

HOUSE No. 651

By Mr. Birmingham of Boston, petition of Leo M. Birmingham for legislation to regulate the rehypothecation or pledging of stocks, bonds and securities bought or held by brokers. Banks and Banking.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Thirty-Five.

An Act regulating the Rehypothecation or Pledging of Stocks, Bonds and Securities bought or held by Brokers.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 Chapter ninety-three of the General Laws is
2 hereby amended by inserting after section fourteen
3 the following new section: —

4 *Section 14A.* No person who as broker has bought
5 or holds security or securities for another, whether
6 on margin or otherwise, shall rehypothecate or
7 pledge any such security without in each instance
8 stating in writing to his principal or customer the
9 purpose of the proposed rehypothecation, pledge,
10 sale or loan, the name of the proposed pledgee,
11 purchaser or borrower, together with a statement in
12 detail of all profit, interest or commission of the
13 broker therefor or therein, and then obtaining the
14 express written consent of his principal or customer
15 to such rehypothecation.

