



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 4, 1937.

Dear Mr.

In accordance with the telegram sent you today, there are inclosed herewith six mimeographed copies of revised Regulation T, "Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges".

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosures.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

EXTENSION AND MAINTENANCE OF CREDIT
BY BROKERS, DEALERS, AND MEMBERS
OF NATIONAL SECURITIES EXCHANGES

REGULATION T

This regulation as printed herewith
is in the form as revised effective
January 1, 1938

(Seal)

(Note for inside front cover)

INQUIRIES REGARDING THIS REGULATION

Any inquiry relating to this regulation should be addressed to a national securities exchange of which the person making the inquiry is a member or the facilities of which are used for his transactions, or, if this be not practicable, the inquiry should be addressed to the Federal Reserve bank of the district in which the inquiry arises. In the event that an official of an exchange desires information as to any such question, he should make inquiry of the Federal Reserve bank of the district in which the exchange is located.

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APPENDIX

REGULATION T

Revised Effective January 1, 1938.

EXTENSION AND MAINTENANCE OF CREDIT BY BROKERS, DEALERS,
AND MEMBERS OF NATIONAL SECURITIES EXCHANGES

SECTION 1. SCOPE OF REGULATION

This regulation is issued by the Board of Governors of the Federal Reserve System (hereinafter called the "Board") pursuant to the Securities Exchange Act of 1934 (hereinafter called the "Act"), particularly sections 7 and 8(a) thereof, and applies to every member of a national securities exchange and to every broker or dealer who transacts a business in securities through the medium of any such member.

SECTION 2. DEFINITIONS

For the purposes of this regulation, unless the context otherwise requires:

(a) The terms "person", "member", "broker", "dealer", "buy", "purchase", "sale", "sell", "security", and "bank" have the meanings given them in section 3(a) of the Act, pertinent parts of which are printed in the appendix to this regulation.

(b) The term "creditor" means any member of a national securities exchange or any broker or dealer who transacts a business in securities through the medium of any such member.

(c) The term "customer" includes any person, or any group of persons acting jointly, (1) to or for whom a creditor is extending or maintaining any credit, or (2) who, in accordance with the ordinary usage of the trade, would be considered a customer of the creditor.

It includes, in case the creditor is a firm, any partner in the firm who would be considered a customer of the firm if he were not a partner, and includes any joint adventure in which a creditor participates and which would be considered a customer of the creditor if the creditor were not a participant.

(d) The term "registered security" means any security which (1) is registered on a national securities exchange; or (2) in consequence of its having unlisted trading privileges on a national securities exchange is deemed, under the provisions of section 12(f) of the Act, to be registered on a national securities exchange; or (3) is exempted by the Securities and Exchange Commission from the operation of section 7(c)(2) of the Act only to the extent necessary to render lawful any direct or indirect extension or maintenance of credit on such security or any direct or indirect arrangement therefor which would not have been unlawful if such security had been a security (other than an exempted security) registered on a national securities exchange.

(e) The term "exempted security" has the meaning given it in section 3(a) of the Act except that the term does not include a security which is exempted by the Securities and Exchange Commission from the operation of section 7(c)(2) of the Act only to the extent described in subdivision (3) of section 2(d) of this regulation.

SECTION 3. GENERAL ACCOUNTS

(a) Contents of general account. - All financial relations between a creditor and a customer, whether recorded in one record or in more than one record, shall be included in and be deemed to be parts of the customer's general account with the creditor, except that the relations which section 4 permits to be included in any special account provided for by that section may be included in the appropriate special account, and all transactions in commodities for or with any customer shall be included in the special commodity account provided for by sections 4(a) and 4(e).

(b) General rule. - A creditor shall not effect for or with any customer in a general account any transaction which, in combination with the other transactions effected in the account on the same day, creates an excess of the adjusted debit balance of the account over the maximum loan value of the securities in the account, or increases any such excess, unless in connection therewith the creditor obtains, as promptly as possible and in any event before the expiration of three full business days following the date of such transaction, the deposit into the account of cash or securities in such amount that the cash deposited plus the maximum loan value of the securities deposited equals or exceeds the excess so created or the increase so caused.

