

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9295]
[May 19, 1982]

MARGIN REGULATIONS

**— Amendment to Regulation T Modifying the Collateral Requirements
for Securities Loans
— Proposed Simplification and Revision of Regulation T**

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

The following is quoted from the text of a statement issued by the Board of Governors of the Federal Reserve System announcing an amendment to its Regulation T, "Credit by Brokers and Dealers," to broaden the types of collateral against which brokers and dealers may borrow and lend securities.

The revision would permit brokers and dealers to use as collateral letters of credit issued by federally insured banks, United States Government securities, certain bank certificates of deposit and bankers' acceptances and letters of credit from foreign banks that have filed a specified agreement with the Board.

The Board acted after consideration of comment received on proposals published last November. The new authority became effective May 17, 1982. Until now, brokers and dealers have been able to borrow and lend securities only against cash collateral.

Enclosed is a copy of the text of the amendment to Regulation T, effective May 17, 1982. Questions regarding this matter may be directed to our Regulations Division (Tel. No. 212-791-5914).

Also enclosed — for those institutions subject to Regulation T in this District — is a supplemental chart providing a cross-reference of section numbers in the present Regulation T to their corresponding section numbers in a recent proposal to revise and simplify the regulation, which was sent to affected institutions with our Circular No. 9271, dated April 9, 1982. Comments on the Board's proposed revision of the regulation should be submitted by June 25, 1982, and may be sent to our Regulations Division or to Mindy R. Silverman, Assistant Counsel. Additional copies of the proposal, which was published in the *Federal Register* of March 30, 1982, and/or the current supplemental chart will be furnished upon request directed to the Circulars Division of this Bank (Tel. No. 212-791-5216).

ANTHONY M. SOLOMON,
President.

Board of Governors of the Federal Reserve System
CREDIT BY BROKERS AND DEALERS

AMENDMENT TO REGULATION T

(effective May 17, 1982)

DEPOSIT REQUIRED FOR BORROWING AND LENDING SECURITIES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final Rule.

SUMMARY: On November 10, 1981, the Board published for comment a proposal to amend section 220.6(h) Regulation T to permit brokers and dealers to borrow and lend securities against letters of credit issued by banks insured by the Federal Deposit Insurance Corporation and against U.S. government securities (46 Fed. Reg. 55533). The existing rule requires a deposit of cash.

The Board has adopted a modified version of its November 10, 1981 proposal. The amendment will permit, in addition to cash, the use of securities issued or guaranteed by the United States government or its agencies, certain letters of credit, bank CD's and bankers acceptances, as permissible collateral in stock lending and borrowing transactions. The amendment will also permit foreign banks to issue letters of credit in such transactions if they have filed with the Board agreements to comply with the same rules and regulations applicable to member banks in securities credit transactions.

EFFECTIVE DATE: May 17, 1982.

FOR FURTHER INFORMATION CONTACT: Laura Homer, Securities Credit Officer or Robert Lord, Attorney, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, Washington, D.C. (202) 452-2781.

SUPPLEMENTAL INFORMATION: The Board's November 10, 1981 proposal to amend section 220.6(h) of Regulation T would have expanded acceptable kinds of collateral in stock lending transactions to include letters of credit and U.S. government securities. Many commenters believed the Board's proposed limitation with respect to acceptable kinds of collateral was too restrictive. These commenters suggested that CD's, bankers acceptances, commercial paper and equity securities be included as permissible collateral in transactions governed by section 220.6(h). The Board has determined that certain negotiable CD's and bankers acceptances along with letters of credit and U.S. government securities, will be permitted as acceptable collateral when securities are lent or borrowed by brokers and dealers.

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 (section 220.8) dated February 1982.
- 3) Various amendments, as printed in pamphlet dated February 1982.
- 4) This slip sheet.

The Board's proposal to limit use of letters of credit in stock lending and borrowing transactions to letters issued by FDIC-insured banks was opposed by many foreign banks doing business in the United States. These banks regarded the Board proposal as discriminatory and unnecessary. The Board believes that their position is not without merit, and will permit use of foreign bank letters of credit for purposes of section 220.6(h) if such bank has filed a Form F.R. T-2 with the Board agreeing to comply with all laws relating to securities credit that are applicable to their U.S. counterparts. Only foreign banks with branches or agencies that are supervised and examined by State or Federal banking authorities are eligible to file such agreements.

