

Table of Contents

CHAPTER 1. OVERVIEW OF BROKER-DEALER CREDIT REGULATION

- § 1:1 Introduction
- § 1:2 FRB's authority to adopt Regulation T
- § 1:3 Purposes of Regulation T
- § 1:4 —Regulation of credit resources
- § 1:5 —Market protection
- § 1:6 —Investor protection
- § 1:7 —Broker-dealer protection
- § 1:8 Structure
- § 1:9 FINRA Rule 4210
- § 1:10 Scope of regulation

CHAPTER 2. CERTAIN DEFINITIONAL MATTERS: “CREDITOR,” “CUSTOMER,” AND “EXTENSION OF CREDIT”

- § 2:1 Introduction
- § 2:2 “Creditor”
- § 2:3 —Conventional broker-dealers
- § 2:4 —Natural persons associated with broker-dealers
- § 2:5 —Subsidiaries and other controlled entities of broker-dealers
- § 2:6 —Noncontrolled affiliates of broker-dealers
- § 2:7 —Foreign broker-dealers
- § 2:8 —Exclusions from Regulation T—Government securities broker-dealers
- § 2:9 — —Foreign branches of U.S. broker-dealers
- § 2:10 — —OTC derivatives dealers
- § 2:11 “Customer”
- § 2:12 —Other broker-dealers; exempted borrowers
- § 2:13 — —Exempted borrowers
- § 2:14 — —Rule 4210
- § 2:15 —Joint ventures and partnerships
- § 2:16 —Broker-dealer affiliates
- § 2:17 “Extension of credit”
- § 2:18 —Conventional extensions of credit—Margin loans
- § 2:19 — —Deferred payment or delivery
- § 2:20 — —Short sales
- § 2:21 — —Guarantees
- § 2:22 —Nonconventional extensions of credit
- § 2:23 — —Joint venture or partnership arrangements
- § 2:24 — —Deep-in-the-money options
- § 2:25 — —Warrants; assessable securities
- § 2:26 — —Reverse repurchase agreements
- § 2:27 — —Swap transactions
- § 2:28 — —Purchase of debt securities
- § 2:29 — —Purchase of preferred stock
- § 2:30 — —Other nonconventional extensions of credit

CHAPTER 3. MARGIN ACCOUNT

- § 3:1 Introduction
- § 3:2 Margin-eligible securities
- § 3:3 —Exempted securities
- § 3:4 — —Government securities
- § 3:5 — —Municipal securities
- § 3:6 — —Required margin for exempted securities
- § 3:7 —Margin securities
- § 3:8 — —Exchange-traded securities
- § 3:9 — —OTC stocks
- § 3:9.50 — —Initial coin offerings
- § 3:10 — —Nonequity securities
- § 3:11 — —Investment company shares
- § 3:12 — —Foreign margin stocks
- § 3:13 — —Convertible debt securities
- § 3:14 — —Required margin for margin securities
- § 3:15 Margin account requirements—Regulation T—Single margin account; consolidation of accounts
- § 3:16 —Requirements for new securities transactions
- § 3:17 — —Certain illustrative transactions—“Long” positions
- § 3:18 — —Short sales
- § 3:19 — —Certain illustrative transactions—Short sales
- § 3:20 — —Margin deposit requirements
- § 3:21 — —Liquidation requirements
- § 3:22 —Withdrawals of cash and securities
- § 3:23 — —Permissible and impermissible withdrawals
- § 3:24 — — —Borrowing of cash
- § 3:25 — — —Release of proceeds of long sale; release of margin on cover of short position
- § 3:26 — — —Day trading
- § 3:27 — — —Periodic debits
- § 3:28 — — —Periodic credits
- § 3:29 — — —Other withdrawals of securities
- § 3:30 — — —Transfers to special memorandum account
- § 3:31 — — —Certain illustrative transactions—Withdrawals
- § 3:32 —Maintenance of credit
- § 3:33 —Rule 4210
- § 3:34 —Combination of accounts
- § 3:35 — —Requirements for new securities transactions
- § 3:36 —Withdrawals of cash and securities
- § 3:37 —Maintenance requirements
- § 3:38 —Certain illustrative transactions—Rule 4210
- § 3:39 —Exceptions to Rule 4210(c) maintenance requirements—Offsetting “long” and “short” positions
- § 3:39.50 — —Nonequity securities
- § 3:40 — — —Obligations of the United States and highly rated foreign sovereign debt securities
- § 3:41 — — —Other exempted securities
- § 3:42 — — —Other nonequity securities
- § 3:43 — — —Transactions with certain accounts
- § 3:44 — —Shelf-registered, control, and restricted securities

