

or offers to pledge mutual fund shares, particularly shares which were not on the Board's list prior to July 8, 1969, a bank should treat any such loan as being subject to the requirements of the regulation unless the borrower supplies clear proof, to be preserved in the files of the bank, that §221.3(q) does not apply or that the loan is "separated and disassociated" as specified in the section. In this connection, a general statement, such as that the credit is for "working capital" or "general corporate purposes", is insufficient evidence that the requirements of the regulation are not applicable.

[35 FR 6959, May 1, 1970]

**§221.120 Allocation of stock collateral to purpose and nonpurpose credits to same customer.**

(a) A bank proposes to extend two credits (Credits "A" and "B") to its customer. Although the two credits are proposed to be extended at the same time, each would be evidenced by a separate agreement. Credit A would be extended for the purpose of providing the customer with working capital (nonpurpose credit), collateralized by stock. Credit B would be extended for the purpose of purchasing or carrying margin stock (purpose credit), without collateral or on collateral other than stock.

(b) Regulation U allows a bank to extend purpose and nonpurpose credits simultaneously or successively to the same customer. This rule is expressed in §221.3(n)(3) which provides in substance that for any nonpurpose credit to the same customer, the bank shall in good faith require as much collateral not already identified to the customer's purpose credit as the bank would require if it held neither the purpose loan nor the identified collateral. This rule also takes into account that the bank would not necessarily be required to hold collateral for the nonpurpose credit if, consistent with good faith banking practices, it would normally make this kind of nonpurpose loan without collateral.

(c) The Board views §221.3(n)(3) of Regulation U, when read in conjunction with §221.3(n)(1), as requiring that whenever a bank extends two credits to the same customer, one a purpose cred-

it and the other nonpurpose, any stock collateral must first be identified with and attributed to the purpose loan by taking into account the maximum loan value of such collateral as prescribed in §221.4 (the Supplement) of Regulation U.

(d) The Board is further of the opinion that under the foregoing circumstances Credit B would be indirectly secured by stock, despite the fact that there would be separate loan agreements for both credits. This conclusion flows from the circumstance that the bank would hold in its possession stock collateral to which it would have access with respect to Credit B, despite any ostensible allocation of such collateral to Credit A.

[36 FR 25150, Dec. 29, 1971]

**§221.121 Computation of time periods for acquiring and holding blocks of stock by block positioners.**

(a) The Board recently considered two questions in connection with §221.3(z)(2) and (3) of Regulation U providing for bank credit to block positioners which is exempt from the normal margin requirements as prescribed from time to time in that regulation.

(b) The first question pertained to the period of time in which a block positioner, in order to qualify for the exemption, must position a block of stock when such positioning results from several transactions at approximately the same time from a single source, as set forth in §221.3(z)(2)(ii).

(c) The Board is of the view that the aggregate of several transactions from a single source would ordinarily be carried out within a timespan of one-half hour in order for such aggregate to be considered one block of stock eligible for exempt credit. In extraordinary circumstances, however, the block positioner could consult the Reserve Bank in whose district its office is situated as to whether stock positioned over a slightly longer period constitutes a single block. In such a case the block positioner should, of course, disclose all relevant circumstances to the Reserve Bank.

(d) The second question related to the computation of the period of 20 business days, specified in §221.3(z)(3), in which exempt credit may remain

outstanding for positioning a block of stock.

(e) The Board is of the view that the computation of such 20-day period shall commence on the business day following the date of trade.

[37 FR 24105, Nov. 14, 1972; 37 FR 26315, Dec. 9, 1972]

**§ 221.122 Applicability of margin requirements to credit in connection with Insurance Premium Funding Programs.**

For text of this interpretation, see § 207.108 of this subchapter.

(Interprets and applies 12 CFR 207.4(f) and 12 CFR 221.3(x))

[39 FR 9425, Mar. 11, 1974]

**§ 221.123 Bona fide arbitrage transactions.**

For the text of this interpretation, see § 220.126 of this subchapter.

(Interprets and applies 12 CFR 220.4(c), 220.4(d))

[38 FR 5237, Feb. 27, 1973; 40 FR 59322, Dec. 23, 1975]

**§ 221.124 Application of the single-credit rule to loan participations.**

For text of this interpretation, see § 207.113 of this chapter.

[Reg. U, 56 FR 46228, Sept. 11, 1991]

**§ 221.125 Credit to brokers and dealers.**

For text of this interpretation, see § 207.114 of this subchapter.

[Reg. U, 61 FR 60167, Nov. 26, 1996]

**PART 224—BORROWERS OF SECURITIES CREDIT (REGULATION X)**

Sec.

224.1 Authority, purpose, and scope.

224.2 Definitions.

224.3 Margin regulations to be applied by nonexempted borrowers.

AUTHORITY: Sec. 7(f), as amended (15 U.S.C. 78a-jj).

SOURCE: Reg. X, 48 FR 56572, Dec. 22, 1983, unless otherwise noted.

EDITORIAL NOTE: See the List of CFR Sections Affected in the Finding Aids section of this volume for FR citations to Part 224 OTC Margin Stocks changes.

**§ 224.1 Authority, purpose, and scope.**

(a) *Authority and purpose.* Regulation X (this part) is issued by the Board of Governors of the Federal Reserve System (the Board) under the Securities Exchange Act of 1934, as amended (the Act) (15 U.S.C. 78a et seq.). This part implements section 7(f) of the Act (15 U.S.C. 78g(f)), the purpose of which is to require that credit obtained within or outside the United States complies with the limitations of the Board's Margin Regulations G, T, and U (12 CFR parts 207, 220, and 221, respectively).

(b) *Scope and exemptions.* The Act and this part apply the Board's margin regulations to United States persons and foreign persons controlled by or acting on behalf of or in conjunction with United States persons (hereinafter borrowers), who obtain credit outside the United States to purchase or carry United States securities, or within the United States to purchase or carry any securities (both types of credit are hereinafter referred to as purpose credit). The following borrowers are exempt from the Act and this part:

(1) Any borrower who obtains purpose credit within the United States, unless the borrower willfully causes the credit to be extended in contravention of Regulations G, T, or U.

(2) Any borrower whose permanent residence is outside the United States and who does not obtain or have outstanding, during any calendar year, a total of more than \$100,000 in purpose credit obtained outside the United States; and

(3) Any borrower who is exempt by Order upon terms and conditions set by the Board.

**§ 224.2 Definitions.**

The terms used in this part have the meanings given to them in sections 3(a) and 7(f) of the Act, and in Regulations G, T, and U. Section 7(f) of the Act contains the following definitions:

(a) *United States person* includes a person which is organized or exists under the laws of any State or, in the case of a natural person, a citizen or resident of the United States; a domestic estate; or a trust in which one or more of the foregoing persons has a cumulative direct or indirect beneficial interest in