

(c)(1) DEFINITIONS; AGGREGATE INDEBTEDNESS (continued)

/26 Fines and Other Monetary Penalties Assessed by a Governmental Agency or Self-Regulatory Organization

A fine, an order to pay restitution or similar penalty imposed by a governmental agency or self-regulatory organization (“fine”), at a minimum, shall be treated as a contingent liability of the broker-dealer and included in the computation of aggregate indebtedness at the time such fine is imposed.

In addition, under Generally Accepted Accounting Principles (GAAP), broker-dealers have an ongoing obligation to assess the specific facts applicable to each pending or decided matter that may result or has resulted in the imposition of a fine and to make a determination as to whether an actual liability must be recorded in the financial statements.

In any event, once all available appeals or other remedies have been exhausted, the broker-dealer must record the full amount of the fine as a liability in its financial statements.

Note: This interpretation does not apply to adverse awards resulting from arbitration proceedings or adverse court judgments. See interpretations 15c3-1(c)(1)/14 (Adverse Award in an Arbitration Proceeding) and 15c3-1(c)(1)/16 (Court Judgment Rendered Against a Broker-Dealer) for the applicable Net Capital treatment in such instances.

(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

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(c)(2)(iv)(C) DEFINITIONS; NET CAPITAL: ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

/03 Receivables, Deductible Fees

The following receivables are deducted in computing net capital:

- Fees receivable from banks for federal funds placement;
- Tender fees receivable from offerors;
- Commercial paper fees receivable from issuers.

(SEC Staff to NYSE)

/04 Exchange Membership - Proceeds of Sale

The net proceeds receivable from the sale of an exchange seat are not deducted in computing net capital provided they will be received within 30 days of the date of sale.

(SEC Staff to NYSE)

/05 Investment Company Management Fees Receivable

If investment company management fees are payable on a quarterly basis, are billed within eleven business days after the close of the quarter and are not outstanding more than eleven business days thereafter such receivables would not be deducted from net worth when computing net capital.

(SEC Staff to NYSE) (No. 79-7, August 1979)

/06 Trade Date Commissions

Commissions receivable from customers on unsettled regular way transactions need not be deducted even if they are currently unsecured provided that appropriate liabilities such as registered representative's compensation and taxes have been accrued on the related income.

(SEC Staff to NYSE) (No. 77-2, June 1977)

/07 Intercompany Accounts With Guaranteed Subsidiaries – Rescinded (FINRA Regulatory Notice 13-44)

(c)(2)(iv)(C) DEFINITIONS; NET CAPITAL: ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

/074 Reduction of Intercompany Accounts Receivable

The SEC has barred a Chief Financial Officer of a broker-dealer for violations of SEA Rule 15c3-1 that involved reducing unsecured intercompany accounts receivables by clearing house checks received by the broker-dealer from its parent when the parent did not have sufficient cash or liquid assets to cover the presented checks. This violation involved a “seg-offset” banking arrangement which was improperly used.

The SEC staff has advised that it is a violation to increase regulatory net capital through the improper recognition of uncleared checks received from an affiliated entity and that it may be regarded as an intentional circumvention of the rule.

Also, see interpretations 15c3-3 (Exhibit A - Item 1) /24, /25 and /26.

(SEC Release No. 34-30444, March 4, 1992) (No. 92-8, June 1992)

/075 Treatment of an Unsecured Receivable Due From a Guaranteed Subsidiary

An unsecured receivable due from a guaranteed subsidiary shall be treated as a non-allowable asset.

(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

/08 Rebates or Interest Receivable Resulting From Securities Borrowed or Securities Loaned

Rebates or interest receivable in connection with securities borrowed or securities loaned from brokers or dealers need not be deducted from net worth when computing net capital provided the rebates or interest receivable are billed promptly and not aged over 30 days from the date they arise.

(SEC Staff to NYSE) (No. 81-9, December 1981)

(SEC Staff to NYSE) (No. 06-5, June 2006)

(c)(2)(iv)(C) DEFINITIONS; NET CAPITAL: ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

/15 Introduced Commissions/Fees Receivable

Commissions or fees receivable from a broker-dealer on introduced account activity need not be deducted from net worth for a period of 30 days from the month end accrual date provided they are billed promptly after the close of the month.

(SEC Letter to East/West Securities Co., March 27, 1989) (No. 89-9, July 1989)

/16 Federal Funds Sales & Swap Transactions

Federal Funds Sales - a broker-dealer may enter into loans of Federal funds without deducting the value of the transaction from net worth if:

1. The loan is with a depository institution;
2. The loan cannot exceed one business day, and
3. The Federal funds held by the broker-dealer resulted from the clearance of securities on the day the loan is made.

Federal Funds Swaps - A broker-dealer may engage in Federal funds swap transactions in which excess funds contained in their clearance account are swapped with registered broker-dealers or counterparties other than registered broker-dealers without deducting the value of the transaction from net worth if:

1. The swap does not exceed one business day, and
2. The broker-dealer must receive a certified check (in an amount equal to the swap) drawn on a bank as defined in Section 3(a)(6) of the Securities Exchange Act of 1934 simultaneously with the release of the funds.

(SEC Letters to Securities Industry Association, November 19, 1991)
(No. 92-7, May 1992) (No. 93-6, November 1993)

(c)(2)(iv)(C) DEFINITIONS; NET CAPITAL: ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

/17 Investment Advisory Fees

Investment advisory fees receivable from customers that have been earned and recorded as receivable but not yet deducted from the customer's account, may be treated as an allowable asset in computing net capital if all of the following conditions are met:

1. The broker-dealer has entered into a written agreement with each customer that permits the broker-dealer to deduct from the customer's securities account the full amount of the fees earned and accrued as receivable from such customer immediately upon the occurrence of either of the following events:
 - the termination of the advisory relationship or the initiation by the customer of a transfer of the account, whichever occurs first; or
 - the broker-dealer's filing for protection under applicable bankruptcy laws and/or the issuance of a protective decree under SIPA;
2. The broker-dealer has implemented controls to enable it to monitor and collect outstanding investment advisory fees due from a customer prior to the completion of any request to transfer the customer's account to another financial institution; including, where applicable, arranging for its carrying broker-dealer to provide notification of outgoing customer account transfer requests received by the carrying broker-dealer and to collect the outstanding fees from the customer's account;
3. The broker-dealer has procedures and controls reasonably designed to assure that the net liquid assets in the customer's account, equal or exceed the investment advisory fees earned and recorded as receivable by the broker-dealer from each such customer, but which have not yet been deducted from the customer's account; and
4. The fees are collected by the broker-dealer no later than six months from the date they are recorded as receivable.

