

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

A-9110

CONFIDENTIAL

February 1, 1935.

SUBJECT: Proposed Amendments to Regulation T.

Dear Sir:

There are inclosed herewith several copies of a preliminary draft of certain proposed amendments to Regulation T. You will note that these are in preliminary form and that they are not for publication.

You are requested to furnish the Board with any criticisms of the proposed amendments which you may have and with suggestions for possible improvement. In preparing such criticisms and suggestions you may consult such other persons, including representatives of securities exchanges in your District, as you may wish to consult, and for this purpose you are at liberty to submit copies of the proposed amendments to such persons.

Since it is desirable to make these amendments effective within the near future, you are requested to have all suggestions and criticisms in the hands of the Board as soon as possible.

It should be emphasized that there is no intention at this time to undertake any general revision of Regulation T or to make

any fundamental changes therein. The principal objects of the proposed amendments are briefly indicated below.

Amendment No. 1 clarifies the meaning of the term "days" as used in the regulation and authorizes the creditor, when required to act within so many "days", to disregard Sundays and holidays in certain cases.

Amendment No. 2 clarifies the provision requiring that margin be obtained promptly and in addition makes clear that margin demanded against additional purchases in a restricted account shall be furnished, except in unusual cases, altogether in cash or securities and not by counting any appreciation in security values that occurs during the three days of grace allowed to the creditor for obtaining the margin.

Amendment No. 3 extends from one day to ten days the period within which the creditor may pay to the customer the proceeds of the sale of unregistered securities from a restricted account.

Amendment No. 4 clarifies and implements the restrictions arising from the Securities Exchange Act of 1934 with respect to the right of the broker or dealer to "arrange for" the extension or maintenance of credit.

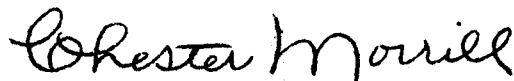
Amendment No. 5 makes specific provision for certain exceptional cases, such as one in which the creditor, after attempting to comply with certain provisions of the regulation by selling collateral, finds himself left with an account consisting only of

an unsecured debit balance so that he is maintaining credit without collateral.

Amendment No. 6 includes sales "for" a customer among "cash transactions" and permits incidental extensions of credit in connection therewith, without reference to margin requirements, provided the securities sold are deposited for sale and are not included in any margin account. It also relieves the creditor from the necessity of requesting extensions of time in which to obtain small unpaid balances, and gives the creditor "two full business days" instead of "two days" in which to resell if the customer fails to comply with his agreement to pay promptly.

Amendment No. 7 extends from one day to thirty-five days the time within which the creditor may pay over to the customer cash dividends or interest received for the customer in a restricted account.

Very truly yours,



Chester Morrill,
Secretary.

Inclosures.

TO ALL F. R. AGENTS
(No copies to governors and no extra copies to banks.)