Interpretation Memo

Member Firm Regulation

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

Number 89-12
October 30, 1989

PLEASE ROUTE TO FINANCIAL AND OPERATIONS OFFICER/PARTNER AND COMPLIANCE AND MARGIN DEPARTMENTS

TO: MEMBERS, MEMBER ORGANIZATIONS AND HANDBOOK SUBSCRIBERS

SUBJECT: NET CAPITAL TREATMENT OF DEFICITS ARISING IN CUSTOMERS ACCOUNTS INTRODUCED TO CARRYING BROKERS

In general, where agreement between the introducing broker-dealer and the carrying broker-dealer provides that the introducing broker-dealer is liable to the carrying broker-dealer for any deficits, unsecured debits, unsecured short positions or any losses arising through the introduced accounts, the deficit, unsecured item or other loss is deducted in computing net capital for both the carrying and the introducing broker-dealers. The amount is deductible by the carrying broker-dealer upon occurrence after application of timely calls for margin, marks to market or other required deposits which are not outstanding for more than five business days unless there is reason to believe payment will not be made. The introducing broker-dealer must deduct the charge on the day after it becomes a charge to the carrying broker and the carrying broker-dealer must advise the introducing broker-dealer in writing on a daily basis of all such net capital charges.

Remove handbook pages 165-166 and insert the attached updated interpretation.

RETAIN ALL INTERPRETATION/INFORMATION MEMOS FOR FUTURE REFERENCE

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