A transaction consisting of a withdrawal of cash or registered or exempted securities from a general account shall be permissible only on condition that no cash or securities need be deposited in the account in connection with a transaction on a previous day and that, in addition, the transactions (including such withdrawal) on the day of such withdrawal would not create an excess of the adjusted debit balance of the account over the maximum loan value of the securities in the account or increase any such excess.

Rules for computing the maximum loan value of the securities in a general account and the adjusted debit balance of such an account are provided in sections 3(c) and 3(d), and certain modifications of and exceptions to the general rule stated above are provided in the subsequent subsections of this section and in section 6.

(c) Maximum loan value and current market value. - The maximum loan value of the securities in a general account is the sum of the maximum loan values of the individual securities in the account, including securities (other than unissued securities) bought for the account but not yet debited thereto, but excluding securities sold for the account whether or not payment has been credited thereto.

Except as otherwise provided in this section 3(c), the maximum loan value of a registered security (other than an exempted security) in a general account shall be such maximum loan value as the Board shall prescribe for general accounts from time to time in the supplement to this regulation, and the maximum loan value of an exempted security shall be as determined by the creditor in good faith. No collateral other than registered securities or exempted securities shall have any loan value in a general account.

A warrant or certificate which evidences only a right to subscribe to or otherwise acquire any security and which expires within ninety days of issuance shall have no loan value in a general account; but, if the account contains, in addition to such warrant or certificate, the security to the holder of which such warrant or certificate has been issued, the current market value of such security (if the security be a registered security) shall, for the purpose of calculating its maximum loan value, be increased by the current market value of such warrant or certificate.

For the current market value of a security throughout the day of its purchase or sale, the creditor shall use its total cost or the net proceeds of its sale, as the case may be, and at any other time shall use the closing sale price of the security on the preceding business day as shown by any regularly published reporting or quotation service. In the absence of any such closing sale price, the creditor may use any reasonable estimate of the market value of such security as of the close of business on such preceding business day.

(d) Adjusted debit balance. - For the purposes of this regulation, the adjusted debit balance of a general account shall be calculated by taking the sum of the following items:

- (1) the net debit balance, if any, of the account;
- (2) the total cost of any securities (other than unissued securities) bought for the account but not yet debited thereto;
- (3) the current market value of any securities (other than unissued securities) sold short in the account plus, for each such security (other than an exempted security), such amount as the Board shall prescribe from time to time in the supplement to this regulation as the margin required for such short sales, except that such amount so prescribed in the supplement need not be included when there are held in the account securities exchangeable or convertible within a reasonable time, without restriction other than the payment of money, into such securities sold short;
- (4) the amount of margin specified by section 3(h) for every net commitment in the account in unissued securities, plus all unrealized losses on each commitment in unissued securities and minus all unrealized gains (not exceeding the required margin) on each commitment in unissued securities; and
- (5) the amount of any margin customarily required by the creditor in connection with his endorsement or guarantee of any put, call or other option;

and deducting therefrom the sum of the following items:

- (6) the net credit balance, if any, of the account; and
- (7) the net proceeds of sale of any securities (other than unissued securities) sold for the account but for which payment has not yet been credited thereto.

In case the general account is the account of a partner of the creditor, the account of a joint adventure in which the creditor participates, a guaranteed account, or the account of a customer who has guaranteed the account of another customer, the adjusted debit balance shall be computed according to the foregoing rule and the supplementary rules prescribed in sections 6(a), 6(b), and 6(c).

(e) Liquidation in lieu of deposit.* - In any case in which the deposit required by section 3(b), or any portion thereof, is not obtained by the creditor within the three-day period specified in that section, securities shall be sold or covering or other liquidating transactions shall be effected in the account, prior to the expiration of such three-day period, in such amount that the resulting decrease in the adjusted debit balance of the account exceeds, by an amount at least as great as such required deposit or the undeposited portion thereof, any resulting decrease in the maximum loan value of the securities in the account.

