

FEDERAL RESERVE BANK
OF NEW YORK

at Cir. No. 8005

December 6, 1976

REGULATION U
Additional Changes in Revised F.R. Form U-1

To All Banks, and Others Concerned,
in the Second Federal Reserve District:

The Board of Governors of the Federal Reserve System has adopted further changes in its revised Federal Reserve Form U-1 entitled "Statement of Purpose of a Stock-Secured Extension of Credit by a Bank." Enclosed is a copy of the new form, which is effective January 1, 1977, and which should be reproduced as needed. A limited number of additional copies of the form are available upon request from our Securities Regulations Division.

Printed below is the text of the Board's Order announcing the adoption of the revised form. Any questions regarding this matter may be directed to the Securities Regulations Division of our Bank Regulations Department.

PAUL A. VOLCKER,
President.

[Reg. U]
PART 221—CREDIT BY BANKS FOR THE PURPOSE OF PURCHASING
OR CARRYING MARGIN STOCKS
(Docket No. R-0026)
Notice of Further Revisions to Revised Form U-1

On June 11, 1976, notice was published in the Federal Register (41 F.R. 23667) that the Board of Governors had adopted a revised Federal Reserve Form U-1, "Statement of Purpose of a Stock-Secured Extension of Credit by a Bank," to be effective September 1, 1976. In order to review certain operational questions that were raised in connection with the use of such revised Federal Reserve Form U-1, the Board postponed the effective date of the revised form until January 1, 1977 (41 F.R. 35477 and 41 F.R. 48335). The Board has reviewed the questions presented and believes that further amendments to the revised form, particularly with regard to the officer's certification on Part II of the form, are warranted. Accordingly, the Board has further revised the form, effective January 1, 1977.¹

In addition to certain clarifying technical changes in the language of the officer's certification, the

principal purposes of the amendment are (i) to clarify that the bank officer signing the form may, in good faith, rely upon other bank employees to examine and validate the securities, and (ii) to restrict the examination and validation requirements only to securities that are or will be in the physical possession of the bank.

In adopting further revisions to the Form U-1, the Board announced that any banks that have reproduced copies of the earlier version of the Form U-1 that was to have become effective September 1, 1976, may continue to use such earlier version until their supply of such forms is exhausted or until December 31, 1977, whichever shall occur sooner, and that for this interim period, the earlier version shall be deemed to meet the requirements of section 221.3(a) of Regulation U (12 CFR 221.3(a)).

¹ A copy of the original Federal Reserve Form U-1 is filed as a part of the original document. Copies are available on request from the Board of Governors of the Federal Reserve System or any Federal Reserve Bank.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
STATEMENT OF PURPOSE OF A STOCK-SECURED EXTENSION OF CREDIT BY

(Name of Bank)

(FEDERAL RESERVE FORM U-1)

A FALSE OR DISHONEST STATEMENT ON THIS FORM MAY BE PUNISHABLE BY FINE OR IMPRISONMENT (U.S. CODE, TITLE 15, SECTION 78ff AND TITLE 18, SECTIONS 1001, 1005 AND 1014). A BORROWER WHO FALSELY CERTIFIES THE PURPOSE OF A CREDIT ON THIS FORM OR OTHERWISE WILLFULLY OR INTENTIONALLY EVADES THE PROVISIONS OF REGULATION U WILL ALSO VIOLATE FEDERAL RESERVE REGULATION X, "RULES GOVERNING BORROWERS WHO OBTAIN SECURITIES CREDIT".

Instructions:

- (1) Section 221.3(a) of Regulation U requires that a statement of purpose must be obtained in connection with any extension of credit by a bank secured directly or indirectly by any stock. The term "stock" is defined in section 221.3(f) and includes any security commonly known as a stock; any voting trust certificate and any security convertible, with or without consideration, into such security, or carrying any warrant or right to subscribe to or purchase such a security; or any such warrant or right.
- (2) Part I (3) and (4) need be filled in only if the purpose of the credit described in Part I (1) is other than to purchase or carry margin stock. The term "margin stock" is defined in section 221.3(v) and generally means (1) stocks that are registered on a national securities exchange and stocks that are on the Federal Reserve Board's List of OTC Margin Stocks, (2) debt securities (bonds) that are convertible into such stocks and (3) shares of most mutual funds.
- (3) Part II "Date and source of valuation" need be filled in only if such source is other than regularly published information in a journal of general circulation.
- (4) Part II, except for the certification by the officer of the bank, need not be completed in the case of a credit of \$5,000 or less which is not for the purpose of purchasing or carrying margin stock. However, in such cases, Part I must be completed.
- (5) Please print or type (if space is inadequate attach separate sheet).

