

Interpretation Memo

Member Firm Regulation

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



Number 03-3
April 23, 2003

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

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

**SUBJECT: UPDATE OF INTERPRETATION HANDBOOK – SEA RULE 15c3-1 AND
SEA RULE 15c3-3**

The accompanying updated Interpretation Handbook pages are being distributed as replacements for existing pages. The update includes clarification of existing rules and/or new interpretations. These interpretations should be carefully reviewed before insertion into the handbook.

July 1, 2003 is the effective date for interpretations SEA Rule 15c3-1(c)(2)(iv)(B)/092 ("Non-Marketable Collateral on Purpose Securities Borrowed Transactions") and SEA Rule 15c3-1(c)(2)(iv)(F)(3)(ii)(C)/06 ("Non-Marketable Collateral on Reverse Repurchase Transactions"). This grace period is provided to allow broker-dealers the necessary time to properly implement procedures and to establish the appropriate regulatory systems that will be needed to monitor and comprehend the applicable capital charges.

SEA Rule 15c3-1
Page & Reference

Subject

128, (c)(2)(iv)(B)/092

Non-Marketable Collateral on Purpose Securities Borrowed
Transactions

165, (c)(2)(iv)(F)(3)(ii)(C)/06

Non-Marketable Collateral on Reverse Repurchase Transactions

SEA Rule 15c3-3
Page & Reference

Subject

486, (a)(6)/014	Ginnie Mae REMIC Trust Securities
552, (e)(3)/05	Excess Reserve Account Deposits Into Affiliated Banks (RESCINDED)
553, (e)(3)/051*	Reserve Bank Account Cash Deposits with Parent and/or Affiliated Bank

- * An example is included to illustrate interpretation SEA Rule 15c3-1(e)(3)/051 ("Reserve Bank Account Cash Deposits with Parent and/or Affiliated Bank") when a broker-dealer deposits cash into 15c3-3 Reserve Bank Accounts with both a parent and an affiliated bank (see attached Exhibit A).

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

Remove Pages

127 - 128
165 - 168
485 - 486
551 - 554

Add Pages

127 - 128
165 - 168
485 - 486
551 - 554

RETAIN ALL INTERPRETATION/INFORMATION MEMOS FOR FUTURE REFERENCE

Example of SEA Rule 15c3-3(e)(3)/051 Calculation

Excess Net Capital: \$80 million
50% of ENC: \$40 million

15c3-3 cash deposits with parent and affiliated bank:

Parent Bank: \$55 million
Affiliated Bank: \$5 million

Aggregate Deposit: \$60 million

Calculation (A):

Since the aggregate cash deposit of \$60 million is in excess of 50% of the broker-dealer's ENC (\$40 million), \$20 million (60 minus 40) is disallowed and \$40 million is allowed for 15c3-3 deposit purposes.

Calculation (B):

Parent Bank's Equity: \$300 million
10% of Equity: \$30 million

Affiliated Bank's Equity: \$100 million
10% of Equity: \$10 million

Since the cash deposit with Parent Bank of \$55 million is in excess of 10% of Parent Bank's equity (\$30 million), \$25 million (55 minus 30) is disallowed and \$30 million is allowed for 15c3-3 deposit purposes.

Since the cash deposit with Affiliated Bank of \$5 million is not in excess of 10% of Affiliated Bank's equity (\$10 million), \$5 million is allowed for 15c3-3 deposit purposes.

In aggregate for **Calculation (B)**, \$25 million is disallowed and \$35 million (30 plus 5) is allowed for 15c3-3 deposit purposes.

Greater of the amount of the excess cash deposit of the two calculations

The amount of the excess cash deposit (disallowed) in **Calculation (B)** (\$25 million) is **greater** than that of **Calculation (A)** (\$20 million). As such, the broker-dealer is subject to **Calculation (B)** where the computed total allowable 15c3-3 cash deposit with both the Parent Bank and Affiliated Bank is \$35 million.