The Board of Governors of the Federal Reserve System issued the following statement today:

The Board of Governors of the Federal Reserve System today lowered its margin requirement for purchasing or carrying stocks from 65 to 55 per cent, effective Monday, December 6.

In making the change, the Board cited the moderate level of outstanding stock market credit and the absence of indications of the excessive use of such credit. Margin credit extended by brokers totaled about $5 billion at the end of October compared with the peak of about $6.5 billion reached during June 1968. At large banks, loans for the purpose of purchasing or carrying securities currently amount to about $2.5 billion.

Today’s action will cover new extensions of credit by brokers and dealers (Regulation T) and loans by banks and other lenders (Regulations U and G, respectively) for the purpose of purchasing or carrying stocks registered on a national stock exchange or named in the Board’s over-the-counter margin list.

No change was made in the 50 per cent margin requirements for purchasing or carrying convertible bonds or in the 70 per cent “retention requirement” applicable to undermargined accounts. This latter requirement specifies the portion of the proceeds of a sale of securities from a margin account that must be retained in the account if its equity does not match the new margin requirement.

In line with the new margin requirement, the required deposit on short sales was also lowered from 65 to 55 per cent, also effective Monday.

Federal Reserve margin requirements set the minimum down payment that must be made to purchase margin securities. Under a 55 per cent margin requirement, a purchaser is required to pay 55 per cent of the purchase price and may obtain credit for the remaining 45 per cent.

Enclosed are copies of Supplements, effective December 6, 1971, to Regulations G, T, and U, giving effect to the lower margin requirements (for persons who may be subject to Regulation G, only the Supplement to that regulation is enclosed). Additional copies of the enclosures will be furnished upon request.

ALFRED HAYES,
President.
SECTION 207.5 — SUPPLEMENT

(a) Maximum loan value of margin securities. For the purpose of § 207.1, the maximum loan value of any margin security, except convertible securities subject to § 207.1(d), shall be 45 per cent of its current market value, as determined by any reasonable method.

(b) Maximum loan value of convertible debt securities subject to § 207.1(d). For the purpose of § 207.1, the maximum loan value of any security against which credit is extended pursuant to § 207.1(d) shall be 50 per cent of its current market value, as determined by any reasonable method.

(c) Retention requirement. For the purpose of § 207.1, in the case of a loan which would exceed the maximum loan value of the collateral following a withdrawal of collateral, the “retention requirement” of a margin security and of a security against which credit is extended pursuant to § 207.1(d) shall be 70 per cent of its current market value, as determined by any reasonable method.

(d) Requirements for inclusion on list of OTC margin stock. Except as provided in subparagraph (4) of § 207.2(f), such stock shall meet the requirements that:

(1) The stock is subject to registration under § 12(g)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(1)), or if issued by an insurance company subject to §12(g)(2)(C) (15 U.S.C. 78l(g)(2)(C)) the issuer had at least $1 million of capital and surplus,

(2) Five or more dealers stand willing to, and do in fact, make a market in such stock including making regularly published bona fide bids and offers for such stock for their own accounts, or the stock is registered on a securities exchange that is exempted by the Securities and Exchange Commission from registration as a national securities exchange pursuant to section 5 of the Securities and Exchange Act of 1934 (15 U.S.C. 78e),

(3) There are 1,500 or more holders of record of the stock who are not officers, directors, or beneficial owners of 10 per cent or more of the stock,

(4) The issuer is organized under the laws of the United States or a State9 and it, or a predecessor in interest, has been in existence for at least 3 years,

(5) The stock has been publicly traded for at least 6 months, and

(6) Daily quotations for both bid and asked prices for the stock are continuously available to the general public; and shall meet 3 of the 4 additional requirements that:

(7) There are 500,000 or more shares of such stock outstanding in addition to shares held beneficially by officers, directors, or beneficial owners of more than 10 per cent of the stock,

(8) The shares described in subparagraph (7) of this paragraph have a market value in the aggregate of at least $10 million,

(9) The minimum average bid price of such stock, as determined by the Board in the latest month, is at least $10 per share, and

(10) The issuer had at least $5 million of capital, surplus, and undivided profits.

SECTION 220.8 — SUPPLEMENT

(a) Maximum loan value for general accounts. The maximum loan value of securities in a general account subject to § 220.3 shall be:

1. Of a registered non-equity security held in the account on March 11, 1968, and continuously thereafter, and of a margin equity security (except as provided in § 220.3(c) and paragraphs (b) and (c) of this section), 45 per cent of the current market value of such securities.

2. Of an exempted security held in the account on March 11, 1968, and continuously thereafter, the maximum loan value of the security as determined by the creditor in good faith.

(b) Maximum loan value for a special bond account. The maximum loan value of an exempted security and of a registered non-equity security pursuant to § 220.4(i) shall be the maximum loan value of the security as determined by the creditor in good faith.

(c) Maximum loan value for special convertible debt security account. The maximum loan value of a margin security eligible for a special convertible security account pursuant to § 220.4(j) shall be 50 per cent of the current market value of the security.

(d) Margin required for short sales. The amount to be included in the adjusted debit balance of a general account, pursuant to § 220.3(d)(3), as margin required for short sales of securities (other than exempted securities) shall be 55 per cent of the current market value of each security.