(f) Extensions of time. - In exceptional cases, the three-day period specified in section 3(b) may, on application of the creditor, be extended for one or more limited periods commensurate with the circumstances by any regularly constituted committee of a national securities exchange having jurisdiction over the business conduct of its members, of which exchange the creditor is a member or through which his transactions are effected, provided such committee is satisfied that the creditor is acting in good faith in making the application and that the circumstances are in fact exceptional and warrant such action.

(g) Transactions on given day. - For the purposes of section 3(b), the question of whether or not an excess of the adjusted debit balance of a general account over the maximum loan value of the securities in the account is created or increased on a given day shall be determined on the basis of all the transactions in the account on that day exclusive of any deposit of cash, deposit of securities, covering transaction or other liquidation that has been effected on the given day, pursuant to the requirements of section 3(b) or 3(e), in connection with a transaction on a previous day.

* This requirement relates to the action to be taken when a customer fails to make the deposit required by section 3(b), and it is not intended to countenance on the part of customers the practice commonly known as "free-riding" or "three-day riding", to prevent which the principal national securities exchanges have adopted certain rules. See the rules of such exchanges and section 7(e) of this regulation.

(h) Unissued securities. - The amount to be included in the adjusted debit balance of a general account as the margin required for a net long commitment in unissued securities shall be the current market value of the net amount of unissued securities long minus the maximum loan value which such net amount of securities would have if they were issued registered securities held in the account; and the amount to be so included as the margin required for a net short commitment in unissued securities shall be the amount which would be required as margin for the net amount of unissued securities short if such securities were issued securities and were sold short in the account: Provided, That no amount need be included as margin for a net short commitment in unissued securities when there are held in the account securities in respect of which the unissued securities are to be issued, nor for any net position in unissued securities that are exempted securities.

Whenever a creditor, pursuant to a purchase of an unissued security for a customer, receives an issued security which is not a registered or exempted security, the creditor shall treat any payment by him for such issued security as a transaction (other than a withdrawal) which increases the adjusted debit balance of the account by the amount of the payment minus the amount required to be included in the adjusted debit balance of the account, at the time of and in connection with the purchase of the unissued security, as the margin required for such purchase.

(a) General rule. - Pursuant to this section 4, a creditor may establish for ~~any~~ customer one or more special accounts.

Each such special account shall be recorded separately and shall be confined to the transactions and relations specifically authorized for such account by the appropriate subsection of this section and to transactions and relations incidental to those specifically authorized. An adequate record shall be maintained showing for each such account the full details of all transactions in the account.

A special account established pursuant to this section shall not be used in any way for the purpose of evading or circumventing any of the provisions of this regulation. If a customer has with a creditor both a general account and one or more such special accounts, the creditor shall treat each such special account as if the customer had with the creditor no general account.

The only other conditions to which transactions in such special accounts shall be subject under the provisions of this regulation shall be such conditions as are specified in the appropriate subsection of this section and in sections 2, 6 and 7.

(b) Special omnibus account. - In a special omnibus account, a member of a national securities exchange may effect for a customer transactions which are effected in reliance upon a signed statement which the member has accepted from the customer in good faith, and a duplicate original of which has been filed by the member with the secretary of a national securities exchange of which he is a member, that the customer is a broker or dealer who is subject to the provisions of this regulation or has places of business only in foreign countries; and such a special omnibus account shall be subject to all the conditions to which it would be subject if it were a general account except that --

(1) In such a special omnibus account, no securities shall have loan value and no short sales of securities shall be carried, except securities and short sales as to which the member shall have accepted in good faith a signed statement of the customer that he is in turn carrying such securities and such short sales for the account of his customers other than his partners;

(2) The maximum loan value of a registered security (other than an exempted security) having loan value in such a special omnibus account shall be such special maximum loan value, and the amount to be included in the adjusted debit balance of such an account as the margin required for short sales shall be such special amount, as the Board shall prescribe from time to time for special omnibus accounts in the supplement to this regulation; and

(3) If the maximum loan value of the securities in the account shall have equalled or exceeded the adjusted debit balance of the account after all the transactions in the account on any day within the period specified in section 3(b), the liquidating or covering transactions required by section 3(e) need not be effected.

