

**INTERPRETATION
MEMO**

Number 79-10
December 31, 1979

SUBJECT: INTERIM UPDATE TO SEC RULES 15c3-1
and 15c3-3 INTERPRETATIONS

Rule 15c3-1

(a)(6)(ii) CONDITIONS APPLICABLE re OPTIONAL STANDARD

/01 Introducing Options Specialist or Market Maker

An options specialist or market maker who introduces customers' accounts to another broker/dealer on a fully disclosed basis may elect to operate under paragraph (a)(6) in regard to its specialist or market maker activities provided that the conditions of subparagraph (a)(6)(ii) are met in every respect.

(SEC Letter to Invemed Associates
Inc. April 10, 1979)

(c)(2)(iv)(B) UNSECURED AND PARTLY SECURED RECEIVABLES

/07 Stock Loaned

The market value of stock loaned in excess of the value of any collateral received may be computed on a broker by broker basis.

(SEC Letter to Oppenheim, Appel,
Dixon & Co. May 7, 1979)

(c)(2)(iv)(E) OTHER DEDUCTIONS

/01 Fails to Receive Outstanding More
than 30 Calendar Days

The amount by which the market value of fails to receive outstanding longer than 30 calendar days exceeds the contract value is computed on a contract by contract basis.

(SEC Letter to Oppenheim, Appel,
Dixon & Co. May 7, 1979)

(c)(2)(vi) HAIRCUTS AND UNDUE CONCENTRATION CHARGES

(A) Government Securities

/02 GNMA's (Temporary Interpretation)*

All transactions in GNMA's maturing in five years or more (including issued positions, commodity exchange futures, and TBA's**) are treated as a special separate category subject to haircut percentages as follows:

Issued positions or TBA's unhedged	3% of the net long or short market value
Commodity exchange futures unhedged and spreads in commodity exchange futures	In accordance with Rule 15c3-1 Appendix B subparagraph (a)(3)(xiv)
Issued positions hedged by commodity exchange futures or TBA's	No haircut
TBA's hedged by commodity exchange futures	No haircut
Issued positions hedging issued positions	No haircut
TBA's hedging TBA's	No haircut

(See 15c3-1 (App. A)/021 for treatment of GNMA standbys)

* Subject to modification

** TBA's (to be announced) are delayed delivery and "when issued" type transactions in GNMA's. Generally, GNMA pool numbers are not announced or assigned to these transactions on trade date.

(SEC Staff to NYSE)

/021 FHLMC's (Federal Home Loan Mortgage Corporation) -
(Temporary Interpretation)*

All transactions in FHLMC's maturing in five years or more (including issued positions, and TBA's**) are treated as a special separate category subject to haircut percentages as follows:

Issued positions or TBA's unhedged	3% of the net long or short market value
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Issued positions hedged by TBA's	No haircut
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Issued positions hedging issued positions	No haircut
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TBA's hedging TBA's	No haircut
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* Subject to modification

** TBA's (to be announced) are delayed delivery and "when issued" type transactions in FHLMC's. Generally, FHLMC group numbers are not announced or assigned to these transactions on trade date.

(SEC Staff to NYSE)

(D) MUNICIPAL BOND TRUSTS AND LIQUID ASSET FUNDS

/02 Fixed Bond Portfolio Unit Investment Trusts

A 7% haircut may be applied to holdings of units of fixed bond portfolio unit investment trusts registered under the Investment Company Act of 1940 which consist solely of non-convertible debt securities having a fixed interest rate and fixed maturity date and which are not traded flat or in default as to principal or interest and which are rated in one of the four highest rating categories by at least two of the nationally recognized statistical rating services.

(SEC Letter to Dern & Co., Inc.
May 22, 1979)

(E) MONEY MARKET INSTRUMENTS

/03 Federally Chartered Savings and Loan Association
Short-Term Promissory Notes

Short-term promissory notes issued by federally chartered savings and loan associations should be treated as if commercial paper provided the notes have a maturity date at issuance not exceeding nine months exclusive of days of grace, or any renewal thereof (the maturity of which is likewise limited) and are rated in one of the three highest categories by at least two of the nationally recognized statistical rating services.

(SEC Letter to A.G. Becker Inc. -
August 1, 1979)

Rule 15c3-3

RESERVE FORMULA

(ITEM 8) SUSPENSE ACCOUNTS

/02 Short Securities Positions with Related Credit Balances

If aged over 30 calendar days for firms using the basic capital requirement or over 7 business days for firms using the alternative capital requirement, the greater of the market value of the short securities or the related credit balance will be entered at Item 8 in the Formula.

(SEC Staff to NYSE)

Page and index revisions for the interpretations will be made with the next general update of the Handbook.