(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

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(c)(2)(iv) DEFINITIONS; NET CAPITAL; ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

(D) INSURANCE CLAIMS

Insurance claims which, after seven (7) business days from the date the loss giving rise to the claim is discovered, are not covered by an opinion of outside counsel that the claim is valid and is covered by insurance policies presently in effect; insurance claims which after twenty (20) business days from the date the loss giving rise to the claim is discovered and which are accompanied by an opinion of outside counsel described above, have not been acknowledged in writing by the insurance carrier as due and payable; and insurance claims acknowledged in writing by the carrier as due and payable outstanding longer than twenty (20) business days from the date they are so acknowledged by the carrier; and,

/01 Insurance Claim Extensions

Extensions of time beyond the twenty day time frames specified in the Rule might possibly be granted by the SEC, but only on a case-by-case basis.

(SEC Staff to NYSE)

/02 Counsel's Opinion for Lost Certificates

Generally, there is no applicable charge for lost security certificates even though opinion of outside counsel has not been obtained provided the broker-dealer takes prompt steps for replacement of the loss. These steps should include placing a stop transfer order with the transfer agent, obtaining a replacement bond from an insurance company and transmitting it to the transfer agent, and whatever other steps would be necessary to expedite the replacement.

(SEC Staff to NYSE) (No. 77-2, June 1977)

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(c)(2)(iv) DEFINITIONS; NET CAPITAL: ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)(E) OTHER DEDUCTIONS

All other unsecured receivables; all assets doubtful of collection less any reserves established therefore; the amount by which the market value of securities failed to receive outstanding longer than thirty (30) calendar days exceeds the contract value of such fails to receive outstanding longer than thirty (30) calendar days, and the funds on deposit in a “segregated trust account” in accordance with 17 CFR 270.27d-1 under the Investment Company Act of 1940, but only to the extent that the amounts on deposit in such segregated trust account exceeds the amount of liability reserves established and maintained for refunds of charges required by Sections 27(d) and 27(f) of the Investment Company Act of 1940; provided, that any amount deposited in the “Special Reserve Bank Account for the Exclusive Benefits of Customers” established pursuant to 17 CFR 240.15c3-3 and clearing deposits shall not be so deducted.

/01 Fails to Receive Outstanding More Than 30 Calendar Days

The amount by which the market value of fails to receive outstanding longer than 30 calendar days exceeds the contract value is computed on a contract-by-contract basis.

(SEC Letter to Oppenheim, Appel, Dixon & Co., May 7, 1979)
(No. 79-10, December 1979)

/011 Syndicate Receivables

Syndicate profits receivable must be deducted (see SEA Rule 15c3-1(c)(2)(iv)(C)) unless the asset:

1. Adequately secures (see definition at SEA Rule 15c3-1(c)(5)) a fixed liability and are the sole recourse of the creditor for nonpayment of the liability, and
2. The loan agreement has been submitted to and found acceptable by the Exchange.

(SEC Staff to NYSE) (No. 88-14, August 1988)

(c)(2)(iv)(E) DEFINITIONS; NET CAPITAL; ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

/012 Emerging Markets Clearing Corporation (EMCC)

When computing net capital member firms of the Emerging Markets Clearing Corporation (EMCC) do not take deductions on open fails to receive outstanding longer than thirty calendar days and on open fails to deliver outstanding five business days or longer on Brady Bonds as defined by EMCC, if EMCC continues to:

1. guarantee settlement of all open fail positions; and
2. compute and collect daily net debit marks on all open fail positions.

(SEC Staff to NYSE) (No. 00-6, September 2000)

/02 Clearing Deposits Maintained With Broker-Dealers – Rescinded (No. 99-6, May 1999)

/021 Clearing Deposits of Introducing Brokers

An introducing broker may include its proprietary account assets and its clearing deposit held by its clearing broker as allowable assets in the computation of its net capital, provided that the introducing broker and the clearing broker adhere to the SEC No-Action letter on Proprietary Accounts of Introducing Brokers (PAIB) and its corresponding interpretations.

In addition, clearing deposits of introducing brokers must be maintained with a registered broker or dealer pursuant to a written clearing agreement and the clearing agreement must:

1. Permit the return of the deposit within 30 calendar days after cancellation of the agreement; and
2. State that the deposit does not represent an ownership interest in the clearing broker.

(c)(2)(iv)(E) DEFINITIONS; NET CAPITAL; ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

/021 Clearing Deposits of Introducing Brokers (continued)

The 30 calendar day period referred to above shall commence 5 business days after the date of the initial transfer of customer accounts and not on the date that notice of termination is given by either party to the clearing agreement. The amount of any clearing deposit held under the terms of the clearing agreement that is not returned to the introducing broker-dealer within 30 calendar days after the aforementioned 5 business day grace period, shall be treated as a non-allowable asset in the computation of the introducing broker-dealer's net capital commencing on the 31st calendar day after such grace period.

Note: If there is a monetary penalty against the introducing broker-dealer resulting from the voluntary termination of a clearing agreement, see interpretation 15c3-1(c)(2)(iv)(E)/0211.

(SEC Letter to NYSE and NASD, November 3, 1998) (No. 99-6, May, 1999)
(SEC Staff to NYSE) (No. 99-6, May 1999)
(FINRA Regulatory Notices 08-46 and 13-44)

/0211 Monetary Penalty Resulting From the Voluntary Termination of a Clearing Agreement

If a monetary penalty against an introducing broker-dealer results from its voluntary termination of a clearing agreement (termination penalty), the introducing broker-dealer must apply a net capital charge for the lesser of the amount of the termination penalty or the amount of its clearing deposit held by the clearing broker-dealer. The net capital charge must be applied on the date that the introducing broker-dealer provides notice of the termination to the clearing broker-dealer and continue until such date as the clearing broker-dealer returns the clearing deposit to the introducing broker-dealer.

