

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 1436 ]  
October 9, 1934

INTERPRETATION OF REGULATION T

RULING NO. 11

*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 interpreting section 7(a) of Regulation T on October 2, 1934, the Federal Reserve Board said: ‘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account on October 15 or on the date of such designation, whichever is the later, or unless the cash and/or securities withdrawn from the account are replaced before the account is designated as an old account.’ This ruling has given rise to two additional inquiries. (1) Does it prevent the withdrawal of any securities or only of securities which as of October 15 will have the status of registered and/or exempted securities? and (2) What is meant by the replacement of cash or securities withdrawn from the account? In answer to the first question, the Board has ruled that the restriction applies to the withdrawal of unregistered, non-exempted securities as well as to the withdrawal of registered and/or exempted securities. In answer to the second question, the Board has ruled that, where cash has been withdrawn, it must be replaced by an equivalent amount of cash and, where securities have been withdrawn, they must be replaced by money and/or securities to such an extent that the money plus the market value of the securities deposited is not less than the aggregate market value of the securities which were withdrawn and the money plus the maximum loan value of the securities deposited is not less than the aggregate maximum loan value of the securities which were withdrawn from the account. For the purpose of determining the amount of cash and/or securities needed to replace securities withdrawn, the current market value and maximum loan value of the securities withdrawn and of the securities replaced must be ascertained in accordance with section 3 of Regulation T as of the opening of business on October 15 or the date of replacement, whichever is later.”

Additional copies of this circular will be furnished upon request.

J. H. CASE,  
*Federal Reserve Agent.*