

Regulatory Circular RG95-12

Date: February 8, 1995
To: Members and Member Organizations
From: The Department of Financial Compliance
Subject: Market Maker Margin Requirements

The purpose of this circular is to respond to inquiries regarding appropriate methods for meeting Regulation T margin calls for non-market maker positions. Option positions that are not deemed market maker positions or stock and option positions that do not qualify as permitted offset positions according to Regulation T Section 220.12 are subject to customer margin requirements. A Regulation T margin call is to be issued when an account executes trades that require a margin deposit. The call will be issued for the deficiency between the market maker's account equity and the margin requirement. Regulation T Section 220.4 requires the "deposit of cash, margin securities or any combination thereof" within a specified time frame (currently 7 business days) in order to satisfy a margin call. Margin calls that are not met by an appropriate deposit will be deemed liquidations. Market appreciation is not an acceptable method of meeting a Regulation T call. If a call is issued and the account equity appreciates due to market movement to a level that would cover or reduce the required margin deposit the market maker is still obligated to deposit the cash or securities equal to the original call. Liquidating another non-market maker position after a Regulation T margin call has been issued is not an acceptable method of meeting the call.

If you have any questions regarding this memorandum please contact Diane Malley at (312) 786-7924 or Rich Lewandowski at (312) 786-7183.