

A.G. Becker & Co. One First National Plaza Chicago, Illinois 60603 TELEPHONE(312) 630-5858

January 23, 1976 Nelson Kibler Assistant Director Office of Broker/Dealer Financial Responsibility Division of Market Regulation Securities and Exchange Commission 500 North Capitol Street Washington, D.C. 20549

Dear Mr. Kibler:

This letter is to seek clarification of the application of the haircuts set forth under Rule 15c3-1 (c)(2)(vi)(E) of the Securities Exchange Act of 1934 ("Act") to marketable certificates of deposit issued by a Federal savings and loan association.

Paragraph (c)(2)(vi)(E) currently limits negotiable certificates of deposit to instruments issued or guaranteed by any bank as defined in Section 3(a)(6) of the Act. There is no specific reference to certificates of deposit issued by a savings and loan association. It has recently come to our attention that under regulations adopted by the Federal Home Loan Bank Board, Federal savings and loan associations and certain State-chartered insured institutions can issue marketable certificates of deposit.

Under these regulations, an association must file certain information with the Federal Home Loan Bank of the district in which the home office of the association is located and provide as part of such filing an opinion that the certificate complies with applicable law and is a negotiable instrument under the laws of the state in which the home office of the association is located. Additional regulations restrict the maturity and face amount of the certificates of deposit.

A.G. Becker & Co. Incorporated is considering the purchase and sale of certificates of deposit issued by savings and loan associations. Under certain circumstances this may require a haircut from net capital under Rule 15c3-1. In our judgment the intent and spirit of the provisions of paragraph (c)(2)(vi)(E) would appear to apply to these instruments.

Therefore, we request your approval to apply such haircut provisions to these instruments. Your prompt response would be appreciated since certain issuers are anxious to begin marketing their certificates of deposit.

Sincerely, Albert Kopin Vice President and Treasurer AK: Im

Mr. Albert Kopin Vice President and Treasurer A. G. Becker & Co., Inc. One First National Plaza Chicago, Illinois 60603

Dear Mr. Kopin:

This is In response to your January 23, 1976 letter, commenting on paragraph (c)(2)(vi)(E) of Rule 15c3-1 (17 CFR §240.15c3-1) under the Securities Exchange Act of 1934 (the "Act").

The Federal Home Loan Bank Board has adopted regulations (12 CFR §§ 545.1-5 and 563.3-3) which allow Federal savings and loan associations and certain state-chartered insured institutions to issue marketable certificates of deposit. You request in your letter that the Division consider the question whether the haircut provisions of Rule 15c3-1 (c)(2)(vi)(E) are applicable to such instruments.

Paragraph (c)(2)(vi)(E) of the rule requires haircuts, based on time to maturity, of certificates of deposit Issued or guaranteed by any bank, as defined In section 3(a)(6) of the Act. There is no specific reference to certificates of deposit issued by a savings and loan association.

The Division is of the view that both the intent and the spirit of the uniform net capital rule are consistent with the extension of its provisions to these types of certificates of deposits. Further, the Division considers it appropriate that the haircut provisions of paragraph (c)(2)(vi)(E) of Rule 15c3-1 should be applied to marketable certificates of deposit issued by Federal savings and loan associations and certain state-chartered Institutions, as authorized by the Federal Home Loan Bank Board.

If you have any further questions, please contact us.

Sincerely, Gregory C. Yadley Staff Attorney GCYadley/GCMiller/sml/3-5-76