

# Interpretation Memo

Member Firm Regulation

NYSE

New York  
Stock Exchange, Inc.

20 Broad Street  
New York, NY 10005

Number 91-5  
June 24, 1991

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

TO: MEMBERS, MEMBER ORGANIZATIONS AND HANDBOOK SUBSCRIBERS  
SUBJECT: New Update Procedure and Current Updates to Rule 15c3-3

NEW UPDATE PROCEDURE

Beginning with this Interpretation Memo special procedures will be used for adding and changing interpretations to the Rule 15c3-1 and Rule 15c3-3 sections of the handbook. New and revised interpretations will first be published in an Interpretation Memo such as this one. Periodically, these interpretations will be incorporated into the regular handbook pages. Each current interpretations update will indicate the page number of the section with which it will be intergrated. We recommend that appropriate notation be made on this page and the index section for ease in finding the interpretations when needed.

CURRENT INTERPRETATION UPDATES

RULE 15c3-3

Customer Protection - Reserves and Custody of Securities

(The accompanying interpretations should be posted to the pages indicated and retained until replaced by revised pages for insertion into the Handbook)

Revise Present Interpretations - Page 513

(b)(2) Physical Possession or Control of Securities

/051 Conditional Redemption

Where a bond which has not been called is tendered for early redemption and is held pending the availability of funds or the occurrence of some other condition, it may not be considered to be in possession or control. However, if receipt is confirmed in writing by the paying agent, no action need be taken unless the bond is sold. In this event the bond must be returned or borrowed before delivery is made. When a customer bond has been tendered for early redemption, it should be reflected in the customer account statement.

(SEC Staff to NYSE)(No. 91-5, June , 1991)  
\* \* \* \* \*

New Interpretation - Page 521

(c)(1) Control of Securities-Certificates Held by Custodian

/061 Overstating Long Free Position To Clearing Corporation

Broker-dealer may not overstate securities available for loan with the intent of taking corrective action when a deficit is created or increased. Any intentionally overstated position may not be considered to be a control location in computing excess deficit listings.

(SEC Staff to NYSE)(No. 91-5, April, 1991)

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Customer Protection - Reserves and Custody of Securities

Revise Present Interpretation - Page 545

(e)(1)

/06 Reserve Deposit Made By Creating Overdraft

Checks deposited or funds wired to a reserve bank account that create or increase existing overdrafts in bank accounts do not qualify as bona fide deposits. Consequently, a broker-dealer cannot meet its deposit requirements by utilizing such overdrawn funds.

(SEC Staff to NASD, July 1983)(No. 90-10, December, 1990)

In order for wired funds to be considered a bona-fide deposit the bank account from which the funds were wired must have had funds on deposit per the books in excess of the wired amount at the time the wire was sent.

(SEC Staff to NYSE)(No. 91-5, June , 1991)

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New Interpretation - Page 568

Note (E)(5)

/01 Partial Identification of Debits With Credits in The Formula

Debit balances in excess of 25% of the broker-dealers tentative net capital which are shown to be directly related to credits included in the formula computation may be considered as a reduction of the non-allowable debit amount. Where this application reduces the remaining debit below 25% of tentative net capital, the balance of the debit may also be included in the computation.

(SEC Staff to NYSE)(No. 91-5, April, 1991)  
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Customer Protection - Reserves and Custody of Securities

New Interpretation Page 591

(Exh. A)  
(Item 1)

Customer Credit Balance

/10 Accrued Interest Payable on Customers' Credit Balance

Interest payable to customers is accrued on a daily basis and periodically credited to each customer's account. The total of such amounts, if not already credited to the customers' accounts, should be included in Item 1 of the reserve computation.

(SEC Staff to NYSE)(No. 91-5, June, 1991)

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New Interpretations Page 667

(Exh. A)                    Margin Required And On Deposit With Options  
(Item 13)                   Clearing Corp.

/011 Commingled Collateral As Options Clearing Corp Margin  
Deposit

When customer and non-customer collateral is commingled as margin on deposit with OCC the margin requirement should be included in the reserve formula computation as a credit and the lesser of the customers' margin required or the total of the collateral value less the amount representing the non-customer collateral should be included as a debit in the formula.

(SEC Staff to NYSE)(No. 91-5, June. 1991)

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Questions regarding these interpretations should be directed to your coordinator.

RETAIN ALL INTERPRETATION/INFORMATION MEMOS FOR FUTURE REFERENCE

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