The introducing broker-dealer must also make a determination, under generally accepted accounting principles, whether it must accrue a liability on its financial statements to reflect the effect of the voluntary termination of its clearing agreement. An introducing broker-dealer that accrues a liability for the full amount of the termination penalty may reduce the aforementioned net capital charge by the amount of such accrued liability. Introducing broker-dealers that use the basic method of computing their net capital requirements pursuant to SEA Rule 15c3-1 must also include the amount of any accrued liability in their computation of aggregate indebtedness.

(FINRA Regulatory Notices 08-46 and 13-44)

SEA Rule 15c3-1(c)(2)(iv)(E)/0211

(c)(2)(iv)(E) DEFINITIONS; NET CAPITAL; ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

/0212 Clearing Agreements Containing a Termination Penalty Clause

Due to the potential lien by the clearing broker-dealer on an introducing broker-dealer's clearing deposit while a termination penalty clause remains in effect, if such introducing broker-dealer becomes the subject of a protective decree issued pursuant to the Securities Investor Protection Act of 1970, the introducing broker-dealer must treat any clearing deposit assets held by its clearing broker-dealer, up to the amount of the termination penalty, as non-allowable in computing its net capital. To avoid such a deduction, the clearing agreement must contain the following clause:

In the event that [the Introducing Broker-Dealer] is the subject of the issuance of a protective decree pursuant to the Securities Investor Protection Act of 1970 (15 USC 78aaa-lll), [the Clearing Firm's] claim for payment of a termination fee under this Agreement shall be subordinate to claims of [the Introducing Broker's] customers that have been approved by the Trustee appointed by the Securities Investor Protection Corporation pursuant to the issuance of such protective decree.

Further, when the termination penalty exceeds the amount of the clearing deposit, absent inclusion of the foregoing clause in the clearing agreement, a broker-dealer must determine, in accordance with generally accepted accounting principles, if any additional expense should be recorded or liability accrued.

The foregoing clause is voluntary for clearing broker-dealers. However, in order for an introducing broker-dealer that is party to a clearing agreement that contains a termination penalty clause to treat its clearing deposit at the clearing broker-dealer as an allowable asset for net capital purposes, its clearing agreement must include such clause. The clearing broker-dealer may provide for the inclusion of such clause either through an amended clearing agreement or an addendum to an existing clearing agreement.

The clearing agreement must also include the provisions of interpretation 15c3-1(c)(2)(iv)(E)/021. See also interpretation 15c3-1(c)(2)(iv)(E)/0211 for the treatment of a monetary penalty resulting from the voluntary termination of a clearing agreement.

(FINRA Regulatory Notices 08-46 and 13-44)

(c)(2)(iv)(E) DEFINITIONS; NET CAPITAL; ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

/022 Introducing Firms with No Proprietary Trading Accounts

If an introducing firm does not have a proprietary trading account, it still must enter into a PAIB agreement with its clearing firm in order to treat its deposit at the clearing firm as a good asset for capital purposes.

(SEC Staff to NYSE) (No.99-6, May 1999)

/023 Introducing Firm's Net Equity

If a clearing firm will not enter into a PAIB Agreement, the introducing broker would need to take a non-allowable capital charge only on its net equity at the clearing firm.

(SEC Staff to NYSE) (No. 99-6, May 1999)

/024 Proprietary Accounts of Other Broker-Dealers

The PAIB letter applies to all broker-dealers with cash and/or securities, including exempt securities, on deposit in a proprietary account at another broker-dealer.

(SEC Staff to NYSE) (No. 99-6, May 1999)

(SEC Staff to NYSE) (No. 00-6, September 2000)

/025 U.S. Broker-Dealer's Deposit at Foreign Entity

A U.S. broker-dealer's deposit held by a foreign entity is not affected by the PAIB letter. However, the deposit would be subject to the net capital treatment as is normally accorded to such deposits.

(SEC Staff to NYSE) (No. 99-6, May 1999)

/026 DVP/RVP Accounts

Deliver-versus-payment (DVP) and Receive-versus-payment (RVP) accounts of broker-dealers need not be contemplated in the PAIB Reserve Formula calculation.

(SEC Staff to NYSE) (No. 00-6, September 2000)

(c)(2)(iv)(F)(3)(ii) DEFINITIONS; NET CAPITAL; ASSETS NOT READILY CONVERTIBLE INTO CASH (continued)

/02 Accrued Coupon Interest

Accrued coupon interest on reverse repurchase and repurchase securities can be added to the market values in determining the deficit charges and additional capital requirements if applicable.

(SEC to NYSE, July, 1992) (No. 92-12, December 1992)

/03 Buy-Sell Transactions

Buy-sell (sell-buy) transactions are to be considered as reverse repurchase and repurchase positions and all charges for reverse repurchase and repurchase positions under paragraph (c)(2)(iv)(F) shall apply. All open buy-sell balances must be recorded to the broker-dealer's books and records as required by SEA Rules 17a-3 and 17a-4. A broker-dealer entering into a sell-buy (repurchase) hold in custody transaction must obtain a written agreement from the counterparty of the transaction as required by SEA Rule 15c3-3(b)(4).

(SEC Staff to NYSE) (No. 96-4, November 1996)

/04 Repurchase Transactions to Maturity – Rescinded (FINRA Regulatory Notice 13-44)

/05 GSCC's Netting System and Repo and Reserve Repo Deficits

GSCC Netting Members need not deduct from their net worth repo and reverse repo deficits, outstanding one business day or less, arising from repo and reserve repo agreements that are netted and guaranteed by GSCC as part of GSCC's netting system.

(SEC Letter to GSCC, April 1998) (No. 98-9, July 1998)

(c)(2)(vi) DEFINITIONS; NET CAPITAL; SECURITIES HAIRCUTS (continued)/061 Intercompany Securities Holding – Redeemable Debt Instruments (continued)

Proprietary positions in asset-backed securities and trust assets issued by a parent or an affiliated entity are not subject to the provisions of this interpretation and should be treated in accordance with the marketability requirements of SEA Rule 15c3-1 for net capital purposes.

Proprietary positions in common stock, preferred stock and convertible bonds issued by a parent or an affiliated entity do not fall within the provisions of this interpretation and should be treated as non-marketable securities for net capital purposes.

