

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **7931**
August 6, 1976]

AMENDMENTS TO REGULATION G

Reduction of Reporting Requirements

*To All Regulation G Registrants, and Others Concerned,
in the Second Federal Reserve District:*

Following is the text of a statement issued July 19 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today a reduction in the paperwork and reporting required in the regulation of securities credit.

Amendments to the Board's Regulation G governing securities credit by lenders other than banks and broker-dealers will reduce by half the number of persons subject to the regulation, yet continue to regulate 98 per cent of the credit now subject to the regulation.

The action is part of a continuing effort by the Board to reduce the reporting burden on the public and to deregulate lenders over which regulatory control is no longer essential. The amendment is effective on August 20.

Regulation G, issued in 1968, applies to certain types of securities credit extended, arranged or maintained by lenders other than banks and broker-dealers, such as credit unions and insurance companies. The regulation is designed to prevent the excessive use of securities credit by such lenders.

The amendments announced today will:

1. Reduce the frequency of reporting by Regulation G lenders. Reports will be required of all Regulation G lenders on an annual instead of a quarterly basis.
2. Decrease the number of persons subject to the regulation. This will be done by increasing the minimum amount of credit that subjects a lender to the regulation. The minimum amount of credit extended or arranged will be \$100,000 in any calendar quarter (instead of \$50,000) and in the case of credit outstanding the minimum amount will be raised from \$100,000 to \$500,000 at any time during the calendar quarter.
3. Establish a floor of \$200,000 for credit outstanding during any six-month period for deregistration of a lender. Under the present rule deregistration may occur only when no credit is outstanding.

These provisions will cut in half the approximate 700 lenders now registered under Regulation G and will cut the annual reporting burden from 2,800 reports to 350 reports.

Revisions will be made to Forms G-1 (Registration Statement), G-2 (Deregistration Statement) and G-4 (Quarterly Report) to reflect the new amendments.

In submitting the amendments for publication in the *Federal Register*, the Board of Governors made the following additional statement:

In 1968, the Board adopted Part 207 (Regulation G) to regulate certain types of securities credit extended, arranged or maintained by persons other than banks, brokers, or dealers. Regulation G was intended to restrict the flow of excessive amounts of previously unregulated securities credit extended by non-bank and non-broker/dealers with resultant potential for creating a destabilizing influence on securities markets.

To implement its objectives, certain provisions of Regulation G impose registration requirements upon persons coming within the class of lenders to whom the regulation was directed. Generally, such requirements are founded upon the amount of specified credit extended, arranged or maintained during prescribed periods.

(OVER)

Termination of registration of persons required to be registered is conditioned upon criteria related to (i) the time when specified credit was extended, arranged or maintained and (ii) the amount of outstanding credit. Registration and termination of registration are, pursuant to provisions of Regulation G, accomplished by the filing of prescribed forms with the Federal Reserve Bank of the district in which the principal office of the registrant is located. Further, registrants are required to file prescribed periodic reports with respect to such regulated credit in the manner and at the times required by Regulation G.

Experience gained by System staff and the Board in the administration of Regulation G, together with a current assessment of the scope and extent of the impact of the credit so regulated upon securities markets, led the Board to conclude that certain relaxing amendments are appropriate with respect to the registration, termination of registration, and reporting requirements of Regulation G.

The purposes and effects of these amendments are as follows:

(1) To decrease the number of persons subject to future registration by increasing the minimum amount of credit extended, arranged or maintained which will require a lender to register. In the case of credit extended or arranged, the minimum amount is raised from \$50,000 in any calendar quarter to \$100,000 and, in the case of any credit outstanding at any time during the calendar quarter, the minimum amount is raised from \$100,000 to \$500,000.

(2) To relax the conditions for termination of registration by the establishment of a deregistration floor of \$200,000 for credit outstanding during any six-month period.

(3) To reduce the reporting burden imposed on registrants by providing for an annual report, rather than quarterly reports.

Appropriate revisions will be made to Forms G-1 (Registration Statement), G-2 (Deregistration Statement) and G-4 (Quarterly Report) to reflect the effect of these amendments.

In addition, a technical amendment is made to §207.1(a) to delete the proviso clause relating to OTC securities, since the clause is no longer necessary. The related footnote 4 is deleted and, as an incident of such deletion, footnotes numbered 5, 6, 7, 8, and 9 are renumbered 4, 5, 6, 7, and 8, respectively.

Enclosed is a copy of the amendments to Regulation G. New Regulation G forms (F.R. G-1, G-2, and G-4), reflecting these changes in the regulation, will be available shortly. Questions regarding this matter may be directed to the Securities Regulations Division of our Bank Regulations Department.

Additional copies of the enclosure will be furnished upon request.

PAUL A. VOLCKER,
President.

Board of Governors of the Federal Reserve System
SECURITIES CREDIT BY PERSONS OTHER THAN
BANKS, BROKERS, OR DEALERS

AMENDMENTS TO REGULATION G

1. Effective August 20, 1976, paragraphs (a) and (b) of section 207.1 are amended to read as follows:

SECTION 207.1—GENERAL RULE

(a) **Registration.** Every person who, in the ordinary course of his business,¹ during any calendar quarter ended after June 30, 1976, extends or arranges for the extension of a total of \$100,000 or more, or has outstanding at any time during the calendar quarter, a total of \$500,000 or more, in credit, secured directly or indirectly,² in whole or in part, by collateral that includes any margin securities,³ unless such person is subject to Part 220 (Regulation T) or Part 221 (Regulation U) of this Chapter, is subject to the registration requirements of this paragraph and shall, within 30 days following the end of the calendar quarter during which the person becomes subject to such registration requirements, register with the Board of Governors of the Federal Reserve System by filing a statement in conformity with the requirements of Federal Reserve Form G-1 with the Federal Reserve Bank of the district in which the principal office of such person is located.

(b) **Termination of registration.** Any person so registered who has not, during the preceding 6 calendar months, extended or arranged for the extension or maintenance of and has not

had more than \$200,000 of credit outstanding at any time during such period, secured directly or indirectly, in whole or in part, by collateral that includes any margin securities, may apply for termination of such registration by filing Federal Reserve Form G-2 with the Federal Reserve Bank of the district in which the principal office of such person is located. A registration shall be deemed terminated when such application is approved by the Board of Governors of the Federal Reserve System.

* * *

2. Paragraph (a) of section 207.3 is amended to read as follows:

**SECTION 207.3—REPORTS
AND RECORDS**

(a) Every person who is registered pursuant to §207.1(a) of this part shall, within 30 days following June 30, 1977 and within 30 days following each succeeding June 30 thereafter, file a report on Federal Reserve Form G-4 with the Federal Reserve Bank of the district in which the principal office of the lender is located.

* * *

3. As an incident of the foregoing amendments to Regulation G, footnotes therein numbered 5, 6, 7, 8, and 9 are renumbered 4, 5, 6, 7, and 8, respectively.

¹ See §207.2(b)

² See §207.2(i)

³ See §207.2(d)

For this Regulation to be complete, retain:

- 1) Regulation G, as amended effective March 30, 1971, printed in the pamphlet "Securities Credit Transactions".
- 2) Amendments effective May 15, 1972; September 18, 1972; October 29, 1973; December 6, 1973; and July 25, 1974.
- 3) The Supplement to Regulation G, effective August 6, 1976.
- 4) This slip sheet.

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