

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

April 1, 1942

Mr. \_\_\_\_\_,  
\_\_\_\_\_  
\_\_\_\_\_  
Atlanta, Georgia.

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

Reference is made to your letter of March 11, 1942 regarding the question whether a member firm of the New York Stock Exchange may extend credit to a general partner of the firm for the purpose of enabling the partner to make a contribution of capital to the firm, and whether if such a loan is made it may be secured partly by securities that are not registered on any national securities exchange.

For your information there is enclosed a copy of Regulation T which relates to this subject, and you will find that section 4(f)(2) of the regulation on page 9 deals particularly with the point. It is the view of the Board that a loan of the kind described is permitted under section 4(f)(2)(B) with the approval of an appropriate committee of a national securities exchange, or is permitted under section 4(f)(2)(A) without the necessity for such approval. If the loan is made under either provision there is no requirement as to how the loan must be secured, or whether it must be secured at all, except that in the case of a loan under section 4(f)(2)(B) there must, of course, be compliance with any requirements imposed by the committee as a condition to its approval.

You will note from the inside cover page of the regulation that it is suggested that any inquiry relating to the regulation should be addressed to a national securities exchange of which the person making the inquiry is a member or, if this is not practicable, that it should be addressed to the Federal Reserve Bank of the district in which the inquiry arises. Accordingly, if you should have any further question with respect to the matter, it is suggested that you communicate with either the New York Stock Exchange or the Federal Reserve Bank of Atlanta.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,  
Assistant Secretary.