

of Purchasing or Carrying Registered Stocks), issued pursuant to section 7(d) of the 1934 Act, the statute which S. 510 would amend. A significant amount of credit may flow into the securities markets through this channel, which has escaped margin regulation for technical reasons. Such credit could be brought within the scope of margin regulation under existing law, but in order to reach an informed conclusion in this area it would be helpful if the Board knew a good deal more than it does at present about the amount and character of such credit.

Such information could perhaps be collected directly from banks, but this would impose an additional burden, particularly since reporting banks would first have to determine what loans involved "tender offers". The present bill places the responsibility for reporting on the borrower, who is in the best position to know the purpose of a loan. Thus, there would be less diffusion of responsibility and considerable economy of effort if the Board could be furnished with the information it needs under the program already envisaged by S. 510. At the same time, the interests of offerees would better be served if they had available to them information on the terms of bank financing for tender offers. What collateral was to be provided, how long the loan was to remain outstanding, and how it was to be repaid, are all matters that could affect the decision whether or not to accept a tender offer, regardless of the source of the loan.

An additional benefit would be realized in the area of supervision of the Board's Regulation U. Because such bank financing is typically short-term, the purpose of the loan has usually been accomplished by the time the situation comes to the attention of the supervisory authorities, and the loan has been, or is about to be, paid off. It would be helpful in ensuring compliance with the regulation if advice were secured that a particular bank was financing an offer at the time when the offer was first made.

Enclosure A herewith shows section 13(d)(1)(B) of the Act, as it would read with the exemption deleted, and Enclosure B shows the same section as it would read if non-disclosure of the lending bank's identity was substituted for the present complete exemption.

Sincerely,

J. L. ROBERTSON,
Vice Chairman.

ENCLOSURE A

Part of Section 2 of S. 510 (a bill providing for full disclosure of corporate equity ownership under the Securities Exchange Act of 1934), amending section 13 of the Securities Exchange Act of 1934, marked to indicate changes that would be made by an amendment proposed by the Federal Reserve System to omit the exemption for disclosure as to bank financing of tender offers (proposed deletion enclosed in black brackets):

"(d)(1) . . .
"(B) the source and amount of the funds or other consideration used or to be used in making the purchase, and if any part of the purchase price of proposed purchase price is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding, or trading such security, a description of the transaction and the names of the parties thereto[.]; [except that where a source of funds is a loan made in the ordinary course of business by a bank, as defined in section 3(a)(6) of this title, it will be sufficient so to state:]"

ENCLOSURE B

Part of Section 2 of S. 510 (a bill providing for full disclosure of corporate equity ownership under the Securities Exchange Act of 1934), amending section 13 of the Securities Exchange Act of 1934, marked to indicate changes that would be made by an amendment proposed by the Federal Reserve System to provide that the exemption for disclosure as to bank financing to tender offers be omitted and in its place there be substituted a requirement that the name of the bank financing such an offer be kept confidential:

"(d)(1) . . .
"(B) the source and amount of the funds or other consideration used or to be used in making the purchase, and if any part of the purchase price or proposed purchase price is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding, or trading such security, a description of the transaction