

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 7497 ]  
[ November 6, 1974 ]

MARGIN REGULATIONS  
Six-Month Suspension of "Same-Day Substitution" Restrictions

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

Following is the text of a statement issued November 4 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today suspended for six months the restrictions that apply to use of the same-day substitution privilege in stock margin accounts. The suspension will permit use of the same-day substitution privilege in all margin accounts.

The purpose of the suspension is to enable the Board to study the impact of the rule on margin customers, brokerage firms and the stock market itself.

Under the same-day substitution privilege, customers are permitted to substitute one security for another in their accounts through offsetting purchases and sales made on the same day, without using any of the proceeds of the sale to strengthen an account that is below the initial margin requirement. A regulatory amendment that went into effect on September 18, 1972 limited use of this privilege to margin accounts with an equity ratio of 40 per cent or more of the market value of the stock collateral in the account.

The suspension applies 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 exchange or named in the Board's over-the-counter margin list.

The amendments to Regulations G, T, and U, reflecting the Board of Governors' action, are effective for the period commencing November 5, 1974 through May 5, 1975. Copies of these amendments will be sent to you shortly.

ALFRED HAYES,  
*President.*