



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-66
Reg. T-67

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 18, 1938

Dear Sir:

There is attached a copy of a ruling which will be published in the Federal Reserve Bulletin regarding "Guarantees of Accounts 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,

A handwritten signature in dark ink, appearing to read "L. P. Bethea", is written over a horizontal line.

L. P. Bethea,
Assistant Secretary.

Inclosure.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

S-66-a
Reg. T-67

Guarantees of Accounts Under
Revised Regulation T

The Board has recently considered several questions regarding the provisions of section 6(c) of revised Regulation T which relate to guaranteed accounts.

Section 6(c) provides that in order for a guarantee to be given effect pursuant to that provision a duplicate original of the guarantee must have been filed with the secretary of a national securities exchange of which the creditor is a member or through which his transactions are effected. In response to a question as to whether this requirement would be satisfied if the creditor filed the original guarantee with the secretary of an appropriate exchange and merely kept a facsimile for his own records, the Board expressed the opinion that such procedure would comply with the filing requirements of section 6(c).

The Board also stated that if a guarantee was outstanding under the old regulation the adjustments made for such a guarantee pursuant to the old regulation need not be carried over to the new regulation. In effect, all adjustments for guarantees under the old regulation may be considered as having been automatically eliminated so far as the new regulation is concerned, and transactions effected under the old regulation pursuant to such an old guarantee need no longer be reflected in the guarantor's account.

A guarantee may not be given effect under section 6(c) if the

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guarantor is a creditor. The term "creditor" as defined in section 2(b) of the regulation includes, among other persons, every member of a national securities exchange, and the term "member" as defined in section 3(a)(3) of the Securities Exchange Act of 1934 includes, among other persons, "any firm transacting a business as broker or dealer of which a member is a partner, and any partner of any such firm". Accordingly, a partner of a member firm is a creditor within the meaning of this provision regardless of whether or not he holds an exchange membership, and a guarantee executed by such a partner may not be given effect under section 6(c) of the regulation.