

Interpretation Memo

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

Member Firm Regulation



Number 03-4
May 29, 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 15c3-3

The accompanying updated Interpretation Handbook pages are being distributed as replacements for existing pages. The update includes an amendment to SEA Rule 15c3-3(b)(3) pursuant to SEA Release No. 34-47480, dated March 11, 2003, and rescinded interpretations and new interpretations thereunder, pursuant to SEA Release No. 34-47683, dated April 16, 2003. These amendment and interpretations should be carefully reviewed before insertion into the handbook.

**SEA Release No. 34-47480 (Customer Protection – Reserves and Custody of Securities;
Delegation of Authority to the Director of the Division of Market Regulation)**

The Securities and Exchange Commission ("SEC") adopted an amendment to its broker-dealer customer protection rule. Currently, pursuant to paragraph (b)(3) of SEA Rule 15c3-3, broker-dealers are required to provide cash, U.S. Treasury bills and notes, or irrevocable bank letters of credit as collateral when borrowing securities from customers. The amendment allows the SEC to expand the categories of permissible collateral by order. In addition, the SEC adopted a rule amendment delegating authority to the Director of the Division of Market Regulation to issue such orders.

SEA Release No. 34-47683 (Order Regarding the Collateral Broker-Dealers Must Pledge When Borrowing Customer Securities)

Promulgating from the aforementioned rule amendments, an order was issued by the SEC which allows broker-dealers that borrow fully-paid and excess margin securities from customers to pledge a wider range of collateral than is currently permitted under paragraph (b)(3) of SEA Rule 15c3-3. Based on this order, all prior SEC staff interpretations and no-action positions concerning the type of collateral that may be pledged under paragraph (b)(3) of SEA Rule 15c3-3 were rescinded.

SEA Rule 15c3-3

Page & Reference

Subject

498, (b)(3)(iii)	Physical Possession or Control of Securities
498, (b)(3)(iii)/01	Other Acceptable Collateral (RESCINDED)
498, (b)(3)(iii)/02	Other Acceptable Collateral – Government Securities Borrowing (RESCINDED)
498, (b)(3)(iii)/03	Amendment to the Written Agreement (RESCINDED)
498, (b)(3)(iii)/04	Other Acceptable Collateral
500, (b)(3)(iii)/05	Amendment to the Written Agreement

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

Remove Pages

498 - 504

Add Pages

498 - 503

RETAIN ALL INTERPRETATION/INFORMATION MEMOS FOR FUTURE REFERENCE