

Number 79-7
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SUBJECT: INTERIM UPDATE TO RULE 15c3-1 AND APPENDIX A, ADDED
INTERPRETATIONS AND INTERPRETATION REVISIONS

Securities Lacking Sufficient Documentation

A new interpretation (c)(2)(iv)(B)/06 provides the net capital treatment of securities which lack documentation to effect proper transfer or delivery. The new interpretation is as follows:

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

/06 Securities Lacking Sufficient Documentation

When securities which have been sold are received from customers or non-customers and the securities require additional documentation to effect transfer and the proceeds of sale have been paid to the customers or non-customers, the securities sold shall be considered unsecured short positions and the market value deducted in computing net capital if:

- all necessary documents in proper form are not received within 30 calendar days of the date of payment of the sale proceeds, and
- where transfer is necessary, the securities have not been transferred within 40 calendar days of payment of the sale proceeds.

(SEC Staff to NYSE)

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Investment Company Management Fees Receivables

Subparagraph (c)(2)(iv)(C)/05 is revised to allow value for investment company management fees receivable as follows:

(c)(2)(iv)(C)

CERTAIN RECEIVABLES

/05 Investment Company Management Fees Receivable

If investment company management fees are payable on a quarterly basis, are billed within eleven business days after the close of the quarter and are not outstanding more than eleven business days thereafter such receivables would not be deducted from net worth when computing net capital.

(SEC Staff to NYSE)

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Odd Lots vs. Options

An interpretation (App. A)/03 allows odd lot positions in underlying securities to be related to option positions for purpose of arriving at a lesser deduction from net worth in computing Net Capital under Appendix "A". The Interpretation to be added is as follows:

(App. A)

OPTIONS

/03 Odd Lots

Odd lot positions in underlying securities may be related to option positions for purposes of arriving at lesser deductions from net worth in computing net capital under Appendix A. However, where some portion of an option remains uncovered, the \$250 minimum deduction specified in subparagraphs (c)(1) and (2) will apply to the remaining portion of the option.

(SEC Staff to NYSE)

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Page and index revisions for the interpretation to be added will be made with the next general update of the 15c3-1 section.