

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10185**
August 13, 1987]

REGULATION U

**Comment Invited, by August 27, on Proposed
Exemption from Form U-1 Requirement**

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

The Board of Governors of the Federal Reserve System proposes to amend its Regulation U, "Credit by Banks for the Purpose of Purchasing or Carrying Margin Stocks," to exempt banks, when making loans of \$100,000 or less, from the requirement of executing Form U-1 (Statement of Purpose for an Extension of Credit Secured By Margin Stock). The proposed amendment is designed to reduce the paperwork burden resulting from having to file Form U-1 for every loan secured by margin stock.

Printed on the following pages is the text of the Board's official notice in this matter. Comments thereon should be submitted by August 27, 1987, and may be sent to the Board, as indicated in the notice, or to our Compliance Examinations Department.

E. GERALD CORRIGAN,
President.

FEDERAL RESERVE SYSTEM
Regulation U
(12 C.F.R. 221)
(Docket No. R-0608)
Credit by Banks for the Purpose of
Purchasing or Carrying Margin Stock

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Proposed Rule.

SUMMARY: The Board proposes to amend Regulation U to exempt banks, when making loans of \$100,000 or less, from the requirement that Federal Reserve Form U-1 must be executed.

DATE: Comments should be received by August 27, 1987.

ADDRESS: Comments, which should refer to Docket No. R-0608, may be mailed to William W. Wiles, 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. weekdays. Comments received may be inspected in Room B-2223 between 8:45 a.m. and 5:15 p.m. weekdays.

FOR FURTHER INFORMATION CONTACT: Laura Homer, Securities Credit Officer, or Scott Holz, Attorney, Division of Banking Supervision and Regulation, (202) 452-2781; or for any user of a Telecommunication Device for the Deaf (TDD), Ernestine Hill or Dorothea Thompson, (202) 452-3244.

SUPPLEMENTARY INFORMATION: In order to reduce the paperwork burden imposed by the requirement in Regulation U that a Federal Reserve Form U-1 be executed for every loan secured by any margin stock, the Board is proposing an amendment to Regulation U. The

amendment will delete this requirement for loans of \$100,000 or less. This will have the effect of restoring the compliance mechanism for loans of \$100,000 or less to the status that existed prior to 1968 when the mandatory form was first required.

INITIAL REGULATORY FLEXIBILITY ANALYSIS: The Board's Initial Regulatory Flexibility Analysis indicates that this proposed amendment, if adopted, is expected to reduce paperwork burden on small banks and, therefore, will have no adverse economic impact on a substantial number of small entities. Comments are invited on the statement. The amendment reduces information collection requirements.

LIST OF SUBJECTS IN 12 C.F.R. PART 221: Banks, Banking, Credit, Federal Reserve System, Investments, Margin, Margin requirements, Reporting and recordkeeping requirements, Securities.

For the reasons set out in this notice, and pursuant to the Board's authority under sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and w), the Board proposes to amend 12 C.F.R. Part 221 as follows:

1. The authority citation for Part 221 continues to read as follows:

Authority: 15 U.S.C. 78g and 78w.

2. Section 221.3 is proposed to be amended by:

a) adding the words "in an amount exceeding \$100,000" after the words "whenever a bank extends credit secured directly or indirectly by any margin stock" in paragraph (b).

b) adding the words "in an amount exceeding

\$100,000" after the words "If a bank extends credit, secured directly or indirectly by any margin stock" in paragraph (c) (i).

Section 221.3 General Requirements

* * * *

(b) Purpose statement. (1) Except for credit extended under paragraph (c) of this section, whenever a bank extends credit secured directly or indirectly by any margin stock in an amount exceeding \$100,000, the bank shall require its customer to execute Form FR U-1 (OMB No. 7100-0115), which shall be signed and accepted by a duly authorized officer of the bank acting in good faith.

(c) Purpose statement for revolving-credit or mutiple draw agreements.

(i) If a bank extends any purpose credit, secured directly or indirectly by any margin stock in an amount exceeding \$100,000, under a revolving credit or other multiple draw agreement, Form FR U-1 can either be executed each time a disbursement is made under the agreement, or at the time the credit arrangement is originally established.

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By order of the Board of Governors of the Federal Reserve System, August 5, 1987.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board