

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 8357 ]  
May 24, 1978

AMENDMENTS TO REGULATIONS G, T, AND U

Changes in the Criteria for Listing OTC Margin Stocks

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

The Board of Governors of the Federal Reserve System has issued the following statement announcing amendments to its margin Regulations G, T, and U:

The Board of Governors of the Federal Reserve System today [May 10] amended its requirements for inclusion of stocks in the Board's list of Over the Counter (OTC) stocks that are subject to margin requirements.

The amendment will affect the next list of OTC margin stocks published by the Board, expected this Fall.

The amendment requires that if a stock is to be included in the Board's OTC list, at least four dealers in it must regularly submit *bona fide* bids and offers for the stock to an automated quotation system such as NASDAQ (National Association of Securities Dealers Automated Quotation System—linking major brokers throughout the country). For the listing to be continued, three dealers must regularly submit such bids and offers.

Previously, stocks included on the list were those for which dealers regularly published *bona fide* bids and offers.

The Board announced a proposal to make this change on March 14. Comment was generally favorable and the proposal was adopted essentially unchanged.

Questions regarding these matters may be directed to our Regulations Division (Tel. No. 212-791-5914). Additional copies of the enclosure will be furnished upon request.

PAUL A. VOLCKER,  
*President.*

Board of Governors of the Federal Reserve System  
MARGIN REGULATIONS  
AMENDMENTS TO REGULATIONS G, T, AND U  
(SUPPLEMENTS)  
(effective June 15, 1978)

[6210-01]

**Title 12—Banks and Banking**

**CHAPTER II—FEDERAL RESERVE SYSTEM**

[Regs. G, T and U; Docket No. R-0147]

**OTC LIST REQUIREMENTS**

**Final Rule**

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule.

**SUMMARY:** These amendments to the Supplements to Regulations G, T and U will require that dealers must submit bona fide bids and offers for an OTC stock to an automated quotation system if they are to be counted as market-makers in that stock for the purpose of qualifying for the Board's List of OTC Margin Stock. The minimum market-maker requirement for a stock to be included on the List under the present rule recognizes those dealers who make "regularly published bona fide bids and offers for such stock." When the List was first published by the Board in 1969, the "pink sheets" of the National Quotation Bureau were the only consistent source of the required price information. Since that time an automated quotation system of the National Association of Securities Dealers (NASDAQ), has been developed to a point where price information on all stocks on the Board's list can now be obtained from it. The Board is presently using data from both the "pink sheets" and NASDAQ for its surveys. The amendments will eliminate the necessity of reviewing data from the "pink sheets", most of which is considered duplicative, and reduce staff review and computer time.

**EFFECTIVE DATE:** June 15, 1978.

**FOR FURTHER INFORMATION CONTACT:**

Laura Homer, Chief Attorney, Securities Regulation, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, Washington, D.C. 20551, 202-452-2781.

**SUPPLEMENTARY INFORMATION:** All but one of the comments received on the Board's proposal to eliminate the use of "pink sheets" data when surveying stocks for inclusion on the Board's List of OTC Margin Stocks (43 FR 11214) favored the amendment. The one exception was received from the National Association of OTC Companies (NAOTC) which stated its view that many non-NASDAQ stocks have better markets than NASDAQ listed stocks.

Certain language regarding securities listed on "exempt exchanges" is being removed from the regulations at this time as no longer necessary. The Securities and Exchange Commission has notified Board staff that the last of the "exempt exchanges", the Honolulu Stock Exchange, recently ceased operations. The present rule permits registration of stocks on "exempt exchanges" as an alternative to meeting the market-maker requirement. The Board finds that it would serve no useful purpose to follow the requirements for notice and public participation prior to eliminating the language regarding securities listed on "exempt exchanges".

Accordingly, pursuant to sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78q and w) the Board amends 12 CFR Parts 207, 220 and 221 as follows:

**PART 207—SECURITIES CREDIT BY PERSONS OTHER THAN BANKS, BROKERS, OR DEALERS**

1. Section 207.5(d)(2) and 207.5(e)(2) of Part 207, Securities Credit by Persons other than Banks, Brokers or Dealers, would be amended as follows:

§ 207.5 Supplement.

\* \* \* \* \*

(d) *Requirements for inclusion on List of OTC Margin Stocks.* \* \* \*

(2) Four or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit bona fide bids and offers to an automated quotations system for their own accounts.

\* \* \* \* \*

(e) *Requirements for continued inclusion on List of OTC margin stock.* \* \* \*

(2) Three or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit bona fide bids and offers to an automated quotations system for their own accounts.

**PART 220—CREDIT BY BROKERS AND DEALERS**

2. Section 220.8(h)(2) and 220.8(i)(2) of Part 220, Credit by Brokers and Dealers, would be amended as set forth below:

§ 220.8 Supplement.

\* \* \* \* \*

(h) *Requirements for inclusion on List of OTC Margin Stocks.* \* \* \*

(2) Four or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit bona fide bids and offers to an automated quotations system for their own accounts.

\* \* \* \* \*

(i) *Requirements for continued inclusion on List of OTC Margin Stocks.* \* \* \*

(2) Three or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit bona fide bids and offers to an automated quotations system for their own accounts.

**PART 221—CREDIT BY BANKS FOR THE PURPOSE OF PURCHASING OR CARRYING MARGIN STOCKS**

3. Section 221.4(d)(2) and 221.4(e)(2)

of Part 221, Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks, would be amended as follows:

§ 221.4 Supplement.

\* \* \* \* \*

(d) *Requirements for inclusion on List of OTC margin stock.* \* \* \*

(2) Four or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit

*bona fide* bids and offers to an automated quotations system for their own accounts.

\* \* \* \* \*

(e) *Requirements for continued inclusion on List of OTC margin stock.* \* \* \*

(2) Three or more dealers stand willing to, and do in fact, make a market in such stock and regularly submit *bona fide* bids and offers to an auto-

mated quotations system for their own accounts.

By order of the Board of Governors,  
May 10, 1978.

THEODORE E. ALLISON,  
Secretary of the Board.

[FR Doc. 78-13210 Filed 5-15-78; 8:45 am]