



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

*Credits in all suspense accounts are
includible in the formula whether
or not they are identified*

November 8, 1988

Victor Johnson, C.P.A.
Checkers Simon & Rosner
One South Wacker Drive
Chicago, Illinois 60606

Dear Mr. Johnson:

This is in response to your March 7, 1988 letter wherein you request an interpretation of the application of Item #8 of Exhibit A, "Formula for Determination of Reserve Requirement for Brokers and Dealers" ("Reserve Formula"), under Securities Exchange Act Rule 15c3-3 (17 C.F.R. §240.15c3-3).

We understand the pertinent facts to be as follows: Checkers, Simon & Rosner represents a broker-dealer which maintains two distinct and separate businesses -- a customer retail clearing operation and a matched book borrow and loan operation. A single dividend department is maintained for the two businesses. In this broker-dealer's operation, large amounts of unclaimed dividend credits arise and it is possible to identify those credits which do not arise from customer business. You request an interpretation from the Division whereby unclaimed dividend credits which are considered suspense items and which are specifically identified as not arising from customer business would be excluded from Item #8 of Exhibit A of the Reserve Formula.

When the Commission proposed Rule 15c3-3 for comment in 1972, it sought to accomplish several objectives with the implementation of the Rule. As you suggest, its primary purpose was to prohibit a broker-dealer's use of customer funds and securities to finance activities for its own account. The



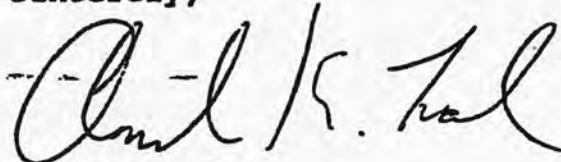
Mr. G. Victor Johnson
Page 2

Rule, however, was also designed "...to motivate the securities industry to process its securities transactions in a more expeditious manner." 1/ In particular, the Reserve Formulamotivates a firm to resolve aged stock dividend receivables, security differences and suspense account items and to avoid the accumulation of fails to receive." 2/

It is the view of the Division of Market Regulation that the phrase "credits, in all suspense accounts" includes all suspense credits regardless of whether they have been identified as non-customers credits. Accordingly, all unclaimed dividend credits (whether arising from customer or non-customer business) