

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

March 23, 1942

Mr. \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_,  
Federal Reserve Bank of \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_.

Dear Mr. \_\_\_\_\_:

Reference is made to your letter of March 12, 1942, regarding the question presented by Mr. \_\_\_\_\_, Counsel for the New York \_\_\_\_\_, regarding section 4(f)(4) of Regulation T.

Section 4(f)(4) provides that in a special miscellaneous account a member of a national securities exchange may "effect and finance, for any joint adventure in which the creditor participates, any transactions in any securities of an issue with respect to which all participants, or all participants other than the creditor, are registered and act on a national securities exchange as odd-lot dealer." Mr. \_\_\_\_\_ states that from time to time during the war they have cases in which a participant in such a joint account who is "registered and acts" as odd-lot dealer in the specified securities will enter the armed forces of the United States. This presents the question whether during the period of his service in such forces--when he necessarily is absent from the floor of the exchange--he can be said to be "acting" as an odd-lot dealer. If he is not considered to be so "acting", it will be necessary for the creditor to cease carrying the account or for the odd-lot dealer to discontinue his membership in the joint account and lose any income therefrom.

As you indicate, the question is not free from doubt. However, it is the view of the Board that if the odd-lot dealer has been acting as such for a reasonable period of time prior to his entry into the armed forces, his absence from the floor of the exchange while in such service may be considered to be due to extraordinary circumstances and, all things considered, he may still be considered to be "acting" as an odd-lot dealer within the meaning of section 4(f)(4).

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,  
Assistant Secretary.