In its original proposal, the Board certified for the purpose of 5 U.S.C. § 605(b) that its action would not have a significant impact on a substantial number of small entities. No comments were received which would lead the Board to conclude that the adoption of this amendment would have a significant impact on a substantial number of small entities.

List of Subject Headings in 12 CFR Part 220

Banks, banking; Brokers; Credit; Federal Reserve System; Margin; Margin Requirements; Reporting Requirements; Securities

Accordingly, pursuant to §§ 7 and 23 of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78g, 78w), the Board amends § 220.6(h) of Regulation T (12 CFR Part 220) to read as follows:

"(h) Borrowing and lending securities. Without regard to the other provisions of this part, a creditor may borrow or lend securities for the purpose of making delivery of the securities in the case of short sales, failure to receive securities required to be delivered, or other similar situations. Each borrowing shall be secured by a deposit of one or more of the following: cash, securities issued or guaranteed by the United States government or its agencies, negotiable bank certificates of deposit and bankers acceptances issued by banking institutions in the United States and payable in the United States, or irrevocable letters of credit issued by a bank insured by the Federal Deposit Insurance Corporation or a foreign bank that has filed an agreement with the Board on Form F.R. T-2. Such deposit made with the lender of the securities shall have at all times a value at least equal to 100 percent of the market value of the securities borrowed, computed as of the close of the preceding business day."

OMB Control Number: Approval by OMB is pending.

Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1980 (P.L. 96-511), the reporting or recordkeeping provisions that are included in this regulation have been or will be submitted for approval to the Office of Management and Budget (OMB).

By order of the Board of Governors of the Federal Reserve System,
May 12, 1982.

(signed) William W. Wiles

William W. Wiles

Secretary of the Board

[SEAL]

FEDERAL RESERVE SYSTEM

Regulation T

CREDIT BY BROKERS AND DEALERS

NOTICE

Chart Comparing Section Numbers of Present and Proposed Regulation T

On March 24, 1982, the Board proposed for public comment a completely revised and simplified Regulation T (see 47 Fed. Reg. 13376, March 30, 1982). Comments on the revised Regulation T should be received by June 25, 1982. To facilitate an understanding of the proposed regulation, the Board is publishing a supplemental chart which provides a cross-reference of section numbers in present Regulation T to their corresponding section numbers in the proposed regulation. The chart also cross-references section numbers from the proposed regulation to the present regulation. The supplemental chart will be an aid to persons tracing regulated areas in present Regulation T to the proposed regulation.

For further information at the Board of Governors of the Federal Reserve System, Washington, D. C. 20551, contact: John Kelly, Attorney, Division of Banking Supervision and Regulation, (202) 452-2781. At the Federal Reserve Bank of New York, contact: Mindy Silverman, Assistant Counsel, (212) 791-5032.

The following supplemental chart is being published as an aid to understanding the proposed completely revised Regulation T:

Regulation T

Credit by Brokers and Dealers

SUPPLEMENTAL CHART

Section Comparison

Present with Proposed

<u>Present</u>	<u>Proposed</u>
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220.1	220.1(a)
220.2	220.2
(a)	first sentence
(b)	(b)
(c)	(c)
(d)	(v)
(e)	(s); 220.16(c),(d) & (e)
(f)	(n)

Section Comparison

Proposed with Present

<u>Proposed</u>	<u>Present</u>
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220.1(a)	220.1
220.1(b)(1)	220.3(a)
220.1(b)(2)	220.7(e)
220.2	
first sentence	220.2(a)
(a)	added
(b)	220.2(b)
(c)	220.2(c)

220.2 cont'd.

