



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-68 367
Reg. T-69

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 19, 1938.

Dear Sir:

There is attached a copy of a ruling which will be published in the Federal Reserve Bulletin regarding "Debiting of Transfer Tax Incident to Reborrowing of Securities Sold Short Under 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

S-68 -a
Reg. T-69

Debiting of Transfer Tax Incident to
Reborrowing of Securities Sold
Short Under Regulation T

The first paragraph of section 6(g) of Regulation T, as revised effective January 1, 1958, provides:

"Interest on credit maintained in a general account, communication charges with respect to transactions in the account, shipping charges, premiums on securities borrowed in connection with short sales or to effect delivery, dividends or other distributions due on borrowed securities, and any service charges (other than commissions) which the creditor may impose, may be debited to the account in accordance with the usual practice and without regard to the other provisions of this regulation, but such items so debited shall be taken into consideration in calculating the net credit or net debit balance of the account."

The Board recently considered a case in which it was necessary for a broker to reborrow securities which had been sold short in a customer's account, and to pay the amount of the Federal stock transfer tax which is incident to such borrowing. The adjusted debit balance of the customer's account exceeded the maximum loan value of the securities in the account, and the question presented was whether in such circumstances the amount of this tax could be debited to the customer's account pursuant to section 6(g) without obtaining additional margin in the amount of the tax. The Board expressed the opinion that this would be permissible.