

Interpretation Memo

Member Firm Regulation



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

Number 93-6
December 1, 1993

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

TO: MEMBER, MEMBER ORGANIZATIONS AND HANDBOOK SUBSCRIBERS
SUBJECT: UPDATE OF INTERPRETATION HANDBOOK - SEA RULE 15c3-1

The accompanying updated handbook pages are replacements for the existing handbook pages.

This update includes:

NET CAPITAL RULE AMENDMENTS AND INTERPRETATIONS:

The Interpretation Handbook has been revised to reflect the SEC's amendments of the Net Capital Rule in November 1992¹, (See Interpretation Memo 92-14). The alternative standard has been moved from paragraph (f) to paragraph (a), and related interpretations have been moved to appropriate paragraphs. Appendix E, which covers the implementation schedule of the new temporary minimum capital requirements, has been added to the rule. As a result of these rule changes, new interpretations have been issued and others have been amended to conform to the new rules.

Interpretations which were previously published in Interpretation Memos 85-11, 86-4, 86-9, 88-19, 90-11, 91-11 91-12, and 93-5, but not included in the handbook, have been added to the handbook.

Several new interpretations have been added and several existing interpretations have been revised for clarification, editorial and/or format changes.

¹ SEC Release No. 34-31511 was published in the Federal Register Vol. 57 No 232 Wednesday December 2, 1992, pp 56973

TABLE OF CONTENTS AND INDEX:

An updated table of contents and updated and cross-referenced index are included to provide easier access to 15c3-1 subparagraphs and interpretations.

The following is a listing of interpretations which are being added or revised as a result of the rule amendments:

<u>Page & Reference</u>	<u>Subject</u>
56, (a)(2)(i)/01	Introducing Brokers
57, (a)(2)(ii)/01	(k)(2)(i) Brokers Permitted to Elect Alternative Standard
61, (a)(2)(iv)/01	Requirements for Broker-Dealers Who Introduce Accounts on a Fully Disclosed Basis
62, (a)(2)(iv)/02	Introducing Brokers - Receiving Funds
66, (a)(2)(vi)(B)/02	Requirements for Broker-Dealers Who Introduce Accounts on a Fully Disclosed Basis and <u>Do Not</u> Receive Securities
67, (a)(2)(vi)(B)/03	Introducing Brokers - Receiving Funds
89, (b)(2)/011	Non-Exchange Member Transactions
89, (b)(2)/04	Floor Brokers Activities
239, (c)(2)(viii)(A)/01	Deductions for Exchange Listed and NASDAQ NMS Securities
239, (c)(2)(viii)(A)/02	Offerings in Debt Convertible into Exchange Listed or NASDAQ NMS Securities
314, (APP A)(a)(1)/03	Exchange Listed Options (Narrow Based Index Haircuts)
334, (APP. A)(c)(5)/01	Options Conversion Percentage Deductions

The following is a listing of interpretations which were previously published without revised pages:

<u>Page & Reference</u>	<u>Subject</u>
173, (c)(2)(vi)/10	Securities Deposited by U.S. Subsidiaries with Foreign Parent
174, (c)(2)(vi)/11	Haircut Treatment For Baskets of Securities Hedged With Broad-based Index Futures or Index Options
186, (c)(2)(vi)(B)(2)/03	Municipal Put Bonds - Endorsed by Issuer
199, (c)(2)(vi)(F)/09	Corporate Put Bond Haircuts
207, (c)(2)(vi)(J)/03	Foreign Equity Securities - FT-A World Indices
254, (c)(2)(x)(A)(5)/02	Listed Foreign Currency Options Hedged with Futures or Futures Options
266, (c)(2)(x)(E)/01	Allocation Sequence for Option Positions
311, (APP. A)(a)(1)/01	Alternative Haircut Treatment for Listed Options
316, (APP. A)(a)(1)/09	Listed Foreign Currency Options Hedged with Futures or Futures Options

The following is a listing of other interpretations which are being added:

<u>Page & Reference</u>	<u>Subject</u>
106, (c)(2)/013	Accrual Method of Accounting
126, (c)(2)(iv)(B)/072	Securities Loaned through Euroclear
130, (c)(2)(iv)(B)/14	Customer Deficits in Listed Currency Options Secured by Letters of Credit
165, (c)(2)(iv)(G)/02	Deduction of 1 Percent for Securities Borrowed through Euroclear System

205, (c)(2)(vi)(H)/02	Municipal Auction Rate Cumulative Preferred Stock
207, (c)(2)(vi)(J)/012	Bona Fide Arbitrage - Same Securities

The following is a listing of interpretations which were revised for clarification, editorial and/or format changes:

<u>Page & Reference</u>	<u>Subject</u>
124, (c)(2)(iv)(B)/02	Cash Accounts
141, (c)(2)(iv)(C)/16	Federal Funds Sales & Swap Transactions
187, (c)(2)(vi)(B)(2)/04	Municipal Put Bonds - Endorsed by Broker-dealers
287, (c)(11)(i)/02	Foreign Securities

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101 - 372	49 - 429

Questions regarding this interpretation memo should be directed to your Finance Coordinator.