

Ruling No. 9.

X-8053

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For immediate release.

October 9, 1934.

EFFECT OF SECTION 8(a) OF SECURITIES  
EXCHANGE ACT ON EXISTING LOANS

In response to question whether section 8(a) of Securities Exchange Act of 1934 and section 10(a) of Regulation T require brokers, dealers and members of national securities exchanges to pay off before October 15, any money borrowed prior to October 1, 1934, from persons other than member banks, nonmember banks which have filed agreements pursuant to section 11 of regulation, and other brokers, dealers and members of national securities exchanges, Board expressed the view that the restrictions of section 10(a) of the regulation and section 8(a) of the Act apply only to borrowing on registered non-exempted securities on or after October 1, 1934, when this section of the Act became effective, and do not require the paying off of money borrowed before that date or prohibit the renewal or extension of a loan obtained before that date; provided that such renewal or extension involves no increase in the amount of the loan. In view of fact that violation of section 8(a) of the Act is a criminal offense, however, Board's opinion upon this subject would not preclude prosecution if Department of Justice should interpret the law differently; and, in case of any doubt, member, broker, or dealer should obtain advice of his own counsel.