

# Interpretation Memo

Member Firm Regulation

New York Stock Exchange, Inc.  
20 Broad Street  
New York, NY 10005



Number 02-5  
May 22, 2002

**PLEASE ROUTE TO FINANCIAL AND OPERATIONS OFFICER/PARTNER  
AND COMPLIANCE DEPARTMENT**

**TO: MEMBER, MEMBER ORGANIZATIONS AND INTERPRETATION  
HANDBOOK SUBSCRIBERS**

**SUBJECT: 15c3-3 RESERVE BANK ACCOUNT NOTIFICATION LETTER**

In order to protect customers' cash held at clearing broker-dealers, SEA Rule 15c3-3 requires that customers' cash and other customers' credits be deposited into a Special Reserve Bank Account for the Exclusive Benefit of Customers ("Reserve Account"). This requirement serves as a safeguard for investors so that the clearing broker-dealer does not utilize these funds for its own use.

SEA Rule 15c3-3(f) requires broker-dealers utilizing a Reserve Account to obtain written notification from the bank by which the bank acknowledges that it understands that the assets held in the account belong to the customers of the broker-dealer and as such "shall at no time be used directly or indirectly as security for a loan to the broker-dealer by the bank and shall be subject to no right, charge, security interest, lien, or claim of any kind in favor of the bank or any person claiming through the bank."

It has recently come to light that some banks have added language to the notification letter that pertains to court orders, judgments, decree or levy relating in whole or in part to the Reserve Account. As such, staff of the Division of Market Regulation of the Securities and Exchange Commission ("SEC") has advised that any 15c3-3 bank notification letter that contains language similar to the following:

[bank] may and is hereby authorized to obey the order, judgment, decree, or levy of any court which order, judgment, decree, or levy relates in whole or in part to the [Reserve] Account

must be amended to also include the following provisions:

1. [bank] shall not assert any claim against the [Reserve] Account.
2. [bank] shall immediately notify the United States Securities and Exchange Commission ("SEC"), the Securities Investor Protection Corporation("SIPC"), and the designated examining authority of the broker or dealer that maintains the [Reserve] Account at [bank] if a legal action is initiated asserting any claim against the [Reserve] Account or if a court order is entered relating to the [Reserve] Account.
3. In the event that any legal action in any court is initiated asserting any claim against the [Reserve] Account, [bank] shall inform the court that the [Reserve] Account is an account maintained at [bank] by a broker or dealer, that the [Reserve] Account was established pursuant to Securities Exchange Act of 1934 Rule 15c3-3, that all cash and/or qualified securities deposited in the [Reserve] Account are being held by [bank] for the exclusive benefit of customers and/or proprietary accounts of introducing brokers ("PAIB") of the broker or dealer in accordance with the regulations of the SEC, and that [bank] has agreed in writing with the broker or dealer that the [Reserve] Account shall be subject to no right, charge, security interest, lien, or claim of any kind in favor of [bank] or any person claiming through [bank].

**Broker-dealers will have a three-month grace period to implement these changes to the bank notification letter. It is expected that by September 1, 2002 all applicable 15c3-3 bank notification letters will have been amended to include the new language.**

**Page & Reference**

**Subject**

554, SEA Rule15c3-3(f)/02

Amendment to Reserve Account Notification Letter

Questions regarding this interpretation memo should be directed to your Finance Coordinator.

**Remove Pages**

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