

Interpretation Memo

Member Firm Regulation

NYSE

New York
Stock Exchange, Inc.

20 Broad Street
New York, NY 10005

Number 89-13
November 27, 1989

PLEASE ROUTE TO FINANCIAL AND OPERATIONS OFFICER/PARTNER
AND COMPLIANCE DEPARTMENT

TO: MEMBERS, MEMBER ORGANIZATIONS AND HANDBOOK SUBSCRIBERS

SUBJECT: POSSESSION OR CONTROL REQUIREMENT FOR QUALIFIED
SECURITIES DEPOSITED IN RESERVE ACCOUNT UNDER RULE
15c3-3

The Securities and Exchange Commission (SEC) has prescribed the following conditions for holding "Qualified Securities" on deposit in a Rule 15c3-3 Special Reserve Account for the Exclusive Benefit of Customers:

Physical Certificates: Where physical certificates are involved, the bank actually holding the certificates must acknowledge to the broker-dealer in writing that the certificates are identified on the bank's books as being held free of lien in a special account for the exclusive benefit of customers of the broker-dealer.

Uncertificated Securities: Where uncertificated securities are involved the bank having the direct access to the Federal Reserve Bank must acknowledge in writing to the broker-dealer that the securities are held free of any lien in a special reserve account for the exclusive benefit of customers of the broker-dealer.

Reverse Repurchase Agreement Securities: Possession or control must be established as in the appropriate paragraph above.

Identification: The securities deposited must be clearly identified as to class or series of the issuer, interest rate and maturity.

Clearance Procedure: Where a purchase or sale involves funds or securities already held in the special reserve account, the values removed must be replaced with equal or greater value. Reductions to the special reserve account may only be made in conformity and compliance with Rule 15c3-3(g) and supported by a reserve formula computation as required. The payment for the purchase and receipt of the securities or delivery of securities and deposit of proceeds in the special reserve account must take place simultaneously.

Correspondent Banks: Where purchase of the securities is made through a correspondent bank, the broker-dealer must be notified by the bank holding the qualified securities or having the direct contact with the Federal Reserve book entry system that:

1. the securities it is carrying for the correspondent bank are identified on its books as being held free of lien in a separate special account for the exclusive benefit of customers of the broker-dealer.
2. the securities are clearly identified as to class or series of the issuer, interest rate and maturity.

Any questions regarding this subject should be directed to your Financial Coordinator.

RETAIN ALL INTERPRETATION/INFORMATION MEMOS FOR FUTURE REFERENCE.

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