

Interpretation Memo

NYSE

New York
Stock Exchange, Inc.

Member Firm Regulation

Number 88-5
March 29, 1988

20 Broad Street
New York, NY 10005

TO: MEMBERS AND MEMBER ORGANIZATIONS

ATTENTION: CHIEF EXECUTIVE, FINANCIAL AND OPERATIONS
OFFICERS/PARTNERS

SUBJECT: Rule 15c3-3 Formula Treatment of and Possession or
Control Requirements For Accounts Carried for
Parent or Affiliate

In a letter to a broker-dealer the SEC Division of Market Regulation stated:

"It is the view of the Division of Market Regulation that a parent or sister corporation of a broker-dealer (unless otherwise within the exclusionary language of the definition of "customer") is a customer of that broker-dealer for purposes of Rule 15c3-3. If an account of any of those persons is properly subordinated to the claims of creditors of the broker or dealer, that account would not be deemed to be a customer account for purposes of Rule 15c3-3.

The provisions of Note (E)(4) to the Formula for [d]etermination of Reserve Requirements for Brokers and Dealers should be noted when the account of a related person to the broker-dealer shows a debit balance."

In subsequent discussion the SEC staff indicated that an affiliate of a broker-dealer is not per se a non-customer unless the affiliate is also a broker-dealer or is excluded by definition. It is the nature of the transaction or the account as a security transaction or a security account which will determine the status of the parent or affiliate under Rule 15c3-3.

Transactions by a broker-dealer with a parent or an affiliate which are not securities transactions should not be recorded in the customer account ledgers.

Following are samples of specific transactions.

1. Parent or affiliate sells security in account carried by the broker-dealer --- credit balance is included in the formula.

2. Parent or affiliate buys security in account carried by the broker-dealer --- Under Note (E)(4) the debit balance would be excluded. See Interpretation Handbook Rule 15c3-3 (EXH.A)/031 allocations for additional information.
3. Broker-dealer is holding full paid securities in account for parent or affiliate - security positions are subject to possession or control requirements.
4. Fails to deliver and fails to receive with a parent or affiliate who is also a broker-dealer (may be foreign or domestic) are treated according to Rule 15c3-3 (Exh.A)/031 allocation schedule. These transactions are also subject to paragraph (d) of Rule 15c3-3 and subparagraph (c)(2)(ix) of Rule 15c3-1.