

**FEDERAL RESERVE BANK  
OF NEW YORK**

[Circular No. 6927]  
April 14, 1972]

**AMENDMENTS TO REGULATIONS G, T, AND U  
Requirements for Continued Inclusion of Stocks  
on "List of OTC Margin Stocks"**

*To All Persons Extending Securities Credit in the Second Federal Reserve District:*

Following is the text of a statement issued April 11 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today issued the criteria that over-the-counter (OTC) stocks must continue to meet to remain on its List of OTC Margin Stocks. The approximately 430 stocks now on the list are subject to margin requirements.

The Board's action, effective May 15, means that margin stocks failing to meet the criteria will be removed from the List and will not be subject to the Board's margin requirements.

Federal Reserve margin requirements set the minimum down payment that must be made to purchase margin securities. Under the present 55 per cent requirement, a purchaser is required to pay 55 per cent of the purchase price of a margin security and may obtain credit for the remaining 45 per cent.

Margin regulations apply to extensions of credit by brokers and dealers (Regulation T) and loans by banks and other lenders (Regulations U and G, respectively) for the purpose of purchasing or carrying stocks registered on a national stock exchange or named in the Board's List of OTC Margin Stocks. Stocks appearing on the List have not been approved, in any way, by the Board and representation by any person that their appearance on the List indicates approval by the Board or is based on approval by any government agency is unlawful.

The criteria employed in selecting OTC stocks for inclusion on the List were announced on July 9, 1969. The delisting criteria adopted today are substantially the same as those proposed by the Board for comment on February 28, 1972.

To remain on the List, a security must meet these requirements:

1. The stock continues to be subject to registration under section 12(g)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(1)), or if issued by an insurance company such issuer continues to be subject to section 12(g)(2)(G) (15 U.S.C. 78l(g)(2)(G)) and has at least \$1 million of capital and surplus,

(OVER)

2. Four or more dealers stand willing to, and do in fact, make a market in such stock including making regularly published *bona fide* bids and offers for such stock for their own accounts, or the stock is registered on a securities exchange that is exempted by the Securities and Exchange Commission from registration as a national securities exchange pursuant to section 5 of the Securities and Exchange Act of 1934 (15 U.S.C. 78e),

3. There continue to be 1,000 or more holders of record of the stock who are not officers, directors, or beneficial owners of 10 per cent or more of the stock,

4. The issuer continues to be a U.S. corporation,

5. Daily quotations for both bid and asked prices for the stock are continuously available to the general public;

and shall meet 3 of the 4 additional requirements that:

6. 400,000 or more shares of such stock remain outstanding in addition to shares held beneficially by officers, directors, or beneficial owners of more than 10 per cent of the stock,

7. The shares described in subparagraph (6) of this paragraph continue to have a market value in the aggregate of at least \$5 million,

8. The minimum average bid price of such stock, as determined by the Board, is at least \$5 per share, and

9. The issuer continues to have at least \$2.5 million of capital, surplus, and undivided profits.

Enclosed is a copy of the amendments, effective May 15, 1972, to Regulations G, T, and U, giving effect to the Board of Governors' action; additional copies will be furnished upon request.

ALFRED HAYES,  
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

AMENDMENTS TO REGULATIONS G, T, AND U

Effective May 15, 1972

AMENDMENTS TO REGULATION G —  
SECURITIES CREDIT BY PERSONS  
OTHER THAN BANKS, BROKERS, OR  
DEALERS

1. Section 207.2(f)(3) is amended to read as follows:

SECTION 207.2 — DEFINITIONS

\* \* \*

(f) **OTC margin stock.**\*\*\*

(3) The Board shall from time to time remove from the list described in subparagraph (2) of this paragraph (f) stocks that cease to:

(i) Exist or of which the issuer ceases to exist, or

(ii) Meet substantially the provisions of subparagraph (1) of this paragraph (f) and § 207.5(e) (the Supplement to Regulation G).

2. Section 207.5 (the Supplement to Regulation G) is amended by adding paragraph (e) thereto, as follows:

SECTION 207.5 — SUPPLEMENT

\* \* \*

(e) **Requirements for continued inclusion on list of OTC margin stock.** Except as provided in subparagraph (4) of § 207.2(f), such stock shall meet the requirements that:

(1) The stock continues to be subject to registration under section 12(g)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(1)), or if issued by an insurance company such issuer continues to be subject to section 12(g)(2)(G) (15 U.S.C. 78l(g)(2)(G)) and has at least \$1 million of capital and surplus,

(2) Four or more dealers stand willing to, and do in fact, make a market in such stock including making regularly published *bona fide* bids and offers for such stock for their own accounts, or the stock is registered on a securities exchange that is exempted by the Securities and Exchange Commission from registration as a national securities exchange pursuant to section 5 of the Securities and Exchange Act of 1934 (15 U.S.C. 78e),

(3) There continue to be 1,000 or more holders of record of the stock who are not officers, directors, or beneficial owners of 10 per cent or more of the stock,

(4) The issuer continues to be a U.S. corporation,

(5) Daily quotations for both bid and asked prices for the stock are continuously available to the general public;

and shall meet 3 of the 4 additional requirements that:

(6) 400,000 or more shares of such stock remain outstanding in addition to shares held beneficially by officers, directors, or beneficial owners of more than 10 per cent of the stock,

(7) The shares described in subparagraph (6) of this paragraph continue to have a market value in the aggregate of at least \$5 million,

(8) The minimum average bid price of such stock, as determined by the Board, is at least \$5 per share, and

(9) The issuer continues to have at least \$2.5 million of capital, surplus, and undivided profits.

