

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

September 2, 1937.

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Further reference is made to your letter of August 23, 1937, inclosing a copy of a letter from Mr. _____, Vice President of the _____ Bank, _____, _____, inquiring whether the provisions of Regulation U, as amended to September 1, 1937, are applicable to a loan made by a bank prior to the enactment of the Securities Exchange Act of 1934, for the purpose of purchasing or carrying a stock which subsequently became a stock registered on a national securities exchange. Mr. _____ asks whether the regulation should be regarded as not applicable in such a case because there were no stocks "registered on a national securities exchange" prior to 1934.

The regulation is applicable, with certain exceptions, to any loan initially made for the purpose of purchasing or carrying a stock "registered on a national securities exchange", and the phrase quoted has reference to the present status of the stock. Accordingly, a loan for the purpose of purchasing or carrying a particular stock is for the purpose of purchasing or carrying a registered stock if that particular stock is now registered, and this would be true even if the stock was not registered at the time the loan was originally made, as would be the case if the loan had been made prior to the enactment of the Securities Exchange Act of 1934.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.