(SEC Letter to White & Case, April 14, 1989) (No. 89-9, July 1989)

(SEC Staff to NYSE) (No. 05-2, January 2005)

(SEC Staff to NYSE) (No. 05-8, April 2005)

/07 Foreign Securities

See interpretations 15c3-1(c)(2)(vii)/08 and /09 for marketability of certain foreign and domestic debt, banker's acceptances and money market instruments.

/08 Haircut Deduction on a Foreign Currency Balance

A foreign currency balance shall be treated as “inventory” and subject to the applicable haircut deduction to cover any currency risk that has not been eliminated by an offsetting balance, security position, futures contract or contractual commitment in the same foreign currency.

The haircut deduction applicable on a foreign currency balance is as follow:

A 6% haircut deduction shall be applied on the US dollar equivalent amount of a foreign currency net debit or credit balance in any of the five major foreign currencies (Euro, British pound, Swiss franc, Canadian dollar and Japanese yen).

A 20% haircut deduction shall be applied on the US dollar equivalent amount of a foreign currency net debit or credit balance in all other foreign currencies.

(SEC Staff to NYSE) (No. 90-11, December 1990)

(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

(c)(2)(vi) DEFINITIONS; NET CAPITAL; SECURITIES HAIRCUTS (continued)/09 Haircut Deductions on Inventory Positions Denominated in a Foreign Currency

An additional currency risk haircut deduction of 6% must be applied on inventory positions denominated in any of the five major foreign currencies (Euro, British pound, Swiss franc, Canadian dollar and Japanese yen). An additional currency risk haircut deduction of 20% must be applied on inventory positions denominated in all other foreign currencies.

In determining the additional currency risk haircut deductions to be applied, inventory positions denominated in a foreign currency may be offset by a balance, security position, futures contract or contractual commitment in the same foreign currency.

However, no offsetting is permitted for purposes of computing the currency risk haircut deductions required hereunder on any inventory positions denominated in a foreign currency that receive hedging treatment under paragraph (c)(2)(vi)(A) or (c)(2)(vi)(F) of SEA Rule 15c3-1.

Note: The above currency risk haircut deductions are additive to any haircut deductions applicable to the underlying inventory positions denominated in a foreign currency, as provided in paragraph (c)(2)(vi) of SEA Rule 15c3-1.

(SEC Staff to NYSE) (No.92-12, December 1992)
(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

/10 Securities Deposited by U.S. Subsidiaries with Foreign Parent

Securities deposited with a foreign parent company are deemed "not readily convertible to cash" and subject to a 100% deduction from net worth.

A broker-dealer who is a subsidiary of a foreign broker-dealer parent and deposits securities with its parent, may allow net capital value for those securities under the following conditions.

1. The proprietary securities must be registered in the subsidiary's name;
2. The proprietary securities must be physically segregated in the foreign parent's vault abroad;
3. The foreign parent must submit a letter to the subsidiary which is provided to its Designated Examining Authority which will assure that such proprietary securities will not be subject to any encumbrances or liens by the foreign parent;

SEA Rule 15c3-1(c)(2)(vi)/10

(c)(2)(vi) DEFINITIONS; NET CAPITAL; SECURITIES HAIRCUTS (continued)/10 Securities Deposited by U.S. Subsidiaries with Foreign Parent (continued)

4. Each firm will provide a letter to its Designated Examining Authority from the subsidiary's fidelity bond company which verifies that coverage extends to the proprietary securities in the custody of the foreign parent, or the foreign parent's insurance/bonding company submits a letter which provides equivalent coverage;
5. The amount of the subsidiary's proprietary securities in the custody of the foreign parent does not exceed the subsidiary's tentative net capital for more than three (3) consecutive business days;
6. The subsidiary must be treated by the parent the same as any other customer of the foreign parent for such purposes as bankruptcy of the parent under the laws of the foreign parents country;
7. In complying with SEA Rule 17a-5, the subsidiary's deposited proprietary securities must be inspected quarterly by parent company employees and the results of those inspections must be reported within 15 days of completion of the inspections to the independent public accountant for the parent for review.
8. The foreign parent must remain in compliance with the foreign regulatory net capital provisions; and
9. The independent public accountant for the subsidiary considers items 1, 2, 5 and 7 above, in connection with the supplemental schedule on net capital requirement by SEA Rule 17a-5(d).

(SEC Letter to NYSE, July 30, 1986) (No. 86-9, August 1986)
 (SEC Staff to NYSE) (No. 93-6, November 1993)

/101 Securities Deposited by U.S. Subsidiaries with Foreign Parent for Two Business Days or Less

Proprietary securities on deposit at a foreign parent of a U.S. broker-dealer subsidiary that results from clearance activities and that represents assets utilized for regulatory capital of the subsidiary broker dealer would not be subject to the provisions of interpretation 15c3-1(c)(2)(vi)/10 (Securities Deposited by U.S. Subsidiaries with Foreign Parent), if maintained at the foreign parent for two business days or less. A daily determination of the aging of the securities needs to be recorded by the U.S. broker-dealer subsidiary to avail themselves of the two-day relief period.

(SEC Staff to NYSE) (No. 98-5, May 1998)

/11 Removed (No. 97-5, September 1997)

SEA Rule 15c3-1(c)(2)(vi)/11

(c)(2)(vi)(D) DEFINITIONS; NET CAPITAL: SECURITIES HAIRCUTS (continued)

/03 Redeemable Securities of an Investment Company Registered Under the Investment Company Act of 1940

If the prospectus issued by an investment company registered under the Investment Company Act of 1940 indicates that the investment company may invest in, or its assets may consist of securities or money market instruments that are not specified in paragraphs (D)(2) and (D)(3) of this Rule, the haircut deduction to be applied shall be 15% of the market value of the greater of the long or short positions held by the broker-dealer in such redeemable securities.

(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

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(c)(2)(vi)(N) DEFINITIONS; NET CAPITAL; SECURITIES HAIRCUTS (continued)

/02 Servicing Family Accounts

A specialist member organization who services the customer accounts of members of its partners' (or stockholders') families shall not remain subject to this paragraph.

(SEC Staff to NYSE)

/021 Servicing Partners Accounts

A specialist member organization who services the individual accounts of its partners' or stockholders' shall not remain subject to this paragraph.

