

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 72911
December 11, 1973]

AMENDMENT TO MARGIN REGULATION G

Transfers of Credit Between Regulation G Registrants

To All Regulation G Registrants, and Others Concerned,
in the Second Federal Reserve District:

Enclosed is a copy of an amendment, effective December 6, 1973, to Regulation G, "Securities Credit by Persons Other Than Banks, Brokers, or Dealers," of the Board of Governors of the Federal Reserve System. In submitting the amendment for publication in the *Federal Register*, the Board of Governors made the following statement:

Pursuant to section 7 of the Securities Exchange Act of 1934 (15 U.S.C. 78g), the Board is adopting the following amendment to Part 207 by adding section 207.4(g). The change provides for the transfer of credit from one person registered with the Federal Reserve System pursuant to Regulation G to another such registrant. * * *

* * *

The Board has found, based upon its experience in administering Regulation G, that its inspection procedures with respect to persons registered pursuant to the regulation provide safeguards against possible circumvention of the regulation by means of transfer equivalent to those under Regulations T and U. The lack of a transfer provision similar to parallel provisions in Regulations T and U imposes a hardship on borrowers if credit under Regulation G is undermargined prior to transfer. For the reasons stated above and since the borrower may not be able to exercise control over the creditor's decision to transfer a credit, the Board finds that the hardship has become undue. Since the amendment relieves this hardship to the extent warranted by the Board's experience in administering Regulation G, the Board finds that compliance with the provisions of 5 U.S.C. §553 with respect to notice and public participation is unnecessary and contrary to the public interest.

The requirement of 5 U.S.C. §553 with respect to delayed effective date was not followed in connection with this amendment because it relieves a restriction.

Additional copies of the enclosure will be furnished upon request.

ALFRED HAYES,
President.

Board of Governors of the Federal Reserve System

SECURITIES CREDIT BY PERSONS OTHER THAN
BANKS, BROKERS, OR DEALERS

AMENDMENT TO REGULATION G

Effective December 6, 1973, section 207.4 is amended by adding a new paragraph (g) thereto, to read as follows:

SECTION 207.4—MISCELLANEOUS
PROVISIONS

(g) **Transfers.** A person who is registered pursuant to the requirement of § 207.1(a) of this part may, without following the requirements of this part as to the extension of a credit, accept the transfer of a credit originally extended in conformity with the requirements of this part directly from another such person: *Provided*, That the statement of purpose, executed by the customer in connection with the original extension of credit and accepted in good faith and signed by the transferor in conformity with the requirements of § 207.1(e) of this part, is obtained and kept with each such transferee account: *And provided further*, That any transfer pursuant to this paragraph is made as a *bona fide* incident to a transaction not undertaken for the purpose of avoiding the requirements of this part, the amount of the credit in connection with the transfer is not increased, and the collateral for the transferred credit is not changed; and, after such transfer, a lender may permit such withdrawals and substitutions of collateral as are permitted in respect to a credit it extends subject to this part.

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