

FEDERAL RESERVE BANK  
OF NEW YORK

FEDERAL RESERVE SYSTEM  
120 CIV Part 220  
1972

CREDIT BY BROKERS AND DEALERS  
[Circular No. 7050  
December 5, 1972]

CREDIT BY BROKERS AND DEALERS

Proposed Amendments to Regulation T

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

Printed on the reverse side of this circular is an excerpt from the *Federal Register* of December 1, containing the texts of proposed amendments to Regulation T, "Credit by Brokers and Dealers," of the Board of Governors of the Federal Reserve System. The purposes of the amendments are (a) to shorten the time allowed for payment-against-delivery cash transactions from 35 days to 15 days, and (b) to clarify the computation of the 90-day restriction in special cash accounts.

Comments on the proposals should be submitted by December 22 and may be sent to our Regulations and Bank Analysis Department.

ALFRED HAYES,  
President.

(Over)

# FEDERAL RESERVE SYSTEM

[ 12 CFR Part 220 ]

[Reg. T]

## CREDIT BY BROKERS AND DEALERS

### Time Allowed for Payment Against Delivery Cash Transactions

The Board of Governors proposes to amend Part 220 in order to shorten the time allowed for payment against delivery cash transactions from 35 days to 15 days. Section 220.4(c) of Part 220, Credit by Brokers and Dealers, would be amended as set forth below:

#### § 220.4 Special accounts.

\* \* \* \* \*

##### (c) *Special cash account.* \* \* \* \*

(5) If the creditor, acting in good faith in accordance with subparagraph (1) of this paragraph, purchases a security for a customer, or sells a security to a customer, with the understanding that he is to deliver the security promptly to the customer, and the full cash payment to be made promptly by the customer is to be made against such delivery, the creditor may at his option treat the transaction as one to which the period applicable under subparagraph (2) of this paragraph is not the 7 days therein specified but 15 days after the date of such purchase or sale.

\* \* \* \* \*

(7) The 7-day periods specified in this paragraph refer to 7 full business days. The 15-day period and the 90-day period specified in this paragraph refer to calendar days, but if the last day of any such period is a Saturday, Sunday, or holiday, such period shall be considered to end on the next full business day. For the purposes of this paragraph, a creditor may, at his option, disregard any sum due by the customer not exceeding \$100.

\* \* \* \* \*

The purpose of the proposed changes in Regulation T is to indicate to participants in securities transactions which are to be consummated by payment against delivery that 15 calendar days instead of the present 35 calendar days is sufficient time in which to effect settlement, absent exceptional circumstances.

The Board is affording interested persons an opportunity to submit relevant

data, views, or arguments concerning the proposed amendment. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, to be received not later than December 22, 1972. Such material will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's Rules Regarding Availability of Information.

This notice is published pursuant to section 553(b) of Title 5, U.S.C., and § 262.2(a) of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2(a)).

By order of the Board of Governors,  
November 20, 1972.

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

[FR Doc.72-20697 Filed 11-30-72;8:54 am]

[ 12 CFR Part 220 ]

[Reg. T]

## CREDIT BY BROKERS AND DEALERS

### Ninety-Day Restriction in Special Cash Account

The Board of Governors proposes to amend Part 220 (Regulation T) by making a minor change in language within subsection (8) of Section 220.4(c) to clarify that the computation of the 90-day freeze begins with the trade date of the sale of a security with respect to which the customer has not previously paid for the cost of the purchase within the allotted 7 business days, rather than with the trade date of such purchase. This change would be accomplished by shifting the prepositional phrase "during the preceding 90 days" in the first sentence of subsection (8) from within the body to the end of the portion of the sentence preceding the proviso.

The text of the proposed amendment reads as follows:

#### § 220.4 Special accounts.

\* \* \* \* \*

##### (c) *Special cash account.* \* \* \* \*

(8) Unless funds sufficient for the purpose are already in the account, no security other than an exempted security shall be purchased for, or sold to, any customer in a special cash account with the creditor if any security other than an exempted security has been purchased by such customer in such an account, and

then, for any reason whatever, without having been previously paid for in full by the customer, the security has been sold in the account or delivered out to any broker or dealer during the preceding 90 days: *Provided*, That an appropriate committee of a national securities exchange or a national securities association, on application of the creditor, may authorize the creditor to disregard for the purposes of this subparagraph any given instance of the type therein described if the committee is satisfied that both creditor and customer are acting in good faith and that circumstances warrant such authorization. For the purposes of this subparagraph, the cancellation of a transaction, otherwise than to correct an error, shall be deemed to constitute a sale. The creditor may disregard for the purposes of this subparagraph a sale without prior payment provided full cash payment is received within the period described by subparagraph (2) of this paragraph and the customer has not withdrawn the proceeds of sale on or before the day on which such payment (and also final payment of any check received in that connection) is received. The creditor may so disregard a delivery of a security to another broker or dealer provided such delivery was for deposit into a special cash account which the latter broker or dealer maintains for the same customer and in which account there are already sufficient funds to pay for the security so purchased; and for the purpose of determining in that connection the status of a customer's account at another broker or dealer, a creditor may rely upon a written statement which he accepts in good faith from such other broker or dealer.

To aid in the consideration by the Board of this proposed amendment, 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 December 22, 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,  
November 22, 1972.

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

[FR Doc.72-20593 Filed 11-30-72;8:45 am]