(SEC Staff to NYSE) (No. 89-6, June 1989)

/03 Joint Trading and Investment Account

A specialist in stocks may carry a joint specialist trading and investment account in which he participates and remain subject to this paragraph.

(SEC Staff to NYSE)

/04 Exchange Specialist Trading in Futures

A specialist under this paragraph may trade in commodity futures.

(ASE Circular No. 78-72, October 26, 1978)
(SEC Staff to NYSE) (No. 83-5, November 1983)

/05 Exchange Specialist Trading in Options

An exchange specialist trading in listed options transactions that are directly related to the specialist activities, shall remain subject to this paragraph.

(SEC Staff to NYSE) (No. 83-5, November 1983)

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(c)(2) DEFINITIONS; NET CAPITAL (continued)

(vii) NON-MARKETABLE SECURITIES

Deducting 100 percent of the carrying value in the case of securities or evidence of indebtedness in the proprietary or other accounts of the broker or dealer, for which there is no ready market, as defined in subparagraph (c)(11) of this section, and securities, in the proprietary or other accounts of the broker or dealer, which cannot be publicly offered or sold because of statutory, regulatory or contractual arrangements or other restrictions. (Also, see interpretation 15c3-1(c)(2)(vii)/08 Marketability of Certain Foreign and Domestic Securities.)

/001 FOCUS Reporting of Non-Marketable Inventory Positions

An inventory long position that is determined to be non-marketable and subject to a 100% deduction under the requirements of SEA Rule 15c3-1 should be reported as a non-allowable asset on line 610 (Securities owned not readily marketable) in the Statement of Financial Condition section of the FOCUS Report.

The amount of the deduction for an inventory short position that is determined to be non-marketable and which is subject to a 40% deduction under the requirements of interpretation 15c3-1(c)(2)(vii)/05 should be reported on line 3736 (Haircuts on securities – Other) in the Computation of Net Capital section of the FOCUS Report.

(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

SEA Rule 15c3-1(c)(2)(vii)/001

(c)(2)(vii) DEFINITIONS; NET CAPITAL; NON-MARKETABLE SECURITIES (continued)/01 Marketplace Blockage

When it can be established that the marketplace can absorb only a limited number of shares of a security for which a ready market seemingly exists, the non-marketable portion of that position is subject to a 100% deduction (and treated as a non-allowable asset).

(SEC Staff to NYSE and NASD) (No. 96-4, November 1996)

For shares of common stock or preferred stock not covered by paragraph (c)(2)(vi)(H) of SEA Rule 15c3-1 (highly rated preferred stock), the Division will raise no question nor recommend any action to the Commission if a broker-dealer, when faced with a blockage in securities, treats as readily marketable securities that portion of the block which equals the aggregate of the most recent four-week, inter-dealer trading volume. The number of shares exceeding the aggregate of the most recent four-week inter-dealer trading volume should be considered non-marketable and subject to a 100% deduction (and treated as a non-allowable asset) unless the broker-dealer demonstrates to the satisfaction of its Designated Examining Authority that a ready market exists for these shares.

Those securities purchased by the computing broker-dealer during the most recent four-week period shall be excluded from the determination of trading volume.

(SEC Letter to NYSE, October 5, 1987) (No. 87-11, December 1987)

Subsequent sale of securities deemed non-marketable due to marketplace blockage will be considered as demonstration that a ready market exists, provided the sale takes place within a reasonable period of time after the net capital computation date. The reasonable period of time will be determined on a case-by-case basis, but will generally be within about 5 business days.

(SEC Staff to NYSE) (No. 90-11, December 1990)

(a)(3) NET CAPITAL (continued)

(ix) In the case of all inventory, fixed price commitments and forward contracts, except for inventory and forward contracts in the inter-bank market in those foreign currencies which are purchased or sold for future delivery on or subject to the rules of a contract market and covered by an open futures contract for which there will be no charge, deduct the applicable percentage of the net position specified below:

(A) Inventory which is currently registered as deliverable on a contract market and covered by an open futures contract or by a commodity option on a physical. No Charge

(B) Inventory which is covered by an open futures contract or commodity option. 5% of the market value

/01 Removed (No. 97-5, September 1997)

(C) Inventory which is not covered. 20% of the market value

/01 Haircut Deduction on a Foreign Currency Balance

A foreign currency balance shall be treated as “inventory” and subject to the applicable haircut deduction to cover any currency risk that has not been eliminated by an offsetting balance, security position, futures contract or contractual commitment in the same foreign currency.

The haircut deduction applicable on a foreign currency balance is as follow:

A 6% haircut deduction shall be applied on the US dollar equivalent amount of a foreign currency net debit or credit balance in any of the five major foreign currencies (Euro, British pound, Swiss franc, Canadian dollar and Japanese yen).

A 20% haircut deduction shall be applied on the US dollar equivalent amount of a foreign currency net debit or credit balance in all other foreign currencies.

(SEC Staff to NYSE) (No. 90-11, December 1990)
(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

(a)(3)(ix) NET CAPITAL (continued)

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| (D) Fixed price commitments (open purchases and sales) and forward contracts which are covered by an open futures contract or commodity option. | 10% of the market value |
| (E) Fixed price commitments (open purchases and sales) and forward contracts which are not covered by an open futures contract or commodity option. | 20% of the market value |

/01 Forward Contracts in Foreign Currency

Forward contracts in any of the five major foreign currencies (Euro, British pound, Swiss franc, Canadian dollar and Japanese yen), which are hedged by options shall be subject to the treatment prescribed in Appendix A.

When the currency risk exposure on forward contracts in all other foreign currencies has not been limited by an offsetting contractual commitment or an actual liability in the same foreign currency, such forward contracts shall be subject to a 20% haircut deduction, the applicable haircut for the underlying currency.

(SEC Letter to Philadelphia Stock Exchange, Inc., February 14, 1986)
(SEC Staff to NYSE) (No. 90-11, December 1990) (No. 97-5, September 1997)
(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

(a)(2)(iii) CERTAIN DEFINITIONS (continued)/021 Undue Concentration - Allocation to SDN

Absent specific agreement to the contrary an undue concentration charge may be applied first against secured demand note collateral but only to the extent it is related to the value of the concentrated issue included in the secured demand note collateral (i.e. - under the Basic A. I. Method - concentrated security value x haircut percentage x 150% = total charges including undue concentration charges).

