FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 1663
April 24, 1936]

INTERPRETATION OF REGULATION U.

*To All Banks, Members of National Securities Exchanges,
Brokers and Dealers in Securities, and Others Interested,
in the Second Federal Reserve District:*

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

Ruling No. 1 Interpreting Regulation U.

In response to an inquiry from certain banks in New York City concerning section 3 (*e*) of Regulation U, the Board of Governors of the Federal Reserve System rules as follows:

A bank may accept the transfer of a loan from another lender, provided the loan is not increased and the collateral for the loan is not changed, even though the "maximum loan value" of the collateral be less than the amount of the loan, but may not thereafter permit at any time withdrawals or substitutions of collateral that would increase the deficiency at such time.

Additional copies of this circular will be furnished upon request.

J. H. Case,
Federal Reserve Agent.