

## (CONFIDENTIAL TENTATIVE DRAFT)

## FEDERAL RESERVE BOARD

## REGULATION M, SERIES OF 1929.

Loans, Discounts or other Credit Accommodations for Member Banks having Speculative Security Loans.

SECTION I. DEFINITIONS.

(a) Security Broker. Within the meaning of this regulation, the term "security broker" shall include every person, firm, partnership, corporation, company, or association, whose principal business it is to negotiate purchases or sales of, or to purchase, sell, or otherwise deal in, stocks, bonds, or other investment securities, either for his or its own account or for the account of others.

(b) Speculative Security Loan. Within the meaning of this regulation, the term "speculative security loan" shall include every loan to a security broker and every other loan the proceeds of which have been or are to be used for the purpose of purchasing, paying for, carrying, or trading in, stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States.

Every loan made, renewed, extended or permitted to run past due after the effective date of this regulation which is secured by a pledge of stocks, bonds, or other investment securities (except bonds and notes of the Government of the United States) shall be deemed to be a speculative security loan within the meaning of this regulation, unless there is attached to the note, draft, bill of exchange or other evidence of such loan a written statement signed by the borrower to the effect that:

(1) The borrower is not a security broker as defined in this regulation;

(2) The stocks, bonds or other investment securities pledged to secure such loan are, and for at least thirty days have been, the absolute property of the borrower;

(3) The proceeds of the loan have not, and will not be, used for the purpose of purchasing, paying for, trading in, or carrying stocks, bonds or other investment securities, except bonds and notes of the Government of the United States;

(4) The proceeds of the loan have not, and will not be, loaned to any security broker or to any other person, firm, partnership, corporation, association or company for the purpose of purchasing, paying for, trading in, or carrying, stocks, bonds, or other investment securities; and

(5) The proceeds of such loan have been or are to be used for another purpose, which shall be stated in such affidavit.

## SECTION II. RESTRICTIONS.

Except with the permission of the Federal Reserve Board, no Federal Reserve Bank shall discount or rediscount any note, draft or bill of exchange for, or make any loan or advance to, or purchase any bills of exchange, bankers' acceptances, or government, State or municipal securities (under repurchase agreement or otherwise) from, any member bank which at the time has any speculative security loans outstanding.

## SECTION III. EVIDENCE OF ELIGIBILITY.

In addition to the evidence of eligibility required by Regulation A, every application made by a member bank to a Federal

Reserve Bank for any discount or rediscount or any loan, advance, or other credit accommodation, shall be accompanied by a statement of the applying bank as to the amount of speculative security loans, which such bank has outstanding at the time of such application.

SECTION IV. PERMISSION OF THE FEDERAL RESERVE BOARD.

A Federal Reserve Bank desiring to obtain the permission of the Federal Reserve Board to discount or rediscount any notes, drafts, or bills of exchange for, make any loan or advance to, or to purchase any bills of exchange, bankers' acceptances, or government, State or municipal securities (under repurchase agreements or otherwise) from, any member bank within the prohibitions of this regulation, shall make application therefor in writing or by telegraph (not by telephone) to the Federal Reserve Board and shall furnish with such application a full explanation of the circumstances giving rise to such application and the reasons why the applying Federal Reserve Bank thinks it should be granted.