



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

S-150  
Reg. T-85  
388

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 17, 1939.

Dear Sir:

There is attached a copy of a ruling which will be published in the Federal Reserve Bulletin regarding "Extension of Time by Committee of Exchange after Original Period Has Expired".

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,

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

L. P. Bethea,  
Assistant Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

STATEMENT FOR THE PRESS

For release in morning papers,  
Tuesday, March 21, 1939.

The following ruling will appear in the Federal Reserve Bulletin:

Extension of Time by Committee of Exchange after  
Original Period Has Expired.

Section 3(b) of Regulation T provides that when a customer effects certain transactions in a general account the creditor must obtain the deposit of certain cash or securities in the account, and must obtain such cash or securities before the expiration of three full business days following the date of the transaction. Section 3(e) provides that if such cash or securities are not obtained within the specified period, certain liquidations must be effected in the account during the period. Section 3(f) provides, however, as follows:

"Extensions of time.- In exceptional cases, the three-day period specified in section 3(b) may, on application of the creditor, be extended for one or more limited periods commensurate with the circumstances by any regularly constituted committee of a national securities exchange having jurisdiction over the business conduct of its members, of which exchange the creditor is a member or through which his transactions are effected, provided such committee is satisfied that the creditor is acting in good faith in making the application and that the circumstances are in fact exceptional and warrant such action."

Section 4(c) relating to the special cash account provides that, in general, if a customer does not make full

cash payment for a security purchased by him in the account within seven days after the date on which the security was purchased, the creditor shall promptly cancel or otherwise liquidate the transaction. Another paragraph of the section specifies different periods of time for certain special types of transactions, and the section then provides:

"If any regularly constituted committee of a national securities exchange having jurisdiction over the business conduct of its members, of which exchange the creditor is a member or through which his transactions are effected, is satisfied that the creditor is acting in good faith in making the application, that the application relates to a bona fide cash transaction, and that exceptional circumstances warrant such action, such committee, on application of the creditor, may (A) extend any period specified in the two preceding paragraphs for one or more limited periods commensurate with the circumstances, or (B) in the case of the purchase of a registered or exempted security which has been effected by the customer in the account, authorize the transfer of the transaction to a general account or special omnibus account and the completion of the transaction pursuant to the provisions of this regulation relating to such accounts."

The Board has recently been asked whether an application for such an extension of time pursuant to section 3(f), or for an extension of time or transfer of a transaction pursuant to section 4(c), may be approved by a business conduct committee after the expiration of the period originally applicable to the transaction.

It is the view of the Board that such an application may not be granted after such period has expired.

Thus an application for an extension of the three-day period applicable to a transaction in the general account could not be approved by the committee after midnight of the third full business day following the date of the transaction. Similarly, in the case of a transaction in the special cash account to which the standard seven-day period is applicable, an application for an extension of time or for a transfer of the transaction should be passed upon by the committee not later than midnight of the seventh calendar day after the date of the transaction. In case an extension of time has been granted for a particular transaction, any application for a further extension or for a transfer of the transaction should be received and acted upon before the expiration of the prior extension.

In order to facilitate its consideration of the applications, each business conduct committee may, of course, further limit the period following a transaction within which it will receive any such application.