

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Statement for the Press

For release in morning newspapers  
of Sunday, December 5, 1937.

December 4, 1937.

The Board of Governors of the Federal Reserve System adopted today, effective January 1, 1938, a general revision of Regulation T with a view to clarifying and simplifying this regulation, which relates to the extension and maintenance of credit by brokers, dealers and members of national securities exchanges. The principal changes made by the revision are technical. The revised regulation makes no change in the level of margin requirements and contains no provisions requiring liquidation of outstanding commitments or reduction of outstanding loans.

The Board also amended, effective immediately, the existing regulation so that a broker will have the option of separating a customer's transactions in commodity futures from the customer's margin account in securities pending the taking effect on January 1, 1938, of the revised regulation which requires a mandatory separation of such transactions.

The revised regulation liberalizes requirements affecting so-called restricted accounts by providing that in the case of sale of registered securities in such accounts, customers may withdraw, under specified conditions, 40% of the proceeds of such sales. It further liberalizes requirements affecting such accounts by providing that a customer may make a deposit which may be placed in a "special miscellaneous account" instead of being absorbed into the so-called restricted account.

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The revision also incorporates rules prescribing margin requirements for dealings in securities on a "when issued" basis. These requirements agree substantially with those adopted by the principal national securities exchanges in conformity with certain rules of the Securities and Exchange Commission.

The revision also clarifies provisions relating to transactions in special cash accounts by providing that the 7-day period within which the broker must obtain settlement from the customer for a purchase of securities shall date in the typical case from the time of the purchase. Provision continues to be made for extending the period in exceptional cases.

The revised regulation is based on the tentative draft that was submitted last July for comment to all the Federal Reserve banks and the national securities exchanges. A copy of the revised regulation, the new supplement, and the temporary amendment to the existing regulation are attached.