of the 4 percent Treasury notes of May 15, 1962, to Government Investment Accounts.

Details by Federal Reserve Banks as to subscriptions and allotments will be announced when final reports are received from the Federal Reserve Banks.

**ALFRED HAYES,**  
*President.*

**FEDERAL RESERVE BANK  
OF NEW YORK**

April 12, 1960

**PROPOSED AMENDMENTS TO REGULATIONS T AND U**

**To All Banks, Members of National Securities Exchanges,  
and Others Interested, in the Second Federal Reserve  
District:**

There is printed on the reverse side of this letter an excerpt from the Federal Register of March 31, 1960, containing the text of proposed amendments (on arbitrage transactions) to Regulations T and U of the Board of Governors of the Federal Reserve System, together with the Board's Notices of Proposed Rule Making, explaining the reasons for the proposed amendments.

Comments on the proposed amendments from persons in the Second Federal Reserve District should be sent to this Bank in writing not later than April 29, 1960; such comments will be transmitted to the Board of Governors.

HOWARD D. CROSSE,  
Vice President.

(Over)

# FEDERAL RESERVE SYSTEM

## [ 12 CFR Part 220 ]

[Reg. T]

### CREDIT BY BROKERS, DEALERS, AND MEMBERS OF NATIONAL SECURITIES EXCHANGES

#### Notice of Proposed Rule Making

The Board of Governors of the Federal Reserve System is considering an amendment to paragraph (d) of § 220.4 of Part 220 (Regulation T), concerning the extension of credit for the purpose of effecting arbitrage transactions, and a conforming amendment to subparagraph (3) of paragraph (d) of § 220.3. There appears to be some doubt as to the situations in which credit may be extended under paragraph (d) of § 220.4 outside the margin restrictions of § 220.3 *General accounts*, as well as with respect to the scope of the exception prescribed by subparagraph (3) of paragraph (d) of § 220.3. In order to clarify the Board's position in this matter and provide more explicit standards in the application of these provisions, it is proposed to substitute a 90-day period for the present "reasonable time" standard.

1. The proposed amendment would change paragraph (d) of § 220.4 to read as follows:

#### § 220.4 Special accounts.

(d) *Special arbitrage account.* In a special arbitrage account, a member of a national securities exchange may effect and finance for any customer bona fide arbitrage transactions in securities. For the purposes of this paragraph, the term "arbitrage" means (1) a purchase or sale of a security in one market together with an offsetting sale or purchase of the same security in a different market at as nearly the same time as practicable, for the purpose of taking advantage of a difference in prices in the two markets, or (2) a purchase of a security which is, without restriction other than the payment of money, exchangeable or convertible within 90 calendar days following the date of its purchase into a second security together with an offsetting sale at or about the same time of such second security, for the purpose of taking advantage of a disparity in the prices of the two securities.

2. The proposed amendment would change subparagraph (3) of paragraph (d) of § 220.3 to read as follows:

#### § 220.3 General Accounts.

(d) *Adjusted debit balance.*

(3) The current market value of any securities (other than unissued securities) sold short in the account plus, for each such security (other than an exempted security), such amount as the Board shall prescribe from time to time in § 220.8 as the margin required for such short sales, except that such amount so prescribed in § 220.8 need not be included when there are held in the account securities exchangeable or convertible within 90 calendar days, without restriction other than the payment of money, into such securities sold short;

This notice is published pursuant to section 4 of the Administrative Procedure Act and section 2 of the rules of procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2). The proposed changes are authorized under the authority cited at 12 CFR Part 220.

To aid in the consideration of the foregoing matters the Board will be glad to receive from interested persons any relevant data, views, or arguments. Although such material may be sent directly to the Board, it is preferable that it be sent to the Federal Reserve Bank of the district, which will forward it to the Board for consideration. All such material should be submitted in writing to be received not later than April 29, 1960.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM,

[SEAL]

MERRITT SHERMAN,

Secretary.

[F.R. Doc. 60-2960; Filed, Mar. 30, 1960;  
8:53 a.m.]

## [ 12 CFR Part 221 ]

[Reg. U]

### LOANS BY BANKS FOR THE PURPOSE OF PURCHASING OR CARRYING REGISTERED STOCKS

#### Notice of Proposed Rule Making

The Board of Governors of the Federal Reserve System is considering an amendment to paragraph (j) of § 221.2 of Part 221 (Regulation U) concerning the extension of credit by banks for the purpose of effecting arbitrage transactions.

The purpose of the proposed amendment is to define the term "arbitrage" for this purpose, and thereby to provide a more definite statement of the situations in which credit may be extended, in connection with arbitrage transactions, outside the margin restrictions of § 221.1 *General rule*.

The proposed amendment would change paragraph (j) of § 221.2 to read as follows:

#### § 221.2 Exceptions to general rule.

(j) Any loan to a member of a national securities exchange for the purpose of financing his or his customers' bona fide arbitrage transactions in securities. For the purposes of this paragraph, the term "arbitrage" means (1) a purchase or sale of a security in one market together with an offsetting sale or purchase of the same security in a different market at as nearly the same time as practicable, for the purpose of taking advantage of a difference in prices in the two markets, or (2) a purchase of a security which is, without restriction other than the payment of money, exchangeable or convertible within 90 calendar days following the date of its purchase into a second security together with an offsetting sale at or about the same time of such second security, for the purpose of taking advantage of a disparity in the prices of the two securities.

This notice is published pursuant to section 4 of the Administrative Procedure Act and section 2 of the rules of procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2). The proposed changes are authorized under the authority cited at 12 CFR Part 221.

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BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM,

[SEAL]

MERRITT SHERMAN,

Secretary.

[F.R. Doc. 60-2961; Filed, Mar. 30, 1960;  
8:53 a.m.]