

MEMO# 7655

February 22, 1996

INSTITUTE COMMENTS ON PROPOSED AMENDMENTS TO REGULATION U

1 See Memorandum to SEC Rules Committee No. 132-95, dated December 22, 1995.
February 22, 1996 TO: SEC RULES COMMITTEE No. 12-96 RE: INSTITUTE COMMENTS ON
PROPOSED AMENDMENTS TO REGULATION U

As we previously informed you, the Federal Reserve Board recently proposed amendments to Regulation U (governing extensions of credit by banks that are secured by margin stocks).¹ Some of the amendments are designed to conform Regulation U to certain changes that earlier were proposed for Regulation T (governing extensions of credit by brokers and dealers). The Institute has filed a comment letter with the Board expressing support for the proposed changes to Regulation U that would: (1) provide that securities issued by a money market mutual fund are entitled to good faith loan value where a bank extends credit that is secured by such securities; and (2) import into Regulation U the definition of "cash equivalent" from Regulation T (as proposed to be amended to include securities issued by money market mutual funds). The letter notes that the Institute supported the corresponding proposed amendments to Regulation T, and that we believe parity among the Boards regulations is appropriate. A copy of the Institutes comment letter is attached. Frances M. Stadler Associate Counsel Attachment

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