(c) Special cash account. - In a special cash account, a creditor may effect for or with any customer bona fide cash transactions in securities in which the creditor may --

(1) purchase any security for, or sell any security to, any customer, provided funds sufficient for the purpose are already held in the account or the purchase or sale is in reliance upon an agreement accepted by the creditor in good faith that the customer will promptly make full cash payment for such security; or

(2) sell any security for, or purchase any security from, any customer, provided the security is held in the account or the purchase or sale is in reliance upon an agreement accepted by the creditor in good faith that the security is to be promptly deposited in the account.

Except as otherwise provided in this section 4(c), in case a customer does not make full cash payment for a security purchased by him in the account, or does not deposit in the account a security sold by him in the account, within seven days after the date on which the security was purchased or sold, the creditor shall promptly cancel, cover, or otherwise liquidate, the transaction or the unsettled portion thereof.

If the security was purchased for the customer subject to a customary "seller's option" as to the time of delivery, or if the security was purchased for, or sold to, the customer and the creditor "failed to receive" the security at the usual time of delivery, the period referred to in the preceding paragraph shall be five days from the day on which the creditor acting in good faith was able to obtain the security. If the security was sold for the customer subject to a customary "seller's option" as to the time of delivery, such period shall end with the day on which the option expires. If the security when purchased or sold was an unissued security, such period shall be seven days from the day on which the security was made available by the issuer for delivery to purchasers of the security.

If any regularly constituted committee of a national securities exchange having jurisdiction over the business conduct of its members, of which exchange the creditor is a member or through which his transactions are effected, is satisfied that the creditor is acting in good faith in making the application, that the application relates to a bona fide cash transaction, and that exceptional circumstances warrant such action, such committee, on application of the creditor, may (A) extend any period specified in the two preceding paragraphs for one or more limited periods commensurate with the circumstances, or (B) in the case of the purchase of a registered or exempted security which has been effected by the customer in the account, authorize the transfer of the transaction to a general account or special omnibus account and the completion of the transaction pursuant to the provisions of this regulation relating to such accounts.

The days specified in this section 4(c) are calendar days, but if the last day of any period specified herein is a Saturday, Sunday, or holiday, such period shall be considered to end on the next full business day. For the purposes of this section 4(c), a creditor may, at his option, disregard any sum due by the customer not exceeding \$50.

(d) Special arbitrage account. - In a special arbitrage account, a member of a national securities exchange may effect and finance for any customer bona fide arbitrage transactions in securities. For the purposes of this subsection, the term "arbitrage" means (1) a purchase or sale of a security in one market together with an offsetting sale or purchase of the same security in a different market at as nearly the same time as practicable, for the purpose of taking advantage of a difference in prices in the two markets, or (2) a purchase of a security which is, without restriction other than the payment of money, exchangeable or convertible within a reasonable time into a second security together with an offsetting sale at or about the same time of such second security, for the purpose of taking advantage of a disparity in the prices of the two securities.

(e) Special commodity account. - In a special commodity account, a creditor may effect and carry for any customer transactions in commodities.

(f) Special miscellaneous account. - In a special miscellaneous account, a creditor may --

(1) With the approval of any regularly constituted committee of a national securities exchange having jurisdiction over the business conduct of its members, make and maintain loans to meet the emergency needs of any creditor;

(2) Effect and finance, for any joint adventure in which the sole participants are the creditor and one or more members of a national securities exchange who are registered on such exchange as odd-lot dealers and acting as such, any transactions in securities with respect to which all participants, or all participants other than the creditor, are so registered and so act;

(3) Effect transactions for and finance any joint adventure or group in which the creditor participates and in which all participants are dealers (whether such participants be acting jointly or severally), or any member thereof or participant therein, for the purpose of facilitating the underwriting or distributing of all or part of an issue of securities (A) not through the medium of a national securities exchange, or (B) the distribution of which has been approved by the appropriate committee of a national securities exchange;

(4) Effect for any customer the collection or exchange (other than by sale or purchase) of securities deposited by the customer specifically for such purposes, and (subject to any other applicable provisions of law) receive from or for any customer, and pay out or deliver to or for any customer, any money or securities;

(5) Effect and carry for any customer transactions in foreign exchange; and

(6) Extend and maintain credit to or for any customer without collateral or on any collateral whatever for any purpose other than purchasing or carrying or trading in securities.

