

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 1456]
[October 17, 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. 26 Interpreting Regulation T.

The Federal Reserve Board has been asked for a ruling on the following facts: a customer requests a broker to purchase for the customer's account certain registered securities to be paid for by the customer in cash. The customer has a *bona fide* intention to pay in cash; but, when delivery day arrives, he finds that he has not sufficient cash to pay for the securities in full and desires to pay fifty per cent and have the broker carry the securities in his margin account until the customer is ready to make payment in full. The question is presented whether the broker may transfer such transaction from the customer's cash account to his margin account. In reply the Board advised that the transfer of such a transaction from a cash account to a margin account is expressly permitted in exceptional cases by section 6 of Regulation T, if authorization is obtained from the business conduct committee or other suitable committee of the appropriate national securities exchange.

Additional copies of this circular will be furnished upon request.

J. H. CASE,
Federal Reserve Agent.