TABLE OF CONTENTS

§ 3:45	— — Illiquid, volatile or low-priced securities
§ 3:45.50	— — Non-margin eligible equity securities
§ 3:46	— — Special initial and maintenance margin requirements
§ 3:47	— Exceptions to SRO Rule maintenance requirements—Intraday margin
§ 3:48	— Margin deposit and liquidation requirements
§ 3:49	Special memorandum account
§ 3:50	— SMA provisions
§ 3:51	— Permissible SMA transactions—Dividend and interest payments
§ 3:52	— — Proceeds of long sale; margin release on short cover
§ 3:53	— — Margin excess
§ 3:54	— — Other SMA credits
§ 3:55	— Authorization of SMA transfer
§ 3:56	— SMA under Rule 4210
§ 3:57	— Accounting methods
§ 3:58	— Certain illustrative transactions—SMA
§ 3:59	In-house margin requirements
§ 3:60	Other margin account requirements—When-issued securities
§ 3:61	— Short sales “against the box”
§ 3:62	— Options
§ 3:63	— — “Long” positions in options
§ 3:64	— — “Short” positions in options
§ 3:65	— — — Definition of “short call” and “short put”
§ 3:66	— — — “Covered” options
§ 3:67	— — — “Uncovered” options
§ 3:68	— — — — Exchange-traded options
§ 3:69	— — — — OTC options
§ 3:70	— — — — General principles
§ 3:71	— — Hedging strategies
§ 3:72	Miscellaneous margin account matters—Margin account agreements
§ 3:73	— Employee benefit plans
§ 3:74	— Disclosure and suitability
§ 3:75	— Transfers of margin accounts
§ 3:76	— Record of margin calls
§ 3:77	— Good faith mistakes
§ 3:78	— Foreign currency
§ 3:79	Sarbanes-Oxley Act of 2002

CHAPTER 4. CASH ACCOUNT

§ 4:1	Introduction
§ 4:2	Permissible transactions
§ 4:3	Required periods for payment
§ 4:4	— Basic rule
§ 4:5	— “When-issued” and “when-distributed” securities
§ 4:6	— DVP or COD transactions
§ 4:7	— Foreign securities
§ 4:8	— Other payment provisions
§ 4:9	Required period for delivery of securities
§ 4:10	Obligation to cancel or liquidate—Failure to make payment
§ 4:11	— Failure to deliver security
§ 4:12	Anti-free-riding rule; 90-day freeze
§ 4:13	Extension of time periods

- § 4:14 Other cash account matters—Exempted securities and mortgage related securities
- § 4:15 —Options—Writing of options
- § 4:16 — —Purchase and exercise of options
- § 4:17 —FINRA Rule 4210