SECTION 5. BORROWINGS BY MEMBERS, BROKERS, AND DEALERS

(a) General rule. - It is unlawful for any creditor, directly or indirectly, to borrow in the ordinary course of business as a broker or dealer on any registered security (other than an exempted security) except

(1) from or through a member bank of the Federal Reserve System; or

(2) from any nonmember bank which shall have filed with the Board an agreement which is still in force and which is in the form prescribed by this regulation; or

(3) to the extent to which, under the provisions of this regulation, loans are permitted between members of a national securities exchange and/or brokers and/or dealers, or loans are permitted to meet emergency needs.

(b) Agreements of nonmember banks. - An agreement filed pursuant to section 8(a) of the Act by a bank not a member of the Federal Reserve System shall be substantially in the form contained in Form F.R. T-2 if the bank has its principal place of business in a territory or insular possession of the United States, ~~or~~ if it has an office or agency in the United States and its principal place of business outside the United States. The agreement filed by any other nonmember bank shall be in substantially the form contained in Form F.R. T-1. Any nonmember bank which has executed any such agreement may terminate the agreement if it obtains the written consent of the Board. Blank forms of such agreements, information regarding their filing or termination, and information regarding the names of nonmember banks for which such agreements are in force, may be obtained from any Federal Reserve bank.

(c) Borrowing from other creditors. - A creditor may borrow from another creditor in the ordinary course of business as a broker or dealer on any registered security to the extent and subject to the terms upon which the latter may extend credit to him in accordance with the provisions of this regulation, and subject to any other applicable provisions of law.

SECTION 6. CERTAIN TECHNICAL DETAILS

(a) Accounts of partners. - In case a general account is the account of a partner of the creditor, the creditor, in calculating the adjusted debit balance of such account and the maximum loan value of the securities therein, shall disregard the partner's financial relations with the firm as reflected in his capital and ordinary drawing accounts.

(b) Contribution to joint adventure. - In case a general account is the account of a joint adventure in which the creditor participates, the adjusted debit balance of the account shall include, in addition to the items specified in section 3(d), any amount by which the creditor's contribution to the joint adventure exceeds the contribution which he would have made if he had contributed merely in proportion to his right to share in the profits of the joint adventure.

(c) Guaranteed accounts. - In case a general account maintained by a creditor for one customer is guaranteed in writing by another customer for whom the creditor maintains a general account, the adjusted debit balance of the guaranteed account may, at the option of the creditor, be computed by deducting from the sum of the items specified in section 3(d) an amount not greater than the excess of the maximum loan value of the securities in the guarantor's general account over the adjusted debit balance of such guarantor's account calculated without the addition thereto prescribed by the following paragraph, provided (1) the guarantor is not a creditor, (2) a duplicate original of the guarantee has been filed with the secretary of a national securities exchange of which the creditor is a member or through which his transactions are effected, and (3) the guarantee permits the creditor to use funds and securities in the guarantor's account to carry the guaranteed account without restriction, except that the guarantee may be limited to a specified amount and in that event the deduction shall not exceed such amount.

In case a guarantee has served to permit in the guaranteed account any transaction which could not otherwise have been effected in accordance with this regulation: (A) the adjusted debit balance of the guarantor's account shall be computed by adding to the sum of the items specified in section 3(d) an amount equal to the deduction made pursuant to the preceding paragraph; (B) the creditor shall not subsequently decrease the amount of such deduction, or the amount of the consequent addition to the adjusted debit balance of the guarantor's account, unless the adjusted debit balance of the guaranteed account, after such decrease and after all transactions in such guaranteed account on the date of such decrease, does not exceed the maximum loan value of the securities in such guaranteed account; and (C) if the guarantee is terminated or the amount thereof reduced, the creditor shall require that, after all the transactions (including such termination or reduction) on the date of such termination or reduction, the adjusted debit balance of the guaranteed account shall not exceed the maximum loan value of the securities in the account.

