

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 1443]
[October 11, 1934]

INTERPRETATION OF REGULATION T

*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:

Ruling No. 16 Interpreting Regulation T.

In response to an inquiry as to whether in a cash account under section 6 of Regulation T credit may be extended on unregistered non-exempt securities as an incident to the purchase of such securities, the Board advised that section 6 of Regulation T does not authorize such extensions of credit and also pointed out that section 7(c) (2) of the Securities Exchange Act of 1934 expressly prohibits a creditor as defined in section 2(b) of Regulation T from extending or maintaining credit on such securities under the circumstances indicated.

Additional copies of this circular will be furnished upon request.

J. H. CASE,
Federal Reserve Agent.