



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-61
Reg. T-66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 4, 1938.

Dear Sir:

There is attached a copy of a ruling which will be published in the Federal Reserve Bulletin regarding "Extensions of Time by Business Conduct Committees in Connection with Cash Transactions under Revised Regulation T". If you deem it advisable you may send copies of this ruling to any national securities exchanges in your district and advise them of the fact that it will appear in the Bulletin.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

Inclosure.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Extensions of Time by Business Conduct Committees
in Connection with Cash Transactions
Under Revised Regulation T

Section 4(c) of Regulation T, as revised effective January 1, 1938, provides for a special cash account, and the section contemplates that the usual purchase or sale in such an account will be settled in full by the customer not later than 7 days after the transaction. In connection with this time limit, however, certain exceptions are provided and the business conduct committees of national securities exchanges are authorized to extend the time in certain circumstances.

The Board recently considered a case in which a member of a national securities exchange who is domiciled in this country maintains for a customer who is domiciled abroad a special cash account that conforms to section 4(c) of the revised regulation. Securities sold "regular way" in this account are shipped by the customer to the member promptly after the sale. Due to the time required in transit, the average interval between the sale and the receipt of the securities by the member is greater than 7 days, but less than 15 days. Such sales and shipments are of frequent occurrence.

The inquiry indicated that the business conduct committee of the member's exchange was satisfied that the facts are such that under section 4(c) it would be justified in extending the time to 15 days separately for each such transaction if the member made a separate application in connection with each transaction. The member and the committee would, however, like to avoid

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the necessity for repeated separate applications and extensions on the occasion of each such transaction between the given member and customer.

The question presented was whether in the circumstances described the committee may, on the basis of a single application by the member, extend the period to 15 days for all transactions of the type described that the member may effect in the future for the customer named in the application. The Board expressed the opinion that section 4(c) permits such an extension of time, and that repeated individual applications and extensions in connection with such transactions between the member and the customer may thus be avoided.