

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 6395 ]  
August 25, 1969

Amendments to Regulations G and U

*To All Banks and Regulation G Registrants  
in the Second Federal Reserve District:*

Effective August 13, the Board of Governors of the Federal Reserve System amended section 207.4(f) of Regulation G and section 221.3(x) of Regulation U. Enclosed are copies of both amendments. The amendments add a new subparagraph (2) to those sections to permit the extension of an exempt credit, in connection with the wholesale financing of equity funding plans or programs, to Regulation G registrants who extend credit secured by certain mutual fund shares, pledged in conformity with the provisions of a rule of the Securities and Exchange Commission regarding hypothecation of customers' securities, and accompanied by a statement received by the person extending the credit that such securities are carried for the account of one or more customers under an equity funding plan, program, or investment contract.

Additional copies of the amendments will be furnished upon request.

ALFRED HAYES,  
*President.*

SECURITIES CREDIT BY PERSONS OTHER THAN  
BANKS, BROKERS, OR DEALERS

AMENDMENT TO REGULATION G

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective August 13, 1969, § 207.4(f) is amended to read as follows:

§ 207.4—MISCELLANEOUS PROVISIONS

\* \* \*

(f) **Combined purchase of mutual funds and insurance.** (1) An extension of purpose credit provided for in a plan, program, or investment contract that is registered with the Securities and Exchange Commission under the Securities Act of 1933 (15 U.S.C. 77) and provides for the acquisition both of a security issued by an investment company described in § 207.2(d)(5) and of an insurance policy or contract shall be subject to all the provisions of this part, except that, where the credit is secured by the security and does not exceed the premium on such policy (plus any applicable interest), the maximum loan value of such security shall be 40 per cent of its current

market value, as determined by any reasonable method.

(2) Sections 207.1(c), (d), (f), (g), (h), (i), and (j) of this part shall not apply to any credit extended to a person registered pursuant to § 207.1(a) who extends credit pursuant to subparagraph (1) of this paragraph, *Provided*, That:

(i) the credit extended pursuant to this subparagraph is secured by securities that are issued by an investment company described in § 207.2(d)(5), and are carried for the account of one or more customers under a plan, program, or investment contract described in subparagraph (1) of this paragraph (and the person extending such credit receives written notice from the recipient of the credit to this effect); and

(ii) the provisions of such plan, program, or investment contract conform to the provisions of Rule 15c2-1 of the Securities and Exchange Commission concerning hypothecation of customers' securities (17 CFR 240.15c2-1).

CREDIT BY BANKS FOR THE PURPOSE  
OF PURCHASING OR CARRYING MARGIN STOCKS

AMENDMENT TO REGULATION U

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective August 13, 1969, § 221.3(x) is amended to read as follows:

§ 221.3—MISCELLANEOUS PROVISIONS

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(x) **Combined purchase of mutual funds and insurance.** (1) An extension of purpose credit provided for in a plan, program, or investment contract that is registered with the Securities and Exchange Commission under the Securities Act of 1933 (15 U.S.C. 77) and provides for the acquisition both of a security issued by an investment company described in paragraph (v)(5) of this section and an insurance policy or contract shall be subject to all the provisions of this part, except that, where the credit is secured by the security and does not exceed the premium on such policy (plus any applicable interest), the maximum loan value of such security shall be 40 per cent of

its current market value, as determined by any reasonable method.

(2) Sections 221.1 and 221.3(t) of this part shall not apply to any credit extended to a person registered pursuant to § 207.1(a) of this Chapter (Regulation G) who extends credit pursuant to § 207.4(f)(1) of this Chapter, *Provided*, That:

(i) the credit extended pursuant to this subparagraph is secured by securities that are issued by an investment company described in paragraph (v)(5) of this section, and are carried for the account of one or more customers under a plan, program, or investment contract described in subparagraph (1) of this paragraph (and the bank receives written notice from the recipient of the credit to this effect); and

(ii) the provisions of such plan, program, or investment contract conform to the provisions of Rule 15c2-1 of the Securities and Exchange Commission concerning hypothecation of customers' securities (17 CFR 240.15c2-1).