

FEDERAL RESERVE BANK
OF NEW YORK.

[Circular No. 1430]
[October 5, 1934]

INTERPRETATION OF REGULATION T

RULING NO. 5

*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 from the Federal Reserve Board:

In reply to an inquiry as to the effect under sections 4(c) and 4(e) of Regulation T of a creditor allowing a customer to effect a transaction in an unrestricted account which would make the account a restricted account and then failing to obtain, within three full business days as specified in section 4(e) of the regulation, the margin required for the transaction, the Board has advised that such failure to obtain margin will not merely cause the account to become a restricted account but will constitute a violation of the regulation, unless within said three day period the account is otherwise brought into conformity with the regulation or within said three day period an extension of time is obtained as provided in the first proviso of section 4(e). Such an account may be brought into conformity with the regulation by such increase in the maximum loan value of the securities in the account and/or such decrease in the adjusted debit balance of the account as would result in the account being an unrestricted account after eliminating from the computation of the adjusted debit balance any temporary credit given pursuant to clause 8 of section 3(f) for margin required on the transaction and demanded but which has not been obtained. The inquiry as submitted pointed out that in the case of a sale made on the third business day for the purpose of bringing the account into conformity with the regulation the proceeds would not ordinarily be obtained until after the three day limit had expired. It should be noted, however, that under clause 7 of section 3(f) of the regulation the adjusted debit balance of the account reflects the sale as soon as it is made even though proceeds of the sale are not yet credited to the account.

Additional copies of this circular will be furnished upon request.

J. H. CASE,
Federal Reserve Agent.