

AUG 1 1979

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

Dear Mr. Kopin:

This is in response to your letter of March 23, 1979 in which you state your understanding of the appropriate haircut for federally chartered savings and loan association short-term promissory notes for net capital purposes. You believe that these short-term notes should be treated similarly to negotiable bank certificates of deposit in paragraph (c)(2)(iv)(E).

After extensive research by the staff, it appears to us that these short term promissory notes resemble more closely commercial paper than certificates of deposit.

Thus, it is the opinion of the Division of Market Regulation that these instruments should be treated as if commercial paper. Under Rule 15c3-1(c)(2)(vi)(E), commercial paper must have a maturity date at date of issuance not exceeding nine months exclusive of days of grace, or any renewal thereof, the maturity of which is likewise limited. Further, the paper must be rated in one of the three highest categories by at least two of the nationally recognized statistical rating organizations.

Very truly yours,

Nelson S. Kibler Assistant Director

A.G. BECKER SECURITIES & EXCHANGE COMMISSION RECEIVED MAR 27 1979  
DIVISION OF MARKET REGULATION

Mr. Nelson Kibler Associate Director Securities & Exchange Commission 500 North Capitol Street Washington, D. C. 20549

Dear Nelson:

March 23, 1979

This letter will summarize my understanding of our recent telephone conversation regarding the capital treatment afforded positions carried in federally chartered savings and loan association short-term promissory notes.

Recently federally chartered savings and loan associations have been issuing short-term promissory notes for the first time. Such issuance requires the approval of the Federal Home Loan Bank and is issued exempt from registration under the Securities Act of 1933. Such notes mature within 270 days from the time of issuance.

It is my understanding that you indicated such positions should be considered similarly to Certificates of Deposit issued by banks and should be haircutted for net capital purposes as indicated in Section C(2)(vi)(E) of SEC Rule 15c3-1.

Additionally, savings and loan promissory notes issuers need not be rated by any of the required statistical rating organizations.

Very truly yours,

Albert Kopin Senior Vice President and Treasurer

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