Example:

Secured Demand Note Principal Amount	\$25,000	
SDN Collateral 1,000 XYZ @ 50 =		\$ 50,000
Trading account 2,000 XYZ @ 50 =		<u>100,000</u>
		\$150,000
Tentative net capital \$900,000 x 10%		<u>90,000</u>
Subject to undue concentration charge		<u>\$ 60,000</u>

Charges applied:

SDN collateral (\$50,000 x .3 x 1.5) = \$ 22,500*

Trading account (\$100,000 x .15) + (\$10,000 x .15) = \$ 16,500

*Note that secured demand note is adequately collateralized.

All securities in example are subject to haircuts pursuant to paragraph (c)(2)(vi)(J).

This treatment is appropriate even though the SDN collateral agreement does not specifically provide for it. However, in the absence of such a provision, application of charges would be limited to the amount of excess collateral which could absorb the charge.

(SEC Staff to NYSE) (No. 77-44, December 1977)

SEA Rule 15c3-1d(a)(2)(iii)/021

(a)(2)(iii) CERTAIN DEFINITIONS (continued)

/03 Foreign Currency – Rescinded (FINRA Regulatory Notice 13-44)

/031 Haircut Deduction on Foreign Currency Contributed as Collateral to a Secured Demand Note

Foreign currency contributed as collateral to a Secured Demand Note is subject to a haircut deduction of 6% if it is in any of the five major foreign currencies (Euro, British pound, Swiss franc, Canadian dollar and Japanese yen). All other foreign currencies contributed as collateral to a Secured Demand Note are subject to a haircut deduction of 20%.

(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

/04 Restricted Stock

Restricted stock, even though marginable under NYSE Rule 431, is not good collateral for a secured demand note.

(SEC Staff to NYSE) (No. 90-4, June 1990)

(NEXT PAGE IS 1311)

RESERVE FORMULA (EXHIBIT A - ITEM 4); CUSTOMER FAILS TO RECEIVE (continued)/04 Continuous Net Settlement Balances (CNS) – Fails to Receive

When computing the reserve formula calculations, broker-dealers must adjust any net credit balance payable to CNS to reflect the gross credit amounts representing the short market value of fails to receive and the gross debit amounts representing the long market value of fails to deliver.

The gross market value of fails to receive shall be included as a credit item in the reserve formula computation in accordance with the requirements of Rule 15c3-3(Exhibit A - Item 4). The gross market value of fails to deliver shall be included as a debit item in the reserve formula computation in accordance with the requirements of Rule 15c3-3(Exhibit A - Item 12).

(SEC Letter to Dupont, Glore Forgan, Inc., Feb. 27, 1973)
(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

/05 Fail to Receive of Government Securities, Commercial Paper, Bankers Acceptances and Certificates of Deposit

Broker-dealers computing net capital under the alternative method shall exclude amounts payable for government securities, commercial paper, bankers acceptances and certificates of deposit not yet received from the issuer or its agent and any related debit items for three business days, as specified at subparagraph (f)(5)(iii) of SEA Rule 15c3-1.

(SEC Staff to NYSE)

RESERVE FORMULA (EXHIBIT A - ITEM 4); CUSTOMER FAILS TO RECEIVE (continued)/06 Fail to Receive Allocation Method

When it is impractical or unduly burdensome to determine which fails to receive relate to customers' accounts or transactions an appropriate allocation may be made on a conservative basis to accomplish maximum protection for customers.

Sample Allocation:

- A determination shall be made of the total contract value of all fails to receive and liquidating deficits on fails to receive outstanding more than 30 calendar days;
- Such amount shall be reduced by the contract value of fails to receive not allocable to customers, including the liquidating deficits on fails to receive outstanding more than 30 calendar days not allocable to customers (see Item 4 /07); and
- The remaining amount shall be included in the formula.

(SEC Release 34-9922, January 2, 1973)

/07 Fail to Receive Not Allocable to Customers

Fails to receive and liquidating deficits on fails to receive outstanding more than 30 calendar days allocable to the accounts shown below are not allocable to customers and shall not be included in the formula. All other accounts are deemed customers.

- F/R vs. Non-Customer Accounts
- F/R vs. Proprietary Accounts
- F/R vs. Fail to Deliver or Securities Borrowed of the same quantity and issue when net capital is computed under the alternative method provided debits for fail to deliver and securities borrowed are also excluded from the formula and 1% of such debit values are deducted in the alternative net capital computation. Otherwise the fail to receive value shall be included in the formula.

RESERVE FORMULA (EXHIBIT A - ITEM 4); CUSTOMER FAILS TO RECEIVE (continued)/08 Reduction of Money Market Funds Payables by Amounts Receivable from Money Market Funds

Money Market fund payables resulting from customer purchases are includable in the Reserve Formula; however, the payables can be reduced by certain receivables from the same or different funds. See interpretation 15c3-3(Exhibit A - Item 10)/08.

(SEC Staff to NYSE) (No. 92-13, December 1992)

/081 Netting of Money Market Fund Payables by Amounts Receivable from Money Market Funds

Money market fund payables resulting from customer purchases can be reduced by certain receivables from the same or different money market funds. A broker-dealer can net receivables and payables between the same family of money market funds, but cannot net receivables and payables between unrelated families of money market funds.

(SEC Staff to NYSE) (No. 02-7, August 2002)

RESERVE FORMULA (EXHIBIT A - ITEM 5); CREDIT IN FIRM ACCOUNTS/01 Credit in Firm Accounts - Amount to be Included

Include in the formula the market value of uncovered or partially covered short sales which are attributable to principal sales to customers.

(SEC Letter to NASD, July 16, 1974)

/02 Proprietary vs. Customer Allocation

When a broker-dealer uses an allocation method to determine proprietary vs. customer securities, include in the formula the short market value of proprietary securities which allocate to customer longs.