- (g) removed
- (h) (o)
- (i) (r)

220.3

- (a) 220.1(b)(1) & 220.4(a)
- (b)(1)(i) 220.4(b), 220.4(c)(1) & (2). See also
220.2(a)
220.2(d)
220.2(f)
220.2(g)
220.2(h)
220.2(m)
- (b)(1)(ii) removed
- (b)(2) 220.4(e)
- (b)(3) removed
- (c)(1) 220.4(c)(1) & (2)
- (c)(2) 220.4(b)
- (c)(3) removed
- (c)(4) 220.3(g)
- (d) 220.4(b), 220.4 (c)(1)&(2)
- (e) 220.4(d)
- (f) 220.4(c)(2)
- (g)(1) 220.4(c)(1)
- (g)(2) removed
- (g)(3) 220.4(c)(3)
- (g)(4) 220.4(c)(4)
- (g)(5) 220.4(c)(5)
- (h)(1) 220.5(a)
- (h)(2) removed
- (i)(1) 220.5(b)(2)
- (i)(1)(i) to (vi) 220.5(b)(3)(i) to (vi)
- (i)(2) 220.5(b)(4)(ii)
- (i)(3) 220.5(b)(4)(i)
- (i)(4) 220.5(b)(5)
- (i)(5) 220.5(b)(6)

220.2 cont'd.

- (d) added
- (e) added
- (f) added
- (g) added
- (h) added
- (i) added
- (j) added
- (k) 220.4(g)(2)(iv)
- (l) 220.4(g)(2)(v)
- (m) added
- (n) 220.2(f)
- (o) added
- (p) added
- (q) added
- (r) 220.2(i)
- (s) 220.2(e)
- (t) 220.4(g)(2)(iii)
- (u)(1) added
- (u)(2) 220.6(k)
- (v) 220.2(d)
- (w) added
- (x) 220.4(g)(2)(i)
- (y) 220.4(g)(2)(ii)
- 220.3
- (a) 220.4(a)(2) & 220.3(a)
- (b) 220.3(a) & 220.4(a)(3)
- (c) 220.7(b)
- (d) 220.6(c)
- (e) 220.6(f)
- (f) 220.6(e)
- (g) 220.3(c)(4)
- (h) 220.6(j)
- (i) 220.7(f)
- 220.4
- (a) 220.3(a)
- (b) added (covers old 220.3(b),(c),(d))
- (c)(1) & (2) added (covers old 220.3(b),(c),(d))
- (d) 220.3(e)
- (e)(1) 220.3(b)(2)

Present with Proposed

Proposed with Present

220.3 cont'd.

220.4 cont'd.

(i)(6) 220.5(b)(6)

220.4
 (a)(1) 220.1(b)(1)
 (a)(2) 220.3(a)
 (a)(3) 220.3(b)

(a)(4) removed

(b) 220.9
 (c)(1)(i) 220.7(a)(1) & (2)
 & (ii)
 (c)(2) 220.7(b)(1) & (b)(4)
 (c)(3) 220.7(b)(1)(ii), (iii) & (iv)

(c)(4) 220.7(b)(3)
 (c)(5) 220.7(b)(2)

(c)(6) 220.7(d)

(c)(7) Partially removed; 220.7(b) & (c)
 (c)(8) 220.7(c),(d)

(d) 220.11(c)

(e) 220.8(a)(1)
 (f)(1) 220.10(a)(4)(i)
 (f)(2)(i) 220.10(a)(3)
 (f)(2)(ii) 220.10(a)(4)(ii)

(f)(2)(iii) 220.10(b)
 (f)(3) 220.10(a)(1)

(f)(4) 220.11(f)
 (f)(5) 220.11(d)
 (f)(6) 220.6
 (f)(7) 220.8(a)(2)
 (f)(8) 220.8(a)(3) & (b)

(e)(2) 220.6(g)(2)
 (e)(3) added
 (f) 220.6(g)

220.5
 (a) 220.3(h)
 (b)(1) 220.4(i)

(b)(2) 220.3(i)(1)

(b)(3) 220.3(i)(1)(i)
 (i) to (vi) to (vi)

(b)(4)(i) 220.3(i)(3)
 (b)(4)(ii) 220.3(i)(2)
 (b)(5) 220.3(i)(4)
 (b)(6) 220.3(i)(6) &
 220.3(i)(5)

(c) 220.6(a)
 (d) 220.6(b)

(e) 220.6(d)

220.6 220.4(f)(6)

220.7
 (a)(1) 220.4(c)(1)(i)
 (a)(2) 220.4(c)(1)(ii)
 (a)(3) added
 (b)(1)(i) 220.4(c)(2)

(b)(1)(ii) 220.4(c)(3)
 (b)(1)(iii) 220.4(c)(3)

(b)(1)(iv) 220.4(c)(3)

(b)(2) 220.4(c)(5)
 (b)(3) 220.4(c)(4)
 (b)(4) 220.4(c)(2) &
 220.4(c)(7)

(c) 220.4(c)(8)
 (d) 220.4(c)(6),(8)

Present with Proposed

220.4 cont'd.

