

is necessary or appropriate in the public interest.

(e) *Unlawful representations.* It shall be unlawful for any lender to make, or cause to be made, any representation to the effect that the inclusion of a security on the list OTC margin stocks is evidence that the Board or the SEC has in any way passed upon the merits of, or given approval to, such security or any transactions therein. Any statement in an advertisement or other communication containing a reference to the Board in connection with the list or securities on that list shall be an unlawful representation.

§207.7 Supplement: Maximum loan value of margin stock and other collateral.

(a) *Maximum loan value of a margin stock.* The maximum loan value of any margin stock, except options, is fifty per cent of its current market value.

(b) *Maximum loan value of nonmargin stock and all other collateral.* The maximum loan value of a nonmargin stock and all other collateral except puts, calls, or combinations thereof is their good faith loan value.

(c) *Maximum loan value of options.* Whether they are margin stock or not, puts, calls, and combinations thereof have no loan value.

INTERPRETATIONS

§207.101 Application to credit committed before February 1, 1968, where funds are disbursed thereafter.

(a) The Board has been presented with the question whether this part applies to an extension of credit to a corporation under a contract entered into on May 31, 1967, whereby the creditor agreed to purchase notes of the corporation totaling \$150 million in three "closings" to be completed by December 2, 1968. Prior to February 1, 1968, \$132,500,000 was disbursed. The remaining \$16,500,000 was scheduled to be paid on February 21, 1968. It was assumed that the purpose of the credit was to carry stock that is registered on a national securities exchange, and that the credit may become secured by such stock.

(b) This part, which becomes effective March 11, 1968, will apply to credit extended, since (1) on that date the or-

dinary course of business, to purchase or carry registered equity securities, if the credit is secured by such securities. The above-described credit was the subject of an agreement executed prior to February 1, 1968, that bound the parties as to the amount, interest rate, term, and principal conditions of the credit, although some of the funds remained to be disbursed.

(c) The Board concluded that the funds described above, to be extended after February 1, 1968, will be extended pursuant to a firm commitment executed prior to that date. The Board was of the opinion that the date a commitment to extend credit becomes binding should be regarded as the date when the credit is extended, since (1) on that date the parties should be aware of law and facts surrounding the transaction and (2) generally, the date of contract is controlling for purposes of margin regulations and Federal securities law, regardless of the delivery of cash or securities. Accordingly, the Board concluded that this part did not apply to this extension of credit.

[33 FR 4248, Mar. 7, 1968]

§207.102 When bank in "good faith" has not relied on stock as collateral.

For text of this interpretation, see §221.117 of this subchapter.

[33 FR 7485, May 21, 1968]

§207.103 Corporate guaranty of bank loan as extension of credit in the ordinary course of business.

(a) The Board recently considered the questions whether (1) the guaranty by a corporation of an "unsecured" bank loan to exercise an option to purchase stock of the corporation is an "extension of credit" for the purpose of this part (Regulation G), (2) such a guaranty is given "in the ordinary course of business" of the corporation, as defined in §207.2(b), and (3) the bank involved took part in arranging for such credit on better terms than it could extend under the provisions of Part 221 (Regulation U) of this subchapter.

(b) The Board understood that any officer or employee included under the corporation's stock option plan who wished to exercise his option could obtain a loan for the purchase price of