

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 1427]
[October 2, 1934]

**INTERPRETATION OF REGULATION T.
RULING NO. 2**

*To National Securities Exchanges in the
Second Federal Reserve District:*

For your information I quote below the text of a telegram which I have received today from the Federal Reserve Board:

In response to a number of questions which have arisen in connection with section 7(a) of Regulation T, the Board has issued the following interpretations:

1. The account that may be designated as an old account is the account as it stood at the opening of business on October 1, 1934, with such changes as could have been permitted in such account under section 7(a) of the regulation if the account had been designated as an old account at the beginning of business on October 1, 1934.

2. The creditor may designate such account as an old account at any time prior to November 15, 1934, and may permit transactions in the account pending such designation; but there may not be included in any account designated as an old account any transaction which could not have been made in the account if it had been designated as an old account at the beginning of business on October 1, 1934, and any transaction which cannot be so included must be made in or transferred to a new account.

3. After an account has been designated as an old account the regulation permits the withdrawal of cash or securities only if the account is an unrestricted account on October 15 and if the withdrawal does not make the account a restricted account.

4. If, between the opening of business on October 1, 1934 and the time of the designation of such account as an old account, there has been any withdrawal of money or securities from the account, such account cannot be designated as an old account unless it is an unrestricted account on October 15 or on the date of such designation, whichever is the later, or unless the cash and/or securities withdrawn from the account are replaced before the account is designated as an old account.

5. If, between the opening of business on October 1, 1934 and the time of the designation of such account as an old account, there has been any additional purchase of securities in the account or any substitution consisting of a sale and replacement purchase which results in an increase in the adjusted debit balance of the account, the securities purchased and any debit for the cost thereof cannot be included in the account designated as an old account but may be transferred to a new account.

6. Even though transactions have been made in an account subsequent to September 30, 1934, the creditor may for convenience designate the account exactly as it existed at the beginning of business on October 1, 1934, as an old account and may transfer all transactions made subsequent to September 30, 1934, to a new account, to which also may be transferred any money and/or securities lawfully withdrawn from the old account in accordance with section 7(a) of the regulation.

Additional copies of this circular will be furnished upon request.

J. H. CASE,
Federal Reserve Agent.