

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6711]
April 5, 1971]

AMENDMENTS TO REGULATIONS G AND U
Exemption for Certain Loans

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

Following is the text of a statement issued April 2 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today amendment of its Regulations G and U to implement a provision of the Securities Exchange Act permitting an exemption from margin requirements for certain loans that the Board may deem necessary or appropriate in the public interest or for the protection of investors.

The amendments, which carry out a provision of Section 7(d)(E) of the Act, specify that the Board may exempt from margin requirements a loan used to extend credit or provide capital to a broker or dealer provided that the Securities Investor Protection Corporation certifies that circumstances exist which make the grant of an exemption appropriate.

Regulation U applies to credit extended by banks for the purpose of purchasing or carrying margin stocks while Regulation G applies to such credit extended by persons other than banks or brokers and dealers.

Acting pursuant to the amendments, the Board approved the application of PHMFG Corporation, Washington, D. C., for an exemption from margin requirements in connection with its plan to obtain one or more loans for the purpose of providing capital to F. I. duPont, Glore Forgan & Co., a registered broker-dealer.

The approval followed certification to the Board by the Securities Investor Protection Corporation that circumstances exist as to the financial condition of duPont which make it appropriate for the exemption to be granted.

Enclosed are copies of the amendments, effective March 30, 1971; additional copies will be furnished upon request.

ALFRED HAYES,
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

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

AMENDMENT TO REGULATION U

Effective March 30, 1971, § 221.2 is amended by deleting the period at the end of paragraph (k) and inserting in its place “; and”, and by adding a new paragraph (l) as follows:

§ 221.2—EXCEPTIONS TO GENERAL
RULE

Notwithstanding the provisions of § 221.1, a bank may extend and may maintain any credit for the purpose specified in § 221.1, without regard to the limitations prescribed therein, or in § 221.3(t), if the credit comes within any of the following descriptions.

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(l) Any loan for the purpose of making a loan or providing capital to a person who is subject to Part 220 of this Chapter (Regulation T), which loan has been exempted by the Board of Governors of the Federal Reserve System, by Order, from the requirements of this part, either unconditionally or upon specified terms and conditions or for stated periods, upon a finding that the granting of such an exemption is necessary or appropriate, in the public interest or for the protection of investors; *Provided*, That the Securities Investor Protection Corporation shall have certified to the Board that such action is appropriate under the circumstances.