

Interpretation Memo

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

Member Firm Regulation



Number 05-8
April 15, 2005

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

**TO: MEMBERS, 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, amended interpretations and new interpretations. These interpretations should be carefully reviewed before insertion into the Interpretation Handbook.

SEA Rule 15c3-1
Page & Reference

Subject

126, (c)(2)(iv)(B)/08	Stock Loan Deficits
127, (c)(2)(iv)(B)/09	Securities Borrowed Deficits
129, (c)(2)(iv)(B)/093	Non-Purpose Equity Securities Borrowed Transactions
157, (c)(2)(iv)(E)/18	Fixed Income Clearing Corporation (FICC) – Fails to Receive Not Aged

SEA Rule 15c3-1

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Subject

170, (c)(2)(vi)/041	Nationally Recognized Statistical Rating Organizations
171-172, (c)(2)(vi)/061	Intercompany Securities Holding – Redeemable Debt Instruments
200, (c)(2)(vi)(F)/12	Nonconvertible Debt Securities with Variable Interest Rate
208, (c)(2)(vi)(J)/015	Exchange Traded Funds With Underlying Commodity Products - Unhedged
208, (c)(2)(vi)(J)/016	Exchange Traded Funds With Underlying Commodity Products - Hedged
219, (c)(2)(vi)(M)/11	Exchange Traded Funds – Undue Concentration Charge
235, (c)(2)(vii)/09	Marketability of Money Market Instruments
250, (c)(2)(ix)/09	Fixed Income Clearing Corporation (FICC) – Fails to Deliver Not Aged

SEA Rule 15c3-3

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Subject

636, (Exhibit A – Item 2)/033	OCC Margin Required for a Broker-Dealer Introducing Options on an Omnibus Basis
639, (Exhibit A – Item 2)/12	Margin Related to Security Futures Products Deposited with a Clearing Agency or a Derivative Clearing Organization
675, (Exhibit A – Item 13)/04	OCC Margin Required From Introducing Firms (RESCINDED)
675, (Exhibit A – Item 13)/041	OCC Margin Required for a Broker-Dealer Introducing Options on an Omnibus Basis
676, (Exhibit A – Item 14)/01	Margin Related to Security Futures Products Deposited with a Clearing Agency or a Derivative Clearing Organization

Interpretation Memo 05-8 Notes:

- SEA Rule 15c3-1(c)(2)(iv)(B)/08 (Stock Loan Deficits) was amended to include provisions for allowing stock loan deficits under certain conditions not to be deducted in computing net capital for one business day from the day the deficit arises provided the broker-dealer returns the stock loan on that day.
- SEA Rule 15c3-1(c)(2)(iv)(B)/09 (Securities Borrowed Deficits) was amended to include provisions for allowing securities borrowed deficits under certain conditions not to be deducted in computing net capital for one business day from the day the deficit arises provided the broker-dealer returns the securities borrowed on that day.
- SEA Rule 15c3-1(c)(2)(iv)(B)/093 (Non-Purpose Equity Securities Borrowed Transactions) was amended to include an example to clarify the requirements of this interpretation.
- SEA Rule 15c3-1(c)(2)(vi)/041 (Nationally Recognized Statistical Rating Organizations) was amended to include A.M. Best Company, Inc. to the list of nationally recognized statistical rating organizations (“NRSRO”) for purposes of this interpretation.
- SEA Rule 15c3-1(c)(2)(vi)/061 (Intercompany Securities Holding – Redeemable Debt Instruments) was amended to include Preferred Trust Securities as a redeemable debt instrument subject to the provisions of this interpretation.
- SEA Rule 15c3-1(c)(2)(vii)/09 (Marketability of Money Market Instruments) was amended to include Mexico to the list of major money markets for purposes of this interpretation.
- SEA Rule 15c3-3(Exhibit A – Item 13)/04 (OCC Margin Required From Introducing Firms) was rescinded and replaced with new interpretations SEA Rule 15c3-3(Exhibit A – Item 13)/033 and SEA Rule 15c3-3(Exhibit A – Item 13)/041 (OCC Margin Required for a Broker-Dealer Introducing Options on an Omnibus Basis).
- All other items included in Interpretation Memo 05-8 are new interpretations to SEA Rules 15c3-1 and 15c3-3.

Questions regarding this Interpretation Memo should be directed to your Finance Coordinator.

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