

S-78
Reg. T-71

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve banks)

March 14, 1938.

Mr. _____, Secretary,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letter of March 5, 1938, regarding the inquiry of the _____ Stock Exchange, as to the status under Regulation T of certain 3-1/2% trust receipts issued by the (A) Trust Company of _____, _____.

It is understood that the receipts were issued by the (A) Trust Company as a result of the failure of the (B) Trust Company of _____; that the face value of each receipt is backed by a like amount of the Town of _____, _____, 4% bonds, although the receipts are not guaranteed as to principal or interest by the Town of _____; and that the receipts are not registered on any national securities exchange.

In these circumstances, the Board agrees with your view that these receipts are neither registered securities nor exempted securities within the meaning of Regulation T and that, therefore, they would have no loan value in connection with a loan under the regulation for the purpose of purchasing or carrying securities.

As you mentioned, the securities could be given loan value by a bank in making a loan; and, of course, even a broker could lend on the receipts under section 4(f)(6) for any purpose other than purchasing or carrying or trading in securities, or could accept them under section 7(b) for his own protection without giving them loan value for the purposes of the regulation.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.