CHAPTER 5. GOOD FAITH ACCOUNT

- § 5:1 Introduction
- § 5:2 Transactions in good faith margin securities
- § 5:3 —Permitted transactions
- § 5:4 —Required margin
- § 5:5 —Rule 4210
- § 5:6 Nonpurpose credit
- § 5:7 —Financing of nonsecurities investments—Commodities and futures
- § 5:8 — —Foreign exchange
- § 5:9 — —Real estate
- § 5:10 — —Money market instruments
- § 5:11 —Financing of noninvestment expenses
- § 5:12 —Corporate financing
- § 5:13 — —Retirement of securities
- § 5:14 — —“Freeze out” mergers
- § 5:15 — —Transactions that are in substance asset acquisitions
- § 5:16 — —Finance subsidiaries
- § 5:17 — —Employee stock ownership plans
- § 5:18 — —Other nonpurpose credit
- § 5:19 —Determination of purpose of credit
- § 5:20 — —Segregation or tracing of proceeds
- § 5:21 — —De minimis rule
- § 5:22 — —Temporary application of proceeds
- § 5:23 —Other matters—Form FR T-4
- § 5:24 — —Rule 4210
- § 5:25 Bona fide arbitrage
- § 5:26 Prime brokerage

CHAPTER 6. CREDIT TO BROKER-DEALERS

- § 6:1 Introduction
- § 6:2 NSMIA exemptions—exempted borrowers
- § 6:3 —Credit to finance market making and underwriting activities
- § 6:4 Broker-dealer credit account
- § 6:5 —Omnibus credit
- § 6:6 —DVP credit
- § 6:7 —JBO credit
- § 6:8 —Capital contribution loans
- § 6:9 —Emergency and subordinated loans
- § 6:10 —Special purpose credit
- § 6:11 —Rule 4210

CHAPTER 7. ARRANGING OF CREDIT; SECURITIES LENDING; SECURITY FUTURES; PORTFOLIO MARGINING

- § 7:1 Introduction

TABLE OF CONTENTS

§ 7:2	Arranging of credit
§ 7:3	—General rule
§ 7:4	—Activities constituting arranging
§ 7:5	— — <i>Sutro</i> decision
§ 7:6	— —Introduction of customer to lender
§ 7:7	— —Financial advice to customers
§ 7:8	— —Furnishing of information to lenders
§ 7:9	— —Delivery of collateral and receipt of funds from lender
§ 7:10	— —Other activities
§ 7:11	—FINRA Rules
§ 7:12	Securities borrowing and lending
§ 7:13	—General rules
§ 7:14	—Transactions covered
§ 7:15	—Proper purpose
§ 7:16	— —Foreign securities
§ 7:17	— —Exempted borrowers
§ 7:18	—Arranging
§ 7:19	—Rule 15c3-3
§ 7:20	Security futures
§ 7:21	—Scope of Joint Rules
§ 7:22	—Basic Requirements
§ 7:23	—Self-Regulatory Authority Margin Rules
§ 7:24	Portfolio margining
§ 7:25	Security-based swaps

CHAPTER 8. CREDIT ON NEW ISSUES OF SECURITIES

§ 8:1	Introduction
§ 8:2	Basic prohibitions
§ 8:3	Special issues under Section 11(d)(1)—broker-dealer
§ 8:4	—Participation in distribution
§ 8:5	—Selling syndicate or group
§ 8:6	—“New issue”
§ 8:7	—Completion of participation in distribution
§ 8:8	Exemptive rules
§ 8:9	—Rule 11d1-1(a)
§ 8:10	—Rule 11d1-1(c)
§ 8:11	—Rule 11d1-1(e)
§ 8:12	—Rule 11d1-2
§ 8:13	Prime brokerage
§ 8:14	Exemptive Orders under Section 11(d)(1)

CHAPTER 9. REGULATION OF SECURITIES CREDIT ACTIVITIES OF BANKS AND OTHER LENDERS

§ 9:1	Introduction
§ 9:2	Basic prohibitions
§ 9:3	—Extensions of credit
§ 9:4	—Withdrawals and substitutions
§ 9:5	—Maintenance of credit
§ 9:6	—Arranging
§ 9:7	—Purpose statements
§ 9:8	—Single-credit rule

