

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8765]
March 12, 1980]

CREDIT BY BROKERS AND DEALERS

Comment Invited on Technical Amendments to Regulation T

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

The Board of Governors of the Federal Reserve System has adopted several technical amendments to its Regulation T, "Credit by Brokers and Dealers." The amendments will become effective on June 2, 1980, and comments thereon will be accepted until April 30.

Comments on the amendments may be sent to our Consumer Affairs and Bank Regulations Department.

In its announcement, the Board indicated that the changes involve:

- Increasing the time for making a margin deposit from five to seven business days;
- Allowing a self-regulatory organization (SRO) to approve extension of time requests for margin accounts which are received from creditors who are not members of the SRO;
- Increasing from \$100 to \$500 the amount which a broker/dealer may disregard prior to taking action to achieve compliance with the regulation, such as calling for additional cash or collateral or liquidating the account; and
- Permitting the postmark date to serve as evidence of timely filing of a request for an extension of time by certain broker/dealers.

Enclosed is a copy of the amendments. Questions thereon should be directed to our Consumer Affairs and Bank Regulations Department (Tel. No. 212-791-5914).

THOMAS M. TIMLEN,
First Vice President.

Board of Governors of the Federal Reserve System

CREDIT BY BROKERS AND DEALERS

AMENDMENTS TO REGULATION T

(effective June 2, 1980)

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: In response to requests, the Board is adopting amendments to Regulation T that will: (1) change the time period within which deposits must be made in the margin accounts from five to seven business days; (2) allow a self-regulatory organization (a securities exchange or association) to approve extension of time requests for payment received from any broker-dealer; (3) permit the postmark date to serve as evidence of timely filing of a request for an extension of time by certain broker-dealers while withdrawing at the same time a prior Board interpretation that holds otherwise; and (4) increase the de minimis amount which triggers regulatory action both in the margin and special cash accounts from \$100 to \$500.

The Board is taking this action to reduce the administrative burden placed on broker-dealers and their self-regulatory organizations by recognizing the geographic dispersion of the financial community and recent developments in information processing technology. Because this is a rule change which relieves a restriction, the requirements of 5 U.S.C. § 553 with respect to notice and public participation were not followed before adoption. However, a deferred effective date has been provided and comments on the amendment will be accepted until April 30, 1980.

EFFECTIVE DATE: June 2, 1980 with comments to be accepted until April 30, 1980.

ADDRESS: Comments, which should refer to Docket No. R-0245, may be mailed to Theodore E. Allison, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D. C. 20551 or delivered to Room B-2223 between 8:45 a.m. and 5:15 p.m. Comments received may also be inspected at Room B-1122 between 8:45 a.m. and 5:15 p.m., except as provided in section 261.6(a) of the Board's Rule Regarding Availability of Information (12 CFR §261.6(a)).

FOR FURTHER INFORMATION CONTACT: Patsy Abelle, Senior Attorney, or Theodore W. Prush, Senior Securities Regulation Analyst, Securities Regulation Section, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, Washington, D. C. 20551 (202-452-2781).

SUPPLEMENTARY INFORMATION: In response to requests from the New York Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. the Board of Governors amends Regulation T (12 CFR 220) to extend the time within which payment is due in the margin accounts from five to seven business days. The Board also amends the provisions of the general rule to permit any self-regulatory organization to approve extension of time requests for payment

For this Regulation to be complete, retain:

- 1) Regulation T, as amended effective June 1, 1977, printed in the pamphlet "Securities Credit Transactions."
- 2) The Supplement to Regulation T, effective January 1, 1977.
- 3) Amendments effective June 15, 1978, July 12, 1978, and October 30, 1978.
- 4) This slip sheet.

received from any broker-dealer. These two changes will bring the provisions of the margin accounts into conformity with those of the special cash account. Another amendment will permit a self-regulatory organization to accept as timely filed extension of time requests received from certain broker-dealers via the mail which are postmarked no later than midnight of the date payment is due. This amendment replaces an interpretation (1939 Federal Reserve BULLETIN 253) concerning this subject.

In addition, both the margin accounts and the special cash account allow a broker-dealer to refrain from taking action to achieve compliance with the regulation (such as calling for additional cash or collateral or liquidating the account) if the amount due does not exceed \$100. This figure has been unchanged in the cash account since 1949 and in the margin account since 1951. Given the increased costs of doing business, the Board increases the de minimis amount to \$500.

Accordingly, pursuant to sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and w), the Board adopts the following amendments to sections 220.3 and 220.4 of Regulation T (12 CFR 220):

1. To amend section 220.3(b)(1) (i) and (ii) by deleting the words "5 full business days" and substituting therefor the words "7 full business days";
2. To amend section 220.3(e) by deleting the words "5-day period" and substituting therefor the words "7-day period";
3. To revise section 220.3(f) to read as follows:

§220.3 General Accounts

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(f) Extensions of time. If an appropriate committee of a national securities exchange or a national securities association is satisfied that the creditor is acting in good faith in making the application, and that exceptional circumstances warrant such action, such committee may extend the 7-day period specified in paragraph (b) of this section for one or more limited periods commensurate with the circumstances. Applications should be filed and acted upon prior to the end of the 7-day period or the expiration of any subsequent extension. However, an application may be accepted as timely filed from firms having no direct electronic access to the exchange or association if it is postmarked no later than midnight of the last day of the 7-day period or any subsequent extension.

4. To amend section 220.3(g)(3) by deleting the figure "\$100" and substituting therefor the figure "\$500";
5. To revise section 220.4(c)(6) to read as follows:

§ 220.4 Special Accounts

* * * * *

(c) Special cash account.

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(6) If an appropriate committee of a national securities exchange or a national securities association is satisfied that the creditor is acting in good faith in making the application, that the application relates to a bona fide cash transaction, and that exceptional circumstances warrant such action, such committee (i) may extend any period specified in subparagraphs (2), (3), (4), or (5) of this paragraph for one or more limited periods commensurate with the circumstances, or (ii), in case a security purchased by the customer in the special cash account is a margin or exempted security, may authorize the transfer of the transactions to a general account, special bond account, special convertible security account, or special omnibus account, and the completion of such transaction pursuant to the provisions of this part relating to such an account. Applications under (i) above should be filed and acted upon prior to the end of the 7-day period or the expiration of any subsequent extension. However, an application may be accepted as timely filed from firms having no direct electronic access to the exchange or association if it is postmarked no later than midnight of the last day of the 7-day period or any subsequent extension.

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6. To amend section 220.4(c)(7) by deleting the figure "\$100" and substituting therefor the figure "\$500".
7. To amend section 220.4(h)(2) by deleting the words "5 full business days" and substituting therefor the words "7 full business days";

By order of the Board of Governors of the Federal Reserve System.

March 6, 1980

Theodore E. Allison
Secretary of the Board