THE New York Stock Exchange

Regulation and Surveillance

INTERPRETATION MEMO

Number 77-4
December 7, 1977

Subject: INTERIM UPDATE TO RULE 15c3-1 INTERPRETATIONS

Deduction in Lieu of Aggregate Indebtedness Secured by Exempted or Municipal Securities

Subparagraph (c)(2)(xiii) formerly excluded securities loaned and failed to receive from the optional 4% charge in lieu of aggregate indebtedness. It was interpreted as applying only to bank loans collateralized by exempted or municipal securities. The rule was subsequently amended to allow the 4% optional charge for all liabilities secured by exempted or municipal securities which would otherwise be includable in aggregate indebtedness. The option is not intended to apply to short positions with credit balances in customers' accounts. (See Information Memo 77-30 dated June 15, 1977).

Filing Instruction

Remove old page 169 and insert new page 169.

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Daily Limit Fluctuation

Appendix B subparagraph (a)(4) states in part, "The daily limit fluctuations for future contracts effected in foreign markets are to be considered the same as if such contracts had been effected in a domestic market". This is, however, to be interpreted to mean that the domestic market daily limit fluctuations will apply only if there is no daily limit fluctuations set by the foreign market where the contract is effected.

An interpretation will be added to Page 224 of the Handbook as follows:

(App. B)(a)(4) Daily Limit Fluctuation

/02 Daily limit fluctuations applicable to futures contracts effected in foreign markets apply for purposes of computing the deductions required by this subparagraph. Where no daily limit is specified by the foreign market, the lowest domestic market fluctuation limit will apply.

(SEC to NYSE Staff)
(No. 77-4 December 1977)

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Satisfactory Subordinations - Undue Concentration

Undue concentration charges resulting from, or increased by, securities deposited in a secured demand note collateral account may be applied against excess collateral in the account.

An interpretation will be added to page 244 of the Handbook as follows:

(App D) (a)(2)(iii) COLLATERAL VALUE (continued)

/021 Undue Concentration Charge

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 (basic A.I. capital requirements method):

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

Charges applied:

SDN collateral ($50,000 x .3 x 1.5)	$22,500*
Trading account ($100,000 x .3 + $10,000 x .15)	$31,500

*Note that secured demand note is adequately collateralized.

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. 77-4 December 1977)

The entry on Page 163 of the Handbook at (c)(2)(vi)(m)/06 Secured Demand Note Collateral will be amended to include a reference to the above entry.

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Page and Index revisions for the above two interpretations will be made with the next general update of the 15c3-1 Section.