AMENDMENTS TO REGULATION T —  
CREDIT BY BROKERS AND  
DEALERS

1. Section 220.2(e)(3) is amended to read as follows:

SECTION 220.2 — DEFINITIONS

(e) OTC margin stock.\*\*\*

(3) The Board shall from time to time remove from the list described in subparagraph (2) of this paragraph (e) stocks that cease to:

(i) Exist or of which the issuer ceases to exist, or

(ii) Meet substantially the provisions of subparagraph (1) of this paragraph (e) and of § 220.8(h) (the Supplement to Regulation T).

2. Section 220.8 (the Supplement to Regulation T) is amended by adding paragraph (h) thereto, as follows:

SECTION 220.8 — SUPPLEMENT

(h) Requirements for continued inclusion on list of OTC margin stock. Except as provided in subparagraph (4) of § 220.2(e), OTC margin stock shall meet the requirements that:

(1) The stock continues to be subject to registration under section 12(g)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(1)), or if issued by an insurance company such issuer continues to be subject to section 12(g)(2)(G) (15 U.S.C. 78l(g)(2)(G)) and has at least \$1 million of capital and surplus,

(2) Four or more dealers stand willing to, and do in fact, make a market in such stock including making regularly published *bona fide* bids and offers for such stock for their own accounts, or the stock is registered on a securities exchange that is exempted by the Securities and Exchange Commission from registration as a national securities exchange pursuant to section 5 of the Securities and Exchange Act of 1934 (15 U.S.C. 78e),

(3) There continue to be 1,000 or more holders of record of the stock who are not officers, directors, or beneficial owners of 10 per cent or more of the stock,

(4) The issuer continues to be a U.S. corporation,

(5) Daily quotations for both bid and asked prices for the stock are continuously available to the general public;

and shall meet 3 of the 4 additional requirements that:

(6) 400,000 or more shares of such stock remain outstanding in addition to shares held beneficially by officers, directors, or beneficial owners of more than 10 per cent of the stock,

(7) The shares described in subparagraph (6) of this paragraph continue to have a market value in the aggregate of at least \$5 million,

(8) The minimum average bid price of such stock, as determined by the Board, is at least \$5 per share, and

(9) The issuer continues to have at least \$2.5 million of capital, surplus, and undivided profits.

AMENDMENTS TO REGULATION U —  
CREDIT BY BANKS FOR THE  
PURPOSE OF PURCHASING OR  
CARRYING MARGIN STOCKS

1. Section 221.3(d)(3) is amended to read as follows:

SECTION 221.3 — MISCELLANEOUS PROVISIONS

(d) OTC margin stock.\*\*\*

(3) The Board shall from time to time remove from the list described in subparagraph (2) of this paragraph (d) stocks that cease to:

(i) Exist or of which the issuer ceases to exist, or

(ii) Meet substantially the provisions of subparagraph (1) of this paragraph (d) and § 221.4(e) (the Supplement to Regulation U).

2. Section 221.4 (the Supplement to Regulation U) is amended by adding paragraph (e) thereto, as follows:

SECTION 221.4 — SUPPLEMENT

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(e) **Requirements for continued inclusion on list of OTC margin stock.** Except as provided in subparagraph (4) of § 221.3(d), OTC margin stock shall meet the requirements that:

(1) The stock continues to be subject to registration under section 12(g)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(1)), or if issued by an insurance company such issuer continues to be subject to section 12(g)(2)(G) (15 U.S.C. 78l(g)(2)(G)) and has at least \$1 million of capital and surplus,

(2) Four or more dealers stand willing to, and do in fact, make a market in such stock including making regularly published *bona fide* bids and offers for such stock for their own accounts, or the stock is registered on a securities exchange that is exempted by the Securities and Exchange Commission from registration as a national securities exchange pursuant to section 5 of the Securities and Exchange Act of 1934 (15 U.S.C. 78e),

(3) There continue to be 1,000 or more holders of record of the stock who are not officers, directors, or beneficial owners of 10 per cent or more of the stock,

(4) The issuer continues to be a U.S. corporation,

(5) Daily quotations for both bid and asked prices for the stock are continuously available to the general public;

and shall meet 3 of the 4 additional requirements that:

(6) 400,000 or more shares of such stock remain outstanding in addition to shares held beneficially by officers, directors, or beneficial owners of more than 10 per cent of the stock,

(7) The shares described in subparagraph (6) of this paragraph continue to have a market value in the aggregate of at least \$5 million,

(8) The minimum average bid price of such stock, as determined by the Board, is at least \$5 per share, and

(9) The issuer continues to have at least \$2.5 million of capital, surplus, and undivided profits.