

Interpretation Memo

Member Firm Regulation



New York
Stock Exchange, Inc.

20 Broad Street
New York, NY 10005

Number 96-4
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TO: MEMBERS, MEMBER ORGANIZATIONS, AND HANDBOOK SUBSCRIBERS

SUBJECT: UPDATE OF INTERPRETATION HANDBOOK - SEA RULES 15c3-1 AND 15c3-3

The accompanying updated Interpretation Handbook pages are being distributed as replacements for existing pages. The update includes clarifications of existing rules as well as new interpretations. These interpretations should be carefully reviewed before insertion into the handbook.

The following is a list of new interpretations which are being added along with a brief explanation of any verbal interpretations issued to the Exchange:

SEA Rule 15c3-1

Page & Reference

Subject

125, (c)(2)(iv)(B)/061

Partial Payment on Unendorsed Stock Certificate

Capital charges for Unendorsed Stock Certificates that have been sold by a customer can be reduced to the extent of the free credit balance in the customer's account.

163, (c)(2)(iv)(F)(3)(ii)(C)/011

Overnight Reverse Repurchase and Repurchase Agreements
Interpretation on deficits in overnight repurchase contracts as previously issued by the SEC to the NASD.

Page(s) & Reference

Subject

164, (c)(2)(iv)(F)(3)(ii)(C)/03

Buy-Sell Transactions

Industry representatives have requested clarification of the Commission's position relative to the treatment of these transactions. All such transactions are to be considered as reverse repurchase and repurchase positions and all charges under paragraph (c)(2)(iv)(F) shall apply.

The following are clarifications to existing 15c3-1 interpretations:

225, (c)(2)(vi)(M)/01

Marketplace Blockage

Securities that are subject to Marketplace Blockage are treated as non-allowable assets.

274, (c)(2)(xii)/07

Undue Concentration Charges for JBO's

Haircut computation to determine JBO's equity requirement should not include undue concentration charges.

364, Appendix C (b)(2))/03

Opinion of Counsel

Opinions for flow-through capital benefits of consolidated entities under this interpretation must be issued by outside counsel.

New Interpretations to SEA Rule 15c3-3

559, (k)(2)(ii)/017

Checks Written by Introducing Firms on behalf of the Clearing Firm

Clearing brokers that allow fully disclosed introducing firms to write checks/drafts to customers drawn on the clearing firm's bank account must meet the conditions in this interpretation.

664, Exhibit A-Item 11/031

Securities Borrowed versus Bank Loan

638, Exhibit A-Item 2 /11

The market value of securities borrowed allocating to bank loan should be included as both a debit and credit item in the reserve formula.