(SIA Transcript SEA Rule 15c3-3)

(NEXT PAGE IS 2701)

RESERVE FORMULA (EXHIBIT A - ITEM 11); SECURITIES BORROWED FOR CUSTOMER TRANSACTIONS (continued)

/04 Banks and Institutions are Customers

Banks and financial institutions, other than broker-dealers, are defined as customers for purposes of SEA Rule 15c3-3. However if securities are borrowed from them and the appropriate securities borrowed agreements are on file which includes the language contained in SEA Rule 15c3-3(b)(3)(i), (ii), (iii) and (iv), then the securities positions should be allocated as securities borrowed. If the appropriate securities borrowed agreements are not on file or the agreements lack the needed language the securities should be allocated as customers' fully paid securities with no debit included in the formula.

(SEC Staff to NYSE) (No. 78-1, May 1978)

/041 Federal Reserve Bank as a Non-Customer

The Federal Reserve Bank is a non-customer when a broker-dealer borrows U.S. Government securities from it for the purpose of eliminating fails to deliver of such securities.

(SEC Staff to NYSE) (No. 78-1, May 1978)

(NEXT PAGE IS 2750)

RESERVE FORMULA (EXHIBIT A - ITEM 12); FAIL TO DELIVER OF CUSTOMER SECURITIES

/01 Fail to Deliver of Customer Securities

Include the contract value of securities failed to deliver not more than 30 calendar days old which are directly attributable to customers' accounts or transactions.

See (Exhibit A – General)/03 and (Exhibit A - Item 12)/07 when an allocation method is required to determine which fail to deliver contracts relate to customers.

/011 Fail to Deliver of Customer Securities - Aged Items

Include the contract value of specific fail to deliver securities shown below not more than 120 calendar days old (reduced by the applicable haircut percentage, adjusted for mark to market, computed in accordance with subparagraph (c)(2)(ix) of SEA Rule 15c3-1, the net capital rule) which are directly attributable to fail to receive contract values includible at Item 4 of the formula relative to the following securities:

- Municipal securities or securities issued or guaranteed by the United States or any of its agencies; or
- A “so-called” zero or stripped bond relating to one of those securities.

See (Exhibit A – General)/03 and (Exhibit A - Item 12)/071 when an allocation method is required to determine which fail to deliver contracts relate to customers.

(SEC Letter to NYSE, August 12, 1988) (No. 88-18, October 1988)

/012 Repriced Contracts Under NSCC's RECAPS Program

Broker-dealers participating in the National Securities Clearing Corporation's Reconfirmation and Pricing Service (RECAPS) Program may treat the RECAPS's settlement date as the date of the fail for aging purposes and treat the RECAPS's price of the contract as the reportable contract value rather than the original price of the trade.

(SEC Letter to NSCC, December 22, 1987)

RESERVE FORMULA (EXHIBIT A - ITEM 12); FAIL TO DELIVER OF CUSTOMER SECURITIES (continued)

/02 Drafts Receivable on Fails to Deliver

Report as Fail to Deliver the debit balance contained in a related draft receivable account when the fail to deliver has been eliminated, and immediate credit has not been received on shipments with draft attached to other broker-dealers.

/03 Continuous Net Settlement Balances (CNS) – Fails to Deliver

When computing the reserve formula calculations, broker-dealers must adjust any net debit balance receivable from CNS to reflect the gross debit amounts representing the long market value of fails to deliver and the gross credit amounts representing the short market value of fails to receive.

The gross market value of fails to deliver shall be included as a debit item in the reserve formula computation in accordance with the requirements of Rule 15c3-3(Exhibit A - Item 12). The gross market value of fails to receive shall be included as a credit item in the reserve formula computation in accordance with the requirements of Rule 15c3-3(Exhibit A - Item 4).

(SEC letter to Dupont, Glore Forgan, Inc., February 27, 1973)
(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

RESERVE FORMULA (EXHIBIT A - ITEM 12); FAIL TO DELIVER OF CUSTOMER SECURITIES (continued)

/04 Fail to Deliver Securities in Transfer

When a fail to deliver exists due to securities not in good deliverable form being sent to transfer after the sales proceeds is paid to the customer, it may be included in the formula, provided:

- It is not more than 30 calendar days old; and
- The appropriate and necessary papers have been obtained and attached to such securities in transfer.

(SEC to Midwest Stock Exchange Inc., May 25, 1977) (No. 78-1, May 1978)

/05 Free Shipments of Mutual Funds

Free shipments of mutual funds which give rise to an unsecured receivable may be included in the formula as fail to deliver for not more than seven business days from the date of shipment.

(SEC Staff to NYSE)

/06 Free Shipments to Broker-Dealers

Free shipments to broker-dealers to satisfy a customer related fail which gives rise to an unsecured receivable shall not be included in the formula as a debit item.

(SEC Letter to NASD, July 16, 1974)

(a)(2)(i) FILING OF MONTHLY AND QUARTERLY REPORTS (continued)/03 Retroactive Application of Changes in Accounting Principles

Broker-dealers that are required to adopt a new accounting principle on a retroactive basis need not restate or re-file their previously filed FOCUS Reports or recalculate net capital or other computations that were previously filed or calculated, as long as such FOCUS Reports and net capital or other computations were prepared in accordance with generally accepted accounting principles and SEA Rules in effect at the time they were originally prepared and/or filed.

Note: Any adjustments to retained earnings caused by a new accounting principle that is applied on a retroactive basis should be reported on either line 4260 (Additions) or 4270 (Deductions) in the Statement of Changes in Ownership Equity of the FOCUS Report during the period that the adjustment is comprehended by the broker-dealer. Such adjustments should no longer be included in line 4225 (Cumulative effect of changes in accounting principles) under the Statement of Income (Loss).

(SEC Staff to FINRA) (FINRA Regulatory Notice 13-44)

(a)(2) FILING OF MONTHLY AND QUARTERLY REPORTS (continued)

(ii) Every broker or dealer subject to this paragraph (a) who clears transactions or carries customer accounts shall file Part II of Form X-17A-5 within 17 business days after the end of the calendar quarter and within 17 business days after the date selected for the annual audit of financial statements where said date is other than a calendar quarter. Certain of such brokers or dealers shall file Part IIA in lieu thereof if the nature of their business is limited as described in the instructions to Part II of Form X-17A-5.

/01 NYSE FOCUS Filing Due Dates

The NYSE requires their member and member organizations, who have chosen to file their FOCUS Part II as of a date other than the last calendar day of a month or quarter, to file their FOCUS Report 17 business days from their month-end closing date.