PART I To be completed by borrower(s)

- | | | |
|--|--------------------------|--------------------------|
| | YES | NO |
| (1) Is this credit in the amount of \$....., or any part thereof, for the purpose of purchasing or carrying margin stock? If "no", describe the specific purpose..... | <input type="checkbox"/> | <input type="checkbox"/> |
| (2) In addition to this credit, do you have any other outstanding credit that has been extended by this bank, or has this bank agreed to extend additional credit to you? | <input type="checkbox"/> | <input type="checkbox"/> |
| (3) Is any of the collateral listed in tables (1) and (2) of Part II to be delivered, or has any such collateral been delivered, from a bank, broker, dealer or person other than you? If "yes", from whom? Against payment to deliverer? | <input type="checkbox"/> | <input type="checkbox"/> |
| (4) Has any of the collateral listed in Part II been owned less than 30 days? | <input type="checkbox"/> | <input type="checkbox"/> |

The undersigned has (have) read this form and any attachments thereto and hereby certifies and affirms that to the best of my (our) knowledge and belief the information contained therein is true, accurate and complete. Furthermore, to the best of my (our) knowledge, the securities listed as collateral in Part II are authentic, genuine, unaltered, and not stolen, forged or counterfeit.

SIGNED.....
(Borrower's signature) (Date)
.....
(Print or type name)

SIGNED.....
(Borrower's signature) (Date)
.....
(Print or type name)

THIS FORM SHOULD NOT BE SIGNED IN BLANK

PART II To be completed by bank

(1) Collateral consisting of stock, other than debt securities convertible into margin stock. The maximum loan value of such stock under the current Supplement to Regulation U is.....per cent of its current market value.

| No. of shares | Issue | Market price per share | Date and source of valuation | Total market value per issue |
|---------------|-------|------------------------|------------------------------|------------------------------|
| | | | | |

(2) Collateral consisting of debt securities convertible into margin stock. The maximum loan value of such debt securities under the current Supplement to Regulation U is..... per cent of the current market value.

| Principal amount | Issue | Market price | Date and source of valuation | Total market value per issue |
|------------------|-------|--------------|------------------------------|------------------------------|
| | | | | |

(3) Other collateral.

| Describe briefly | Market price | Source of valuation | Good faith loan value |
|------------------|--------------|---------------------|-----------------------|
| | | | |

The undersigned, a duly authorized officer of the bank, (i) is aware that this stock-secured credit may be subject to the credit restrictions of Regulation U, (ii) has read this form and any attachments thereto, (iii) has accepted the customer's statement in Part I in good faith as required by Regulation U*, and (iv) hereby certifies and affirms that, to the best of the officer's knowledge and belief, all the information contained herein is true, accurate and complete. If any of the securities described above in tables 1 and 2 that directly secure the credit have been or will be physically delivered to the bank, the undersigned officer further certifies that he or she (a) has examined, or will examine, the physical aspects of such securities and performed, or will perform, such validation procedures as are required by bank policy and government regulations promulgated under section 17(f) of the Securities Exchange Act of 1934, as amended, or has been informed that another employee of the bank has performed or will perform such functions, (b) if any of such securities are not or will not be registered in the name of the borrower or its nominee, has examined the written consent of the registered owner to pledge such securities, and (c) is satisfied to the best of the officer's knowledge and belief that such securities are genuine and not stolen or forged and their faces have not been altered.

Date..... SIGNED.....
 (Bank officer's signature)
 (Title) (Print or type name)

*To accept this statement in good faith, the officer of the bank (1) must be alert to the circumstances surrounding the credit and (2) if the officer has any information which would cause a prudent person not to accept the statement without inquiry, must have investigated and be satisfied that the statement is truthful. Among the facts which would require such investigation are receipt of the statement through the mail or from a third party.

THIS FORM MUST BE RETAINED BY THE BANK FOR AT LEAST THREE YEARS AFTER THE CREDIT IS EXTINGUISHED