

FEDERAL RESERVE BOARD

WASHINGTON

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ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7987

August 18, 1934.

SUBJECT: Preliminary Draft of Regulation Re Extension and
Maintenance of Credit by Brokers, Dealers, and
Members of Securities Exchanges.

Dear Sir:

There is enclosed herewith a preliminary draft of Regulation T ---
Extension and Maintenance of Credit by Brokers, Dealers, and Members of
Securities Exchanges. There are also enclosed drafts of a proposed agree-
ment to be signed by nonmember banks wishing to qualify under the Securi-
ties Exchange Act of 1934 to make loans to brokers, and certain related
documents.

You will note that these are preliminary drafts and that they are
not for publication. It is the Board's desire to have the benefit of full
and free criticisms of these drafts and suggestions as to their improvement
in any respect that may seem desirable. You are requested therefore in-
formally to submit copies to representatives of securities exchanges in
your District and to other persons who are in your judgment qualified to
offer useful suggestions. It is requested that you obtain suggestions and
criticisms from such persons in writing and transmit the originals thereof
to the Board as soon as they are received and that, in addition thereto,
you furnish to the Board in writing your own criticisms and suggestions and

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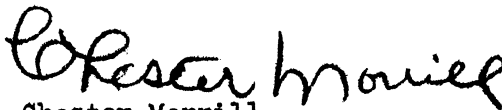
the substance of any additional criticisms and suggestions which you may receive verbally from other sources.

It is also suggested that if possible you arrange for a conference to which you would invite representatives of the exchanges and at which the substance and form of the regulation would be discussed. While summary reports of the proceedings of such conferences should be transmitted to the Board, it is not intended that these should take the place of the written comments requested. Whenever practicable, it will be appreciated if you will notify the Board of any general conference of this character in time for members of the Board or its staff to attend if they desire to do so.

You will note that the margin requirements prescribed by this regulation are those outlined in the Securities Exchange Act of 1934. Attention is called, however, to the fact that the Board has authority to prescribe different margin requirements and that the inclusion of the statutory formula in this preliminary draft of the regulation is not to be taken as indicating that the Board has decided to promulgate this particular standard.

Since the regulation must become effective October 1, and parties interested should have prior to such date as much time as possible to become familiar with the new regulation, you are requested to have all suggestions and criticisms in the hands of the Board at the earliest possible moment, and in any event not later than September 1.

Very truly yours,


Chester Morrill,
Secretary.