(e) Retention requirement. In the case of an account which would have an excess of the adjusted debit balance of the account over the maximum loan value of the securities in the account following a withdrawal of cash or securities from the account, pursuant to § 220.3(b)(2):

1. The “retention requirement” of an exempted security held in the general account on March 11, 1968, and continuously thereafter, shall be equal to its maximum loan value as determined by the creditor in good faith, and the “retention requirement” of a registered non-equity security held in such account on March 11, 1968, and continuously thereafter, and of a margin security, shall be 70 per cent of the current market value of the security.

2. In the case of a special bond account subject to § 220.4(i), the retention requirement of an exempted security and of a registered non-equity security shall be equal to the maximum loan value of the security.

3. In the case of a special convertible security account subject to § 220.4(j) which would have an excess of the adjusted debit balance of the account over the maximum loan value of the securities in the account following a withdrawal of cash or securities from the account, the retention requirement of a security having loan value in the account shall be 70 per cent of the current market value of the security.

4. For the purpose of effecting a transfer from a general account to a special convertible security account subject to § 220.4(j), the retention requirement of a security described in § 220.4(j), shall be 70 per cent of its current market value.
(f) Security having no loan value in general account. No securities other than an exempted security or registered non-equity security held in the account on March 11, 1968, and continuously thereafter, and a margin security, shall have any loan value in a general account except that a margin security eligible for the special convertible security account pursuant to §220.4(j) shall have loan value only if held in the account on March 11, 1968, and continuously thereafter.

(g) Requirements for inclusion on list of OTC margin stock. Except as provided in subparagraph (4) of §220.2(e), OTC margin stock shall meet the requirements that:

1. The stock is subject to registration under §12(g)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(1)), or if issued by an insurance company subject to §12(g)(2)(G) (15 U.S.C. 78l(g)(2)(G)), the issuer had at least $1 million of capital and surplus.
2. Five or more dealers stand willing to, and do in fact, make a market in such stock including making regularly published bona fide bids and offers for such stock for their own accounts, or the stock is registered on a securities exchange that is exempted by the Securities and Exchange Commission from registration as a national securities exchange pursuant to section 5 of the Act (15 U.S.C. 78e),
3. There are 1,500 or more holders of record of the stock who are not officers, directors, or beneficial owners of 10 per cent or more of the stock,
4. The issuer is organized under the laws of the United States or a State6 and it, or a predecessor in interest, has been in existence for at least 3 years,
5. The stock has been publicly traded for at least 6 months, and
6. Daily quotations for both bid and asked prices for the stocks are continuously available to the general public;
and shall meet 3 of the 4 additional requirements that:
7. There are 500,000 or more shares of such stock outstanding in addition to shares held beneficially by officers, directors, or beneficial owners of more than 10 per cent of the stock,
8. The shares described in subparagraph (7) of this paragraph have a market value in the aggregate of at least $10 million,
9. The minimum average bid price of such stock, as determined by the Board in the latest month, is at least $10 per share, and
10. The issuer had at least $5 million of capital, surplus, and undivided profits.

SECTION 221.4 — SUPPLEMENT

(a) Maximum loan value of stocks. For the purpose of § 221.1, the maximum loan value of any stock, whether or not registered on a national securities exchange, shall be 45 per cent of its current market value, as determined by any reasonable method.

(b) Maximum loan value of convertible debt securities subject to § 221.3(t). For the purpose of § 221.3(t), the maximum loan value of any security against which credit is extended pursuant to § 221.3(t) shall be 50 per cent of its current market value, as determined by any reasonable method.

(c) Retention requirement. For the purpose of § 221.1, in the case of a credit which would exceed the maximum loan value of the collateral following a withdrawal of collateral, the “retention requirement” of a stock, whether or not registered on a national securities exchange, and of a convertible debt security subject to § 221.3(t), shall be 70 per cent of its current market value, as determined by any reasonable method.

(d) Requirements for inclusion on list of OTC margin stock. Except as provided in subparagraph (4) of § 221.3(d), OTC margin stock shall meet the requirements that:

(1) The stock is subject to registration under § 12(g)(1) of the Securities Exchange Act of 1934 (15 U.S.C. 78l(g)(1)), or if issued by an insurance company subject to § 12(g)(2)(G) (15 U.S.C. 78l(g)(2)(G)) the issuer had at least $1 million of capital and surplus,

(2) Five or more dealers stand willing to, and do in fact, make a market in such stock including making regularly published bona fide bids and offers for such stock for their own accounts, or the stock is registered on a securities exchange that is exempted by the Securities and Exchange Commission from registration as a national securities exchange pursuant to section 5 of the Act (15 U.S.C. 78e),

(3) There are 1,500 or more holders of record of the stock who are not officers, directors, or beneficial owners of 10 per cent or more of the stock,

(4) The issuer is organized under the laws of the United States or a State and it, or a predecessor in interest, has been in existence for at least 3 years,

(5) The stock has been publicly traded for at least 6 months, and

(6) Daily quotations for both bid and asked prices for the stock are continuously available to the general public; and shall meet 3 of the 4 additional requirements that:

(7) There are 500,000 or more shares of such stock outstanding in addition to shares held beneficially by officers, directors, or beneficial owners of more than 10 per cent of the stock,

(8) The shares described in subparagraph (7) of this paragraph have a market value in the aggregate of at least $10 million,

(9) The minimum average bid price of such stock, as determined by the Board in the latest month, is at least $10 per share, and

(10) The issuer had at least $5 million of capital, surplus, and undivided profits.