

X-9825
Reg. T-52

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

February 23, 1937.

Mr. _____,
Assistant Cashier,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of January 6, 1937 addressed to Mr. Parry, Chief of the Division of Security Loans, regarding the following situation under Regulation T:

" * * *, a customer cabled his broker instructions * * * to purchase listed securities costing \$10,600, which were purchased for his account. Prior to this transaction, the account was restricted to the extent of a few hundred dollars. During the preceding thirty days dividends in the amount of approximately \$500 had been credited to the account and not withdrawn, and there had been no transactions in the account subsequent to the crediting of the dividends until the subject transaction."

Section 8(b) of the regulation permits the withdrawal of the dividends here involved, and you present the question whether it is permissible for the broker to deduct the withdrawable dividends from the amount of the demand for margin, merely demanding the difference of about \$5400. Otherwise, of course, the broker would be required to demand the full amount of margin in the sum of about \$5900, possibly forwarding with such a demand for margin a check for the approximately \$500 of dividends.

The Board agrees with your view that it is permissible

-2-

for the broker to deduct the amount of the withdrawable dividends from the amount of the demand for margin instead of demanding the full amount of margin without deduction of the dividends. In order to make it clear, however, that the dividends are not thereafter available for other purposes, and also to comply fully with the requirement of the regulation that margin be demanded upon the basis of the aggregate transactions in the account on a given day, the notation that the dividends are no longer withdrawable (which in effect amounts to a withdrawal and redeposit of the dividends) should be made on the date of the transaction in question rather than on the later date on which margin is deposited in response to the demand.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.