

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 1569]
July 15, 1935

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 from the Federal Reserve Board:

Ruling No. 46 Interpreting Regulation T.

In reply to an inquiry of a business conduct committee of a national securities exchange regarding the provisions of the fourth paragraph of section 6 of Regulation T, the Federal Reserve Board rules that such a committee, having, on proper application, granted to a "creditor", as defined in Regulation T, an extension of time in which to receive payment from a customer who has purchased registered securities in a *bona fide* cash transaction, may, on further application of the creditor and before the expiration of the extension, authorize the creditor to transfer the transaction from the customer's special cash account to his margin account, making appropriate entries in both accounts, and to extend credit on such securities in the margin account subject to the provisions of Regulation T: *provided*, that the committee shall be satisfied that the transaction was a *bona fide* cash transaction, that the creditor is acting in good faith in making the application, and that the circumstances warrant such action.

Additional copies of this circular will be furnished upon request.

J. H. CASE,
Federal Reserve Agent.