

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve banks)

December 18, 1937.

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

Dear Mr. _____:

Reference is made to your letter of November 19 regarding the question whether a loan is subject to Regulation U if the loan was made to purchase a stock and the stock was registered on a national securities exchange at the time the loan was made but has since become unregistered.

As you point out in your letter, the ruling contained in the Board's letter (S-51, Reg. U-20) of September 2, 1937 and published at page 995 of the October, 1937 Federal Reserve Bulletin dealt with the converse situation in which a stock had become registered after the loan was made. That ruling stated that the question of whether or not the loan there in question was made for the purpose of purchasing or carrying a stock "registered on a national securities exchange" should be determined on the basis of the present status of the stock.

The Board agrees with your view that, at least under the existing regulation, the question now presented should also be determined on the basis of the present status of the stock and that, accordingly, in the circumstances described, the loan would not be subject to the regulation.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.