

X-9880  
Reg. T-54

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

April 28, 1937

Mr. \_\_\_\_\_,  
\_\_\_\_\_,  
Federal Reserve Bank of \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_.

Dear Mr. \_\_\_\_\_:

Reference is made to your letter of March 10, 1937, regarding the inquiry received from \_\_\_\_\_ & Co., Inc., as to whether or not the company is subject to Regulation T.

It is understood that \_\_\_\_\_ & Co., Inc., is not a member of a national securities exchange and that the sole question presented is whether it should be considered a "broker or dealer who transacts a business in securities through the medium of any such member" within the meaning of section 7 of the Securities Exchange Act of 1934. Since this question necessarily depends upon questions of fact it will be seen that, in general, each case must turn upon the facts involved in that particular situation and could not be determined without giving careful consideration to all such relevant facts. However the firm in question presents the specific inquiry of whether it would cease to be a "broker or dealer who transacts a business in securities through the medium of any such member" if it ceased to handle any business in registered securities.

In this connection it is to be noted that the language involved does not refer to transacting a business in registered securities but refers to transacting a business in securities. Therefore, the Board feels that the mere failure to handle any business in registered securities would not, in itself, be sufficient to keep a person from being a broker or dealer who transacts a business in securities through the medium of such a member.

The Board has not seen fit to specify any conditions or factual situations which would prevent a person from being a broker or dealer who transacts a business in securities through the medium of a member; and for your confidential information it may be stated that, in general, it seems advisable for all doubts to be resolved in favor of the presumption that the broker or dealer does transact a business in securities through the medium of a member. In this connection it is understood

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that a number of firms who express doubt as to whether they actually "transact a business in securities through the medium of any such member" follow the provisions of Regulation T and thus avoid any question in the matter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,  
Secretary.