

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve banks)

September 15, 1939.

Mr. _____, Vice President
_____,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

Reference is made to your letters of August 7, 1939 and August 31, 1939, regarding the question raised by _____ Company, _____, _____, as to whether it "transacts a business in securities through the medium of a member of a national securities exchange" within the meaning of Regulation T.

As indicated in the Board's letter (X-9880; Reg. T-54) of April 26, 1937, and the ruling which accompanied the Board's letter (S-123; Reg. T-80) of October 27, 1938, to which you refer, the question here presented necessarily must turn upon all the relevant facts involved in the particular case.

The facts presented by _____ Company, however, apparently raise for interpretation the question whether a broker or dealer would be prevented from being one who "transacts a business in securities through the medium of a member" if the business so transacted is not the major business of the firm, the business so transacted in this particular case being said by the firm to constitute approximately 10 per cent of its total business.

It is to be noted that the phrase does not require that a majority of the broker's business be transacted through the medium of a member, or that the business be "principally" or "chiefly" so conducted. The omission of any such requirement indicates an intention to exclude such questions of degree from present consideration and to narrow the problem down to the simple question whether "a business" in securities is so transacted. It seems clear that a firm could be transacting "a business" in securities through the medium of a member even though such business constituted no more than 10 per cent of the total securities business of the firm.

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Accordingly, it is the view of the Board in the present case that the facts presented do not exempt the firm from the application of the phrase in question, and hence do not exempt it from Regulation T.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.