

FEDERAL RESERVE BANK  
OF NEW YORK

Circular No. 6954  
June 16, 1972

PROPOSED AMENDMENT TO REGULATION T

To All Brokers and Dealers, and Members of National  
Securities Exchanges, in the Second Federal Reserve District:

Printed below is an excerpt from the Federal Register of June 13, containing the text of a proposed amendment to Regulation T, "Credit by Brokers and Dealers," of the Board of Governors of the Federal Reserve System, with respect to credit for the combined acquisition of mutual fund shares and insurance. Comments thereon should be submitted by July 7 and may be sent to our Regulations and Bank Analysis Department.

Alfred Hayes,  
President.

**FEDERAL RESERVE SYSTEM**

[ 12 CFR Part 220 ]

[Reg. T]

**CREDIT BY BROKERS AND DEALERS**

**Credit for Combined Acquisition of  
Mutual Fund Shares and Insurance**

The Board of Governors proposes to amend Part 220 (Regulation T) by eliminating from § 220.4(k) the requirement that, in order to be eligible for the provisions of that section, a creditor must be the issuer, or a subsidiary or affiliate of the issuer, of programs which combine the acquisition of mutual fund shares and insurance. Section 220.4(k) would also be amended to permit creditors who arrange credit for the acquisition of mutual fund shares and insurance to sell mutual fund shares without insurance under the provisions of § 220.4(c)—Special Cash Account—of Regulation T.

The designation of § 220.4(k) would be changed to "Special insurance premium funding account."

The text of the proposed amendment reads as follows:

§ 220.4 Special accounts.

(k) *Special insurance premium funding account.* In a special insurance premium funding account a creditor may arrange for the extension or maintenance of credit, not in excess of the premiums on the insurance policy (plus any applicable interest), on a security issued by an investment company registered pursuant to section 8 of the In-

vestment Company Act of 1940 (15 U.S.C. 80a-8) that serves as collateral under a plan, program, or investment contract registered with the Securities and Exchange Commission under the Securities Act of 1933 (15 U.S.C. 77), that provides for the acquisition both of a security issued by such investment company and of insurance: *Provided*, That such credit it extended or maintained by a lender subject to Part 207 of this chapter (Regulation G) or a bank subject to Part 221 of this chapter (Regulation U). A creditor arranging credit in a special insurance premium funding account shall not extend, arrange, or maintain credit in the general account or any other special account in § 220.3 and, this § 220.4 except for transactions involving the purchase of shares, in the special cash account described in paragraph (c) of this section, in investment companies which are so registered.

To aid in the consideration by the Board of these proposed amendments, interested persons are invited to submit relevant data, views, or arguments in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than July 7, 1972. Such material will be made available for inspection and copying upon request, except as provided in § 261.1(a) of the Board's rules regarding Availability of Information.

By order of the Board of Governors,  
June 2, 1972.

[SEAL] MICHAEL A. GREENSPAN,  
Assistant Secretary of the Board.

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