(d) Transfer of accounts. - In the event of the transfer of a general account from one creditor to another, such account may be treated for the purposes of this regulation as if it had been maintained by the transferee from the date of its origin: Provided, That the transferee accepts in good faith the signed statement of the transferor that no cash or securities need be deposited in the account in connection with any transaction that has been effected in the account or, in case he finds that it is not practicable to obtain such a statement from the transferor, accepts in good faith such a signed statement from the customer.

In the event of the transfer of a general account from one customer to another, such account may be treated by the creditor for the purposes of this regulation as if it had been maintained for the transferee from the date of its origin.

(e) Reorganizations. - A creditor may, without regard to the other provisions of this regulation, effect for a customer the exchange of any registered or exempted security in a general account for the purpose of participating in a reorganization or recapitalization in which the security is involved: Provided, That if an unregistered non-exempted security is acquired in exchange, the creditor shall not, for a period of sixty days following such acquisition, permit the withdrawal of such security or the proceeds of its sale from the customer's account except to the extent that such security or proceeds could be withdrawn if the security were a registered security.

(f) Time of receipt of funds or securities. - For the purposes of this regulation, a creditor may, at his option (1) treat the receipt in good faith of any check or draft drawn on a bank which in the ordinary course of business is payable on presentation, or any order on a savings bank with passbook attached which is so payable, as receipt of payment of the amount of such check, draft or order; (2) treat the shipment of securities in good faith with sight draft attached as receipt of payment of the amount of such sight draft; and (3) in the case of the receipt in good faith of written or telegraphic notice in connection with a special omnibus account of a customer not located in the same city that a specified security or a check or draft has been dispatched to the creditor, treat the receipt of such notice as receipt of such security, check or draft: Provided, however, That if the creditor receives notice that such check, draft, order, or sight draft described in clause (1), (2) or (3) is not paid on the day of presentation, or if such security, check or draft described in clause (3) is not received by the creditor within a reasonable time, the creditor shall promptly take such action as he would have been required to take by the appropriate provisions of this regulation if the provisions of this subsection had not been utilized.

(g) Interest, service charges, etc. - Interest on credit maintained in a general account, communication charges with respect to transactions in the account, shipping charges, premiums on securities borrowed in connection with short sales or to effect delivery, dividends or other distributions due on borrowed securities, and any service charges (other than commissions) which the creditor may impose, may be debited to the account in accordance with the usual practice and without regard to the other provisions of this regulation, but such items so debited shall be taken into consideration in calculating the net credit or net debit balance of the account.

A creditor may, without regard to the other provisions of this regulation, pay to or for a customer from a general account interest or cash dividends collected by the creditor for such account, if such payment is made within 35 days after the day on which, in accordance with the creditor's usual practice, such interest or dividends are credited to the account, and if the crediting thereof has not served in the meantime to permit in the account any purchase of securities or other transactions which could not otherwise have been effected in accordance with this regulation.

(h) Borrowing and lending securities. - Without regard to the other provisions of this regulation, a creditor (1) may make a bona fide deposit of cash in order to borrow securities (whether registered or unregistered) for the purpose of making delivery of such securities in the case of short sales, failure to receive securities he is required to deliver, or other similar cases, and (2) may lend securities for such purpose against such a deposit.

(i) Credit for clearance of securities. - The extension or maintenance of any credit which is maintained for only a fraction of a day (that is, for only part of the time between the beginning of business and midnight on the same day) shall be disregarded for the purpose of this regulation, if it is incidental to the clearance of transactions in securities directly between members or through an agency organized or employed by the members of a national securities exchange for the purpose of effecting such clearance.

(j) Foreign currency. - If foreign currency is capable of being converted without restriction into United States currency, a creditor acting in good faith may treat any such foreign currency in an account as a credit to the account in an amount determined in accordance with customary practice.

(k) Innocent mistakes. - If any failure to comply with this regulation results from a mistake made in good faith in executing a transaction, recording, determining, or calculating any loan, balance, market price or loan value, or other similar matter, the creditor shall not be deemed guilty of a violation of this regulation if promptly after the discovery of the mistake he takes whatever action may be practicable in the circumstances to remedy the mistake.

