



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
MARKET REGULATION

August 21, 1981

Mr. Robert L. Smith
Chicago Board Options Exchange
LaSalle at Jackson
Chicago, Illinois 60604

Dear Mr. Smith:

It has recently come to our attention that there may be some misunderstanding as to the net capital treatment to be given to certain outstanding receivables carried by a registered broker or dealer for which the CBOE is the designated examining authority.

Paragraph (c)(2)(iv) of Rule 15c3-1 (17 CFR 240.15c3-1(c)(2)(iv)) requires that all unsecured receivables must be deducted from net worth in computing net capital other than those specifically described in paragraph (c)(2)(iv). Under the law of a particular state, it may be possible for a broker-dealer to establish a "security interest" in collateral for a receivable without obtaining physical possession of the collateral. However, even though a receivable may be "secured" under state law, that does not necessarily mean that the receivable will be considered a asset which can be readily converted into cash under the Commission's net capital rule. It is the view of the Division that a receivable which is purportedly secured by marketable securities, in order to qualify as an asset which is readily convertible into cash, must be in the physical possession or control of the broker or dealer. The securities may not be in the physical possession or control of the debtor.

Sincerely,

Nelson S. Kibler
Assistant Director

cc: Michael O'Rourke
Chicago Regional Office