August 16, 2001

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

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,

[Signature]

Scott Holz
Senior Counsel