SECTION 7. MISCELLANEOUS PROVISIONS

(a) Arranging for loans by others. - A creditor may arrange for the extension or maintenance of credit to or for any customer of such creditor by any person upon the same terms and conditions as those upon which the creditor, under the provisions of this regulation, may himself extend or maintain such credit to such customer, but only upon such terms and conditions, except that this limitation shall not apply with respect to the arranging by a creditor for a bank subject to Regulation U to extend or maintain credit on registered securities or exempted securities.

(b) Maintenance of credit. - Except as otherwise specifically forbidden by this regulation, any credit initially extended without violation of this regulation may be maintained regardless of (1) reductions in the customer's equity resulting from changes in market prices, (2) the fact that any security in an account ceases to be registered or exempted, and (3) any change in the maximum loan values or margin requirements prescribed by the Board under this regulation. In maintaining any such credit, the creditor may accept or retain for his own protection additional collateral of any description, including unregistered securities.

(c) Declaration as to purpose of loan. - Every extension of credit on a registered security (other than an exempted security) shall be deemed to be for the purpose of purchasing or carrying or trading in securities, unless the customer shall file with the creditor a written declaration signed by the customer which shall state the use to be made of such credit and which shall state specifically that such credit is neither for the purpose of purchasing or carrying or trading in securities nor for the purpose of evading or circumventing the provisions of this regulation. In connection with any extension of credit, a creditor may rely upon such a written declaration unless he knows the statement to be false or has information which would put a prudent man upon inquiry and if investigated with reasonable diligence would lead to the discovery of the falsity of the statement.

(d) Reports. - Every creditor shall make such reports as the Board may require to enable the Board to perform the functions conferred upon it by the Act.

(e) Additional requirements by exchanges and creditors. - Nothing in this regulation shall (1) prevent any exchange from adopting and enforcing any rule or regulation further restricting the time or manner in which its members must obtain initial or additional margin in customers' accounts because of transactions effected in such accounts, or requiring such members to secure or maintain higher margins, or further restricting the amount of credit which may be extended or maintained by them, or (2) modify or restrict the right of any creditor to require additional security for the maintenance of any credit, to refuse to extend credit, or to sell any securities or property held as collateral for any loan or credit extended by him.

SUPPLEMENT TO REGULATION T

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective January 1, 1938.

Maximum loan value for general accounts. - The maximum loan value of a registered security (other than an exempted security) in a general account, subject to section 3 of Regulation T, shall be 60 percent of its current market value.

Maximum loan value for special omnibus accounts. - The maximum loan value of a registered security (other than an exempted security) in a special omnibus account, subject to section 4 of Regulation T, shall be 75 percent of its current market value.

Margin required for short sales. - The amount to be included in the adjusted debit balance of a general account pursuant to section 3(d)(3) of Regulation T, as margin required for short sales of securities (other than exempted securities) shall be 50 percent of the current market value of each such security, and in the case of a special omnibus account with another member, broker or dealer, such amount shall be 35 percent of such current market value.

Amendment No. 11 of Regulation T - Effective December 6, 1937

BE IT RESOLVED, That, effective December 6, 1937, Regulation T, as amended, is further amended by adding at the end thereof after section 12 a new section reading as follows:

SECTION 13. SPECIAL COMMODITY ACCOUNT

Notwithstanding any other provision of this regulation:

(a) In a special commodity account recorded separately, a creditor may effect and carry for any customer transactions in commodities, and such a special account when so recorded shall be excluded from all calculations involving any combined account or any other special account; and

(b) On or before December 31, 1937, the creditor shall transfer to the special commodity account of a customer from the combined account and from any other special account of such customer (1) all open trades or contracts in commodities carried in such combined account or such other special account, together with (2) funds in an amount equal to the amount of margin customarily required by the creditor on all such open trades or contracts so transferred plus any net loss on such open trades or contracts OR minus any net profit (not exceeding such margin) on such open trades or contracts.

A special commodity account established pursuant to this section shall not be used in any way for the purpose of evading or circumventing any of the provisions of this regulation. If a customer has with a creditor both a combined account and such a special commodity account, the creditor shall treat the special commodity account as if the customer had with the creditor no combined account.