



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

S-125  
Reg. T-81

363

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 5, 1938.

Dear Sir:

There is attached a copy of a ruling which will be published in the Federal Reserve Bulletin regarding "Guarantee of Account by Special Partner of Member Firm".

It will be noted that the attached ruling is in the form of a statement for the press which, however, is not to be released until the time specified on the statement.

Very truly yours,

L. P. Bethea,  
Assistant Secretary.

Inclosure.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,  
Wednesday, November 9, 1938.

The following ruling will appear in the Federal Reserve Bulletin.

Guarantee of Account by Special Partner of Member Firm

Section 6(c) of Regulation T provides that a guarantee of a general account may not be given effect for the purposes of the regulation if the guarantor is a "creditor".

It was pointed out at page 90 of the February 1938 Federal Reserve Bulletin that the term "creditor" is defined in section 2(b) of the regulation to include, among others, every member of a national securities exchange, and the term "member" is defined in section 3(a)(3) of the Securities Exchange Act of 1934 to include, among others, "any firm transacting a business as broker or dealer of which a member is a partner, and any partner of any such firm." It was stated there, accordingly, that a partner of such a member firm is a creditor within the meaning of the provision regardless of whether or not he holds an exchange membership, and that a guarantee executed by such a partner may not be given effect under section 6(c) of the regulation.

In reply to a recent inquiry, the Board stated that this restriction applies to a guarantee executed by a special partner of such a firm as well as to a guarantee executed by a general partner.