

Mr. MARTIN. Of a decline of confidence in our management, that could cause quite a flow of capital quite apart from the interest rate itself. Lack of confidence in our ability to manage our own affairs is one of the things that we have to deal with during this period.

Senator PROXMIRE. Thank you very much.

Thank you, Mr. Chairman.

Chairman PATMAN. Mr. Martin, I know we have taken a lot of your time and we appreciate very much your patience and consideration.

Senator PROXMIRE. I want to join you, Mr. Chairman, in saying I deeply appreciate it. I have taken more time than any other member of the committee.

Chairman PATMAN. I want to ask you about margin requirements and I will be through.

The margin requirements went to 70 percent, but you reduced them.

Mr. MARTIN. We reduced them to 50 percent.

Chairman PATMAN. From 70 to 50.

Mr. MARTIN. That is right.

Chairman PATMAN. I wanted to ask you about policing these regulations. This requirement was made by the Federal Reserve Board.

Mr. MARTIN. That is right.

Chairman PATMAN. An investor has to put up at least 50 percent of his own money in order to buy securities. He can't borrow over 50 percent. Does that apply to any securities outside of the New York Stock Exchange? Does it apply to the American Exchange?

Mr. MARTIN. Yes. The American Exchange.

Chairman PATMAN. Does it apply to the over-the-counter market?

Mr. MARTIN. No, sir.

Chairman PATMAN. Does it apply to the Government bond market?

Mr. MARTIN. No; it does not apply to the Government bond market.

Chairman PATMAN. That is over the counter?

Mr. MARTIN. That is right.

Chairman PATMAN. It only applies to the American and New York Stock Exchanges?

Mr. MARTIN. The Midwest Stock Exchange, San Francisco Stock Exchange.

Chairman PATMAN. They are part of the system.

Mr. MARTIN. They are separate exchanges. It only applies to securities listed on a registered exchange.

Chairman PATMAN. When a person goes into a bank to borrow money, he must certify that he is not going to use that money in violation of that regulation.

Mr. MARTIN. A nonpurpose loan is made with the understanding that he is not using any securities that are pledged as collateral for the purpose of carrying those securities.

Chairman PATMAN. The banks require of him a statement to that effect?

Mr. MARTIN. That is right.

Chairman PATMAN. Which banks require that? Just the members of the Federal Reserve System, or all banks belonging to FDIC, or which banks are required to do that?

Mr. MARTIN. I think all banks are required to do that.