

MEMO# 6423

December 2, 1994

FEDERAL RESERVE BOARD ADOPTS AMENDMENTS TO REG T SHORTENING PERIOD FOR CUSTOMER PAYMENT FOR SECURITIES

December 2, 1994 TO: ACCOUNTING/TREASURERS MEMBERS No. 37-94 BANK
BROKER/DEALER ADVISORY COMMITTEE No. 27-94 BROKER/DEALER ADVISORY COMMITTEE
No. 24-94 BROKER/DEALER ASSOCIATE MEMBERS No. 19-94 CLOSED-END FUND
COMMITTEE No. 32-94 INSURANCE BROKER-DEALER ADVISORY COMMITTEE No. 13-94
OPERATIONS MEMBERS No. 38-94 SEC RULES MEMBERS No. 86-94 SMALL FUNDS MEMBERS
No. 13-94 TRANSFER AGENT ADVISORY COMMITTEE No. 47-94 UNIT INVESTMENT TRUST
COMMITTEE No. 80-94 RE: FEDERAL RESERVE BOARD ADOPTS AMENDMENTS TO REG T
SHORTENING PERIOD FOR CUSTOMER PAYMENT FOR SECURITIES

The Board of
Governors of the Federal Reserve System has adopted amendments to Regulation T, which
governs extensions of credit by brokers or dealers. The amendments, which include a
requirement that customers meet initial margin calls or make full cash payment for
securities purchased at a broker/dealer within two business days of the standard settlement
period in the U.S., became effective on November 25, 1994. In practice the time period
within which customers must meet margin calls and pay for securities will not change until
June 7, 1995 when SEC Rule 15c6-1, which shortens the standard settlement period for
securities transactions from five to three business days, becomes effective. A copy of the
adopting release is attached. Related amendments raise the de minimis amount below
which liquidation of unpaid transactions is not required from \$500 to \$1,000 and require
brokers seeking extensions of the payment period to obtain them from their designated
examining authority (e.g., the NYSE or the NASD). The Board also made certain technical
amendments concerning payment for foreign securities. Regulation T was also amended to
exclude government securities brokers and dealers who register with the SEC under Section
15C of the Securities Exchange Act of 1934 from the definition of "creditor" in Regulation T.
In addition, general broker/dealers effecting customer transactions that could be effected
by a Section 15C broker/dealer will be able to record the transactions in a new government
securities account to which the other restrictions in Regulation T would not apply. Diane M.
Butler Director - Operations & Fund Custody Attachment

should not be considered a substitute for, legal advice.