



DIVISION OF
MARKET REGULATION

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Discretionary Liabilities

APR 14 1976

Mr. Albert Kopin
Vice President and Treasurer
Becker Securities Corporation
First National Plaza
Chicago, Illinois 60603

Dear Mr. Kopin:

This is in response to your letter of March 5, 1976, on behalf of Becker Securities Corporation ("Becker") wherein you raise a question under Rule 15c3-1 (17 CFR § 240.15c3-1) under the Securities Exchange Act of 1934. Specifically, you request our views as to the appropriateness of the inclusion of discretionary additional compensation reserves as an adjustment credit to net worth as defined in subparagraph (c)(2) of Rule 15c3-1.

We understand the pertinent facts to be as follows: Discretionary additional compensation reserves are accrued during the course of the fiscal year on a monthly basis and are completely discretionary. No portion of such reserves are due or payable, nor do they become an actual or fixed liability, until the Executive Committee of Becker determines at the end of its fiscal year the amount of additional compensation, if any, to be paid to officers and employees, individually and in total.

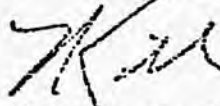
It is the Division's view that generally accepted accounting principles ("GAAP") shall govern the treatment of amounts payable for bonuses, profit-sharing, and the like, even where the amounts to be paid are still at the discretion of the broker and are thus not yet a liability due and payable.

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If under GAAP, the expense is properly accrued, then the reserves so established must be considered a liability and are not included in a broker-dealer's net worth in computing net capital. However, if the broker-dealer so elects, charges pertaining to such discretionary compensation need not be adjusted in computing net capital pursuant to Rule 15c3-1, provided that such amounts are reported as proposed or scheduled capital withdrawals on reports filed by the broker-dealer pursuant to Rule 17a-5 and, further that such broker-dealer consider such amounts as a reduction from net worth for purposes of paragraphs (d) and (e), and Appendix D of Rule 15c3-1. This position is based on the understanding that any adjustments to net worth related to these reserves will be on a tax-effected basis and that amounts will be reported as potential capital withdrawals.

If you have any further questions, please contact us.

Sincerely,



Nelson S. Kibler
Assistant Director

bcc: George Beliakow ✓