(NYSE Information Memo 99-22, May 1999) (No. 99-9, August 1999)

(iii) Every broker or dealer who does not clear transactions nor carry customer accounts shall file Part IIA of Form X-17A-5 within 17 business days after the end of each calendar quarter and within 17 business days after the date selected for the annual audit of financial statements where said date is other than the end of the calendar quarter.

/01 NYSE FOCUS Filing Due Dates

The NYSE requires their member and member organizations, who have chosen to file their FOCUS Part IIA as of a date other than the last calendar day of a month or quarter, to file their FOCUS Report 17 business days from their month-end closing date.

(NYSE Information Memo 99-22, May 1999) (No. 99-9, August 1999)

(iv) Upon receiving written notice from the Commission or the examining authority designated pursuant to Section 17(d) of the Act, a broker or dealer who receives such notice shall file monthly or at such times as shall be specified, Part II or Part IIA of Form X-17A-5 and such other financial or operational information as shall be required by the Commission or the designated examining authority.

(a) FILING OF MONTHLY AND QUARTERLY REPORTS (continued)

(3) The reports provided for in this paragraph (a) shall be considered filed when received at the Commission's principal office in Washington, D.C. and the regional office of the Commission for the region in which the broker or dealer has its principal place of business. All reports filed pursuant to this paragraph (a) shall be deemed to be confidential.

(4) The provisions of subparagraphs (2) and (3) of paragraph (a) shall not apply to a member of a national securities exchange or a registered national securities association if said exchange or association maintains records containing the information required by Part I, Part II or Part IIA of Form X-17A-5 as to such member, and transmits to the Commission a copy of the applicable parts of Form X-17A-5 as to such member, pursuant to a plan, procedures and provisions of which have been submitted to and declared effective by the Commission. Any such plan filed by a national securities exchange or a registered national securities association may provide that when a member is also a member of one or more national securities exchanges, or of one or more national securities exchanges and a registered national securities association, the information required to be submitted with respect to any such member may be submitted by only one specified national securities exchange or registered national securities association. For the purposes of this rule, a plan filed with the Commission by a national securities exchange or a registered national securities association shall not become effective unless the Commission, having due regard for the fulfillment of the Commission's duties and responsibilities under the provisions of the Act, declares the plan to be effective. Further, the Commission, in declaring any such plan effective, may impose such terms and conditions relating to the provisions of the plan and the period of its effectiveness as may be deemed necessary or appropriate in the public interest, for the protection of investors, or to carry out the Commission's duties and responsibilities under the Act.

(5) Each broker or dealer that computes certain of its capital charges in accordance with § 240.15c3-1e must file the following additional reports:

(i) Within 17 business days after the end of each month that is not a quarter, as of month-end:

(A) For each product for which the broker or dealer calculates a deduction for market risk other than in accordance with § 240.15c3-1e(b)(1) or (b)(3), the product category and the amount of the deduction for market risk;

(B) A graph reflecting, for each business line, the daily intra-month VaR;

(C) The aggregate value at risk for the broker or dealer;

(D) For each product for which the broker or dealer uses scenario analysis, the product category and the deduction for market risk;

SEA Rule 17a-5(a)(5)(i)(D)

(a)(5)(i) FILING OF MONTHLY AND QUARTERLY REPORTS (continued)

- (E) Credit risk information on derivatives exposures, including:
- (1) Overall current exposure;
 - (2) Current exposure (including commitments) listed by counterparty for the 15 largest exposures;
 - (3) The 10 largest commitments listed by counterparty;
 - (4) The broker or dealer's maximum potential exposure listed by counterparty for the 15 largest exposures;
 - (5) The broker or dealer's aggregate maximum potential exposure;
 - (6) A summary report reflecting the broker or dealer's current and maximum potential exposures by credit rating category; and
 - (7) A summary report reflecting the broker or dealer's current exposure for each of the top ten countries to which the broker or dealer is exposed (by residence of the main operating group of the counterparty); and
- (F) Regular risk reports supplied to the broker's or dealer's senior management in the format described in the application; and
- (ii) Within 17 business days after the end of each quarter:
 - (A) Each of the reports required to be filed in paragraph (a)(5)(i) of this section;
 - (B) A report identifying the number of business days for which the actual daily net trading loss exceeded the corresponding daily VaR; and
 - (C) The results of backtesting of all internal models used to compute allowable capital, including VaR and credit risk models, indicating the number of backtesting exceptions.

(a) FILING OF MONTHLY AND QUARTERLY REPORTS (continued)

(6) Upon written application by a broker or dealer to its designated examining authority, the designated examining authority may extend the time for filing the information required by this paragraph (a). The designated examining authority for the broker or dealer shall maintain, in the manner prescribed in 17a-1, a record of each extension granted.

/01 FOCUS Extension Request

Members and member organizations for which the Exchange is the DEA should use the procedures outlined below when requesting extensions. Members and member organizations for which the Exchange is not the DEA should submit extension requests to their respective DEA and supply a copy to the Exchange.

A member or member organization requesting an extension for a FOCUS Report should notify their Finance Coordinator by telephone and follow-up with a written request to the Exchange signed by the Chief Financial Officer (CFO) or, if the CFO is unable to sign, another senior officer or partner. An extension request should be made at least three (3) business days prior to the FOCUS Report due date and no extension request will be accepted after the due date. The written request should provide the following information:

1. The amount of time requested on the extension;
2. The specific reason(s) the extension is being requested and details on the steps being taken to resolve any problems which led to the request. FOCUS Report extensions as of the annual audit date will not be granted unless extreme hardship can be demonstrated;
3. A statement that the books and records are current, that the organization is in compliance with SEA Rules 15c3-1 and 15c3-3, CFTC Regulations 1.20 and 30.7 and that there are no operational problems at the organization; and
4. A pro forma capital position that includes net worth, net capital, excess net capital, aggregate debit items/aggregate indebtedness, current month's net profit or loss and NYSE Rule 326 capital percentage/ratio.

(NYSE Information Memo 93-45, October 1993) (No. 94-6, December 1994)

(NEXT PAGE IS 3211)

SEA Rule 17a-5(a)(6)/01