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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in afternoon newspapers
of Tuesday, February 16, 1937

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The Board of Governors of the Federal Reserve System has been giving consideration to the proposed amendment of Regulation T to eliminate the practice commonly known as "three-day riding," whereby customers who purchase securities on margin have been permitted by brokers to sell during the period allowed by the regulation for providing the margin and by this means to avoid furnishing the amount of margin prescribed by the Board under the law.

During discussions which have taken place since the Board's statement to the press of November 20, 1936, it has been shown that there is general agreement that the practice in question should be eliminated. It has been represented to the Board of Governors, on behalf of national securities exchanges, that the occasion for amending the regulation for the specific purpose of preventing "three-day riding" would disappear if appropriate action should be taken by the New York Stock Exchange and other national securities exchanges.

The Board has been advised by representatives of the New York Stock Exchange that the Exchange is prepared to take such action promptly by adopting and enforcing rules and regulations which, in the opinion of the Exchange, would effectively eliminate the practice referred to within the field of jurisdiction of the New York Stock Exchange. The Board has also been advised that the Exchange would require that members keep certain records and make certain reports to the Exchange, which would result in the accumulation of a substantial quantity of information in regard to the manner in which margin requirements are met, and that the Exchange would cooperate with the Board in making available to it, in convenient form, the information thus accumulated.

Having given further consideration to the problem, and taken account of the representations made in behalf of the New York Stock Exchange and other national securities exchanges, the Board has deferred adoption of the proposed amendment of Regulation T in order to afford to the New York Stock Exchange and other national securities exchanges an opportunity to eliminate the practice. The Board's action is without prejudice to its complete freedom to promulgate such an amendment, or any other amendment, at any time when it seems advisable to do so either for the purpose of eradicating the practice referred to or for any other reason which, in the judgment of the Board, justifies such action.