



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 16, 2001

Rosemary C. Smith, Esq.  
Assistant General Counsel  
Federal Election Commission  
Washington, DC 20463

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FEDERAL ELECTION  
COMMISSION

Dear Ms. Smith:

Thank you for sending us a copy of your agency's notice of proposed rulemaking concerning the ability of a candidate to obtain a loan derived from an advance on the candidate's brokerage account to finance his or her federal election [Notice 2001 - 10]. Board staff has reviewed the Federal Register notice and has the following comments regarding the Board's Regulation T (12 CFR Part 220).

The supplementary information included in the Federal Register notice states that a loan derived from a brokerage account is obtained by opening a nonpurpose credit account. Nonpurpose loans, which are not for the purpose of buying, carrying or trading in securities, are not subject to the margin requirements of Regulation T (see, 12 CFR 220.6(e)) and therefore may allow greater leverage than purpose credit under the regulation. Nevertheless, a brokerage customer may borrow against securities in his or her margin account for any purpose. Although loans against securities in a margin account are subject to the margin requirements of Regulation T, such loans do not require the customer to sign a "Statement of Purpose" (Federal Reserve Form T-4) before obtaining the loan. Some customers may prefer the leverage limitations of a margin account loan to the need to fill out a form before obtaining nonpurpose credit.

On a related note, the supplementary information indicates that campaign committees would be required to maintain any agreements or documents that are connected with an advance on a candidate's brokerage account "including but not limited to: the Federal Reserve Board's Form T-4 that is required to obtain a brokerage loan." As noted above, a candidate may choose to borrow against his or her margin account, in which case there would be no Form T-4. Further, nothing in Regulation T requires a broker-dealer to furnish the customer with a copy of the Form T-4; the form is held by the broker-dealer and must be made available to brokerage firm examiners.

Yours truly,

Scott Holz  
Senior Counsel