

**FEDERAL RESERVE BANK  
OF DALLAS**

Dallas, Texas, July 6, 1938

**RULING OF THE BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM REGARDING  
REGULATION "U"**

**To the Nonmember Bank Addressed:**

There is enclosed for your information and files a copy of a ruling recently issued by the Board of Governors of the Federal Reserve System in regard to the effect of a stock becoming unregistered after a loan is made under Regulation "U".

**Yours very truly,**

**B. A. McKINNEY,  
President**

RULING OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE  
SYSTEM REGARDING REGULATION U AS PUBLISHED IN THE  
FEBRUARY ISSUE OF THE FEDERAL RESERVE BULLETIN

Effect of Stock Becoming Unregistered After  
Loan is Made Under Regulation U

The Board recently considered the question whether a loan is subject to Regulation U if made to purchase a stock and the stock was registered on a national securities exchange at the time the loan was made but has since become unregistered.

The ruling published at page 995 of the October 1937 Federal Reserve Bulletin dealt with the converse situation in which a stock had become registered after the loan was made. That ruling stated that the question whether the loan there involved was a loan for the purpose of purchasing or carrying a stock "registered on a national securities exchange" should be determined on the basis of the present status of the stock.

The Board expressed the view that, at least under the existing regulation, the instant question should also be determined on the basis of the present status of the stock. Accordingly, in the circumstances described, the loan would not be subject to the regulation, although it was subject to the regulation at the time it was made and withdrawals and substitutions of collateral were also subject to the regulation until the stock became unregistered.

February 1938 Bulletin, p. 90.