- (g)(1) 220.11(b)(1)
- (g)(2)(i) 220.2(x)
- (g)(2)(ii) 220.2(y)
- (g)(2)(iii) 220.2(t)
- (g)(2)(iv) 220.2(i)
- (g)(2)(v) 220.2(j)

- (g)(3) 220.11(b)(3)*

- (g)(4) 220.11(b)(4)
- (g)(4)(i) 220.11(b)(4)(i)
- (g)(4)(ii) 220.11(b)(4)(ii)
- (g)(4)(iii) 220.11(b)(4)(iii)
- (g)(5)(i) 220.11(b)(4)(iv)
- (g)(5)(ii) 220.11(b)(4)(v)
- (g)(5)(iii) 220.11(b)(4)(vi)
- (g)(6) 220.11(b)(5)

- (g)(7) 220.11(b)(7)
- (g)(8) 220.11(b)(6)
- (h) removed
- (i) removed; see
220.4, 220.5(b)(1)
- (j) removed; see
220.4,
- (k) removed

- 220.5
- (a) 220.14(a)
- (b) 220.14(b)
- (c) 220.14(a)(3)

- 220.6
- (a) 220.5(c)
- (b) 220.5(d)
- (c) 220.3(d)
- (d) 220.5(e)
- (e) 220.3(f)
- (f) 220.3(e)
- (g)(1) 220.4(f)(1)
- (g)(2) 220.4(f)(2), 220.4(e)(2)
- (h) 220.15

Proposed with present

- 220.8
- (a)(1) 220.4(e)
- (a)(2) 220.4(f)(7)
- (a)(3) 220.4(f)(8)
- (b) 220.7(c)

- 220.9 220.4(b)

- 220.10
- (a)(1) 220.4(f)(3)
- (a)(2) added
- (a)(3) 220.4(f)(2)(i)
- (a)(4)(i) 220.4(f)(1)
- (a)(4)(ii) 220.4(f)(2)(ii)

- (b) 220.4(f)(2)(iii)

- 220.11
- (a) added
- (b)(1) 220.4(g)(1)
- * (b)(3) 220.4(g)(3)

- (b)(4)(i), 220.4(g)(4)
- (ii),(iii) (i)(ii),(iii)

- (b)(4)(iv), 220.4(g)(5)(i)
- (v),(vi) (ii),(iii)
- (b)(5) 220.4(g)(6)

- (b)(6) 220.4(g)(8)
- (b)(7) 220.4(g)(7)
- (c) 220.4(d)
- (d) 220.4(f)(5)
- (e) added
- (f) 220.4(f)(4)

- 220.12(a) 220.7(a)

*/ Note: Number 220.11(b)(2) was omitted - to be corrected.
 220.11(b)(3) should be 220.11(b)(2); 220.11(b)(4) should be 220.11(b)(3) etc.

Present with Proposed

Proposed with Present

220.6 cont'd.

(i)	220.13(a)
(j)	220.3(h)
(k)	220.2(u)(2)

220.13	
(a)	220.6(i)
(b)	added

220.7

(a)	220.12
(b)	220.3(c)
(c)	220.8(b)
(d)	removed
(e)	220.1(b)(2)
(f)	220.3(i)

220.14	
(a)	220.5(a)
(b)	220.5(b)

220.8

	220.17
(a)	220.17(a) & (c)
(b)	220.17(c)
(c)	220.17(b)
(d)	220.17(e)
(e)	removed
(f)	removed
(g)	removed
(h)	220.16(a)
(i)	220.16(b)
(j)	220.17(d) & (h)

220.15	220.6(h)
220.16	
(a)	220.8(h)
(b)	220.8(i)
(c)	220.2(e)(3)
(d)	220.2(e)(4)
(e)	220.2(e)(5)
220.17	
(a)	220.8(a)
(b)	220.8(c)
(c)	220.8(a) & (b)
(d)	220.8(j)
(e)	220.8(d)
(f)	added
(g)	added
(h)	220.8(j)

Board of Governors of the Federal Reserve System, April 22, 1982.

[SEAL]

(signed) James McAfee

 James McAfee
 Associate Secretary of the Board