

June 6, 1980

Mr. Constantin G. Alio President A. Webster Dougherty & Co, Inc. Two Girard Plaza
Philadelphia, Pa. 19102

Dear Mr. Alio:

This is in response to your letter of May 19, 1980, on behalf of A. Webster Dougherty & Co. Inc. ("Dougherty") in which you request an exemption to the requirements of subparagraph (k)(2)(A) of Rule 15c3-3 (17 CFR 240.15c3-3) which itself provides an exemption to Rule 15c3-3's requirements under certain circumstances.

I understand the pertinent facts to be as follows: Dougherty deals primarily in United States Government notes and bonds, federal agency securities and municipal bonds. The firm is a member of the Fiscal Agency selling group. Approximately two years ago the Fiscal Agents put all federal agency securities on a book-entry system. To accommodate certain customers, Dougherty opened a safekeeping account with First Pennsylvania Bank to hold these book-entry securities for Dougherty's account for the account of its customers through the Federal Reserve Bank of Philadelphia.

Every broker-dealer is required to comply with all aspects of Rule 15c3-3, the Customer Protection Rule, unless a firm elects every and all terms of an exemption to Rule 15c3-3. Subparagraph (k)(2)(A) provides an exemption to Rule 15c3-3 for a broker or dealer who carries no margin accounts, promptly transmits all customer funds and delivers all securities received in connection with his activities as a broker or dealer, does not otherwise hold funds or securities for, or owe money or securities to, customers, and effectuates all financial transactions between the broker or dealer and his customers through one or more bank accounts each designated as a special account for the exclusive benefit of customers.

The safekeeping account with the bank is clearly in violation of the terms of the exemption, since the firm is holding securities for customers.

It is the view of the Division that Dougherty must comply with all requirements of subparagraph (k)(2)(A) if the firm wishes to maintain its exemption from Rule 15c3-3 under that subparagraph. If every aspect of the exemption is not met, the

requirements of Rule 15c3-3 must be met. You have not stated any basis to except your firm from the terms of the (k)(2)(A) provision and we know of none. This exemption was designed to result in the complete separation of customer funds and securities and afford protection over customer assets comparable to those obtained under Rule 15c3-3. Your non-compliance with the provisions of the exemption would frustrate the intent of the exemption. Accordingly, your request must be denied.

Sincerely,

Joann Zuetcher Staff Attorney

cc: Walter Robertson National Association of Securities Dealers 1813 Market Street Philadelphia, Pa. 19103

A. WEBSTER DOUGHERTY & CO. INCORPORATED Investment Securities TWO GIRARD PLAZA PHILADELPHIA 19102

May 19, 1980

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

Dear Mr. Kibler:

We are writing to request an exemption from Rule 15c3-3 sub-paragraph (k)(2)(A) of the Customer Protection Rule, as suggested by the Philadelphia office of the National Association of Securities Dealers, Inc.

A. Webster Dougherty & Co., Incorporated deals primarily in U.S. Government notes and bonds, Federal Agency securities and Municipal bonds. It is a member of all the Fiscal Agency selling groups, and as such it is considered by some of the Agents as one of their largest distributors in the Philadelphia area.

About two years ago the Fiscal Agents decided to put all Federal Agency securities solely on the book-entry system because of the large amounts issued. In order to accommodate many of our long standing customers, our Firm opened a safekeeping account with the First Pennsylvania Bank to hold these book-entry

securities for the Firm's account for the account of its customers, through the Federal Reserve Bank of Philadelphia.

In order to fully serve our customers' investment requirements in Federal Agency securities and in view of the above information, we reiterate our request for your consideration to grant the Firm an exemption from Rule 15c3-3 sub-paragraph (k)(2)(A).

Very truly yours,

Constantin G. Alio, President

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