

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 6149]  
April 10, 1968]

REGULATION U

Margin Requirements Deferred to May 10 for Loans  
to Certain Dealers in Convertible Securities

*To All Banks, Members of National Securities Exchanges,  
and Others Interested, in the Second Federal Reserve District:*

Following is the text of a statement issued yesterday by the Board of Governors of the Federal Reserve System:

A new 50 per cent margin requirement will take effect tomorrow (April 10, 1968) for certain loans made by banks on convertible bonds before March 11, 1968, the Board of Governors of the Federal Reserve System said today.

Mainly affected will be loans made in the period between October 20, 1967, when the Board first proposed the extension of margin requirements to bank loans on convertible securities, and March 11, 1968.

The 50 per cent margin requirement is already applicable to bank loans on convertible securities made since March 11, in accordance with amendments to its margin regulations adopted by the Board on February 1.

At that time, the Board also announced that it was considering amending its Regulation U, governing securities loans by banks, in such a way as to permit credit to be extended on a more favorable basis to broker/dealer firms who hold themselves out to the public as making a continuous market in convertible securities and who meet certain other requirements. The announcement stated that firms which might be eligible if the exception were adopted, should immediately undertake to supply the reports and information required by the proposed amendment.

To permit further study and analysis, and without determining whether the exception should be adopted or the proposal withdrawn, the Board today deferred for thirty days, to May 10, 1968, the date by which bank loans on convertibles made before March 11 to those broker/dealer firms which have hitherto filed the required reports must be brought into a 50 per cent margin status.

ALFRED HAYES,  
*President.*