

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

For the Press

For release in morning newspapers  
of Thursday, March 26, 1936.

March 25, 1936.

REGULATION U

LOANS BY BANKS  
FOR THE PURPOSE OF PURCHASING OR CARRYING  
STOCKS REGISTERED ON A NATIONAL SECURITIES EXCHANGE

Pursuant to the provisions of section 7 of the Securities Exchange Act of 1934, the Board of Governors of the Federal Reserve System today issued Regulation U relating to loans made by banks on or after May 1, 1936, for the purpose of purchasing or carrying stocks registered on a national securities exchange.

The regulation is not retroactive. It does not restrict the right of a bank to extend credit, whether on securities or otherwise, for any commercial, agricultural, or industrial purpose, or for any other purpose except the purchasing or carrying of stocks registered on a national securities exchange.

The regulation does not prevent a bank from taking for any loan collateral in addition to that required by the regulation, nor does it require a bank to reduce any loan, to obtain additional collateral for any outstanding loan, or to call any outstanding loan because of insufficient collateral.

At the same time, Regulation T, which applies to loans by brokers, dealers and members of national securities exchanges, has been modified

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so as to make applicable to brokers and dealers the same margin requirements that have been determined for loans by banks on equity securities.

The maximum loan value applying to registered stocks has been fixed at 45% of current market value which is the percentage now applicable, under Regulation T, to three-fourths of the trading on the exchanges at the present time.

Attached is a copy of Regulation U and the supplement thereto, both effective May 1, 1936, and also a copy of the revised supplement to Regulation T effective April 1, 1936.

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SUPPLEMENT TO REGULATION T

Effective April 1, 1936

Maximum loan values of registered securities (other than exempted securities) for purposes of Regulation T.

Pursuant to the provisions of section 7 of the Securities Exchange Act of 1934 and section 3 of its Regulation T, as amended, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum loan values of registered securities (other than exempted securities) for the purposes of Regulation T:

(1) General rule. - Except as provided in paragraphs (2) and (3) of this supplement, the maximum loan value of a registered security (other than an exempted security) shall be 45 per cent of the current market value of the security.

(2) Extension of credit to other members, brokers and dealers. - The maximum loan value of a registered security (other than an exempted security) in a special account with another member, broker or dealer, which special account complies with subsection (b) of section 3 of Regulation T, as amended, shall be 60 per cent of the current market value of the security.

(3) Extension of credit to distributors, syndicates, etc - The maximum loan value of a registered security (other than an exempted security) in a special account with a distributor, syndicate, etc, which special account complies with subsection (c) of section 3 of Regulation T, as amended, shall be 80 per cent of the current market value of the security.