

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 5644]
April 26, 1965]

Amendment to Regulation T

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

The following statement was issued by the Board of Governors of the Federal Reserve System for release in today's morning newspapers:

The Board of Governors of the Federal Reserve System today amended section 220.4(e)(3) of Regulation T, "Credit by Brokers, Dealers, and Members of National Securities Exchanges," effective May 15, 1965, to allow additional time for payment, in a special cash account, for a security issued pursuant to a refunding transaction. The change was made after consideration of comments received following publication of a proposed change to this effect.

Ordinarily, a customer must pay for a security purchased in a special cash account within a maximum of 7 days from the date of purchase. The effect of the amendment is that the maximum time for payment for a new security issued to accomplish a total or partial refunding of an outstanding security shall be 7 days after the maturity, redemption, or prepayment date of such outstanding security, if the period from the time the new security is actually available for delivery to the purchasers until such maturity, redemption, or prepayment does not exceed 35 days.

The amendment applies only to that portion of the purchase price that does not exceed the amount payable upon maturity, redemption, or prepayment, plus 3 per cent of that payment to cover minor increases due to purchase premiums.

The purchaser must own the outstanding security at time of purchase and at the time of maturity, redemption, or prepayment.

The reason for this departure from the ordinary rules of payment is to enable certain classes of investors to continue an investment in an enterprise, without the hardship of advancing new funds, by allowing the application of the proceeds of the redemption to the purchase.

This action also withdraws the last four paragraphs of Published Interpretation paragraph 6040; 1940 *Federal Reserve Bulletin* 1172.

Enclosed is a copy of the amendment; additional copies will be furnished upon request.

ALFRED HAYES,
President.

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

AMENDMENT TO REGULATION T

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective May 15, 1965, section 220.4(c)(3) is amended to read as follows:

SECTION 220.4—SPECIAL ACCOUNTS

(c) Special Cash Account.— * * *

(3) If the security when so purchased is an unissued security, the period applicable to the transaction under subparagraph (2) of this paragraph shall be 7 days after the date on which the security is made available by the issuer for delivery to purchasers. If the security when so purchased is a "when distributed" security which is to be distributed in accordance with a published plan, the period applicable to the transaction under subparagraph (2) of this paragraph shall be 7 days after the date on which the security is so distributed. If the security when so purchased is a new security issued or to be issued for the purpose of refunding outstanding securities which mature, or are to be payable upon presentation for redemption, within 35 days of the date on which the new security is made available by the issuer for delivery to purchasers, the period applicable to the transaction under subparagraph (2) of this paragraph shall be 7 days after such maturity or payment date, provided, that this sentence shall apply only to the payment of that portion of the purchase price that does not exceed 103 per cent of the amount that will be payable to the purchaser of the new security upon such maturity of, or payment for, securities owned by him at the time of the purchase.