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F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release in morning papers,
Friday, September 28, 1934.

September 27, 1934.

MARGIN REQUIREMENTS.

The Federal Reserve Board, acting in accordance with the requirements of the Securities Exchange Act of 1934, has prescribed the margins to be required by brokers and dealers from customers borrowing for the purpose of purchasing or carrying securities.

The margin requirements which the Board has prescribed are those laid down as a standard in the act, which gives the Board authority to impose lower or higher margins in accordance with prevailing conditions. Under the standard adopted a broker or dealer may lend to a customer on many securities as much as 75 per cent of their current market value, while on other securities, in particular on those that have had a rapid rise in value since July 1, 1933, the percentage that may be lent is smaller, but in no case less than 55 per cent.

Rules prescribed for margin requirements constitute a part of Regulation T issued by the Federal Reserve Board, which also deals with other matters relating to the extension or maintenance of credit by brokers, dealers and members of securities exchanges for the purpose of purchasing or carrying securities. Most of the rules in this regulation are for the purpose of preventing the circumvention of the margin requirements, and no restrictions are placed on loans for industrial,

agricultural, or commercial purposes.

The regulation becomes effective October 1, 1934. In order, however, that persons affected might have additional time to familiarize themselves with its provisions, the Securities and Exchange Commission at the request of the Federal Reserve Board has made broad use of its power to exempt securities from the pertinent sections of the Securities Exchange Act. The exemption granted is for the period from October 1 to October 15.

Regulation T does not prescribe a specific margin that must be maintained after a loan has been granted, but imposes restrictions on the operations which the customer may carry on in his account if his margin falls below the standard prescribed for initial extension of credit.

Under the law the Board has authority to prescribe regulations, including margin requirements, applicable to loans made by banks for the purpose of purchasing or carrying securities. This authority is additional to other statutes for credit supervision. The Board is studying the present statute in connection with these other statutes and in due time will issue the required regulation as to bank loans made to purchase or carry securities.