

TELEGRAMINTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

January 9, 1937.

\_\_\_\_\_  
\_\_\_\_\_  
Your letter January 8 re applicability of Regulation U to loan by bank to enable person to purchase new stock of \_\_\_\_\_, \_\_\_\_\_ Co. pursuant to warrant. It is understood that although the new stock to be purchased by holder of warrant is underwritten by a group of dealers which includes certain members of national securities exchanges and whose compensation is based partly on the total number of shares offered, these underwriters are merely to purchase such stock as is not previously subscribed by warrant holders, and purchaser of stock pursuant to warrant would purchase stock directly from company without interposition of any member of a national securities exchange or any broker or dealer who transacts a business in securities through the medium of any such member. It is understood that payment for the shares is made to the \_\_\_\_\_ National Bank of \_\_\_\_\_ which acts as agent for the company to receive such payments. Based on these facts Board agrees with the view of you and your counsel that loan by a bank for the purpose of enabling the warrant holder to make such purchase of stock is exempt from Regulation U under section 2(e) of the Regulation.

(Signed) Chester Merrill

MORRILL