

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6165]
May 9, 1968]

REGULATION U

Exemption for Loans to Certain Dealers in Convertible Securities Not Adopted

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

Following is the text of a statement issued today by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today that it had decided not to adopt an amendment to Regulation U that would have exempted from margin requirements loans made by banks to dealers to finance their market-making activities in convertible bonds.

The decision followed an analysis of reports that dealer firms engaged in such activities filed with the Board after its announcement on February 1 that it was considering such an exemption. The study did not reveal a clear need for extending credit on a more favorable basis to such firms and indicated that the exemption would involve undue administrative burdens.

A 50 per cent margin has been required generally for loans on convertible bonds since April 10, except for bank loans on convertibles made before March 11 to those dealer firms which had filed reports to establish eligibility for possible exemption. These latter loans should now be brought up to 50 per cent margin status by May 10.

ALFRED HAYES,
President.