- § 9:9 —Registration of nonbank lenders
- § 9:10 Certain illustrative transactions
- § 9:11 —Certain interpretive issues under Regulation U
- § 9:12 —Lenders
- § 9:13 — —Banks
- § 9:14 — —Nonbank lenders
- § 9:15 —Customer
- § 9:16 —Margin stock
- § 9:17 —Purpose credit
- § 9:18 — —“Extension of credit”
- § 9:19 — — —Bank credit facilities
- § 9:20 — — —Installment sales
- § 9:21 — — —Guarantees
- § 9:22 — — —Joint ventures
- § 9:23 — — —Other
- § 9:24 — — —“Purpose credit”
- § 9:25 — — —Direct or indirect application of proceeds
- § 9:26 — — —Nature of customers
- § 9:27 — — —Status of stock
- § 9:28 — — —Business combinations
- § 9:29 — — —Certain credit deemed to be nonpurpose credit
- § 9:30 — — —Repurchase of stock by issuer
- § 9:31 — — —Payment of taxes
- § 9:32 — — —Liquidation payments
- § 9:33 — — —De minimis amounts
- § 9:34 — — —Short sales
- § 9:35 —Indirect security
- § 9:36 — —Definition of “indirectly secured”
- § 9:37 — —Examples of indirect security—margin stock collateral for another credit
- § 9:38 — — —Deposit of margin stock
- § 9:39 — — —Provisions relating to the sale or pledge of margin stock
- § 9:40 — — —Cross-defaults
- § 9:41 — — —Pledge of other assets
- § 9:42 — — —Entities engaged primarily in investing in securities
- § 9:43 — — —Good-faith nonreliance
- § 9:44 — — —Shell corporations
- § 9:45 — — —Employee benefit plan arrangements
- § 9:46 — — —Adequate collateralization
- § 9:47 —Valuation of collateral
- § 9:48 — —Valuation for extensions of credit
- § 9:49 — —Valuation for withdrawals and substitutions
- § 9:50 — —Other collateral issues
- § 9:51 —Purpose and nonpurpose credit to the same customer
- § 9:52 Credit to broker-dealers
- § 9:53 —Special purpose credit
- § 9:54 — —Hypothecation loans
- § 9:55 — —Temporary advances in DVP transactions
- § 9:56 — —Credit for securities in transit or transfer
- § 9:57 — —Intraday credit
- § 9:58 — —Arbitrage credit

TABLE OF CONTENTS

§ 9:59	— —Market maker and underwriter credit
§ 9:60	— —Credit to clearing broker-dealers
§ 9:61	— —Other special purpose credit
§ 9:62	Exempted transactions
§ 9:63	—Credit to bank or foreign banking institution
§ 9:64	—Credit extended outside the United States
§ 9:65	—Credit to ESOPs
§ 9:66	—Credit to plan lenders
§ 9:67	—Temporary advances in DVP transactions
§ 9:68	—Credit against securities in transit
§ 9:69	—Emergency credit
§ 9:70	Employee benefit plan credit
§ 9:71	—Plan lenders
§ 9:72	—Credit to ESOPs
§ 9:73	Other Regulation U issues—Financing of securities on a DVP basis
§ 9:74	—Purpose statement
§ 9:75	— —Customer
§ 9:76	— —Necessity for obtaining
§ 9:77	— —Contents of statements
§ 9:78	—Transfers of credit
§ 9:79	—Actions for protection of lender
§ 9:80	—Good faith mistake
§ 9:81	—SOX Act

CHAPTER 10. REGULATION OF BORROWERS

§ 10:1	Introduction
§ 10:2	Scope of Regulation X
§ 10:3	Credit obtained outside the United States
§ 10:4	Credit obtained within the United States

CHAPTER 11. ENFORCEMENT AND CIVIL LIABILITY

§ 11:1	Introduction
§ 11:2	Enforcement
§ 11:3	—Commission enforcement
§ 11:4	—SRO enforcement
§ 11:5	—Criminal prosecutions
§ 11:6	Private right of action
§ 11:7	—Pre-Section 7(f), <i>Cort v. Ash</i> case law
§ 11:8	—Post-Section 7(f), <i>Cort v. Ash</i> case law
§ 11:9	—Tender offer cases
§ 11:10	—SRO margin rules
§ 11:11	Exchange Act Section 29(b)

Table of Laws and Rules

Table of Cases

Index