

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

X-9655



July 20, 1936

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

Dear Sir:

There is attached, for the information of your bank, a copy of a letter addressed to the cashier of a national bank in the Richmond district with respect to the application of Regulation U, "Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange", to loans made prior to May 1, 1936.

Very truly yours,

A large, flowing handwritten signature in dark ink, which appears to read "S. R. Carpenter".

S. R. Carpenter,  
Assistant Secretary.

Inclosure.

TO ALL PRESIDENTS.

Copy

X-9655-a

June 26, 1936

Mr. \_\_\_\_\_, Cashier,  
The \_\_\_\_\_ National Bank,  
\_\_\_\_\_, \_\_\_\_\_.

Dear Sir:

Your letter of June 1, 1936, addressed to the Comptroller of the Currency, has been referred to this Board for reply.

Such regulations as are in effect concerning loans by banks for the purpose of purchasing or carrying stocks registered on a national securities exchange are incorporated in the Board's Regulation U, a copy of which is inclosed herewith for your information.

You will observe that the regulation does not apply to loans made prior to May 1, 1936, even if the proceeds thereof were used for the purpose of purchasing or carrying registered stocks, nor to the collateral securing them unless it also secures another loan made on or after that date which is subject to the regulation. The loan to which you refer in your letter and its collateral appear to be in this category unless the situation is changed by the fact that when stock is sold the note is not reduced but the proceeds of the sale are used to purchase a cashier's check of the bank which in turn is pledged to secure the loan, and subsequently the cashier's check is used to buy stock registered on a national securities exchange. Under

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such circumstances however, it would not appear that a new loan has been made for the designated purpose, and consequently the provisions of Regulation U do not apply.

In passing, it is noted that the particular customer to whom you refer buys and sells the stocks in your name and in this connection it is suggested that consideration be given to Section III(g) of the interpretative rulings of the Comptroller of the Currency made with respect to section 5136, U. S. R. S. These interpretative rulings were issued on February 15, 1936 and for your convenience a copy of them is also inclosed with this letter.

If you have any further questions regarding Regulation U it is believed that it will be more convenient for you to communicate first with the Federal Reserve Bank of Richmond, whose officers will be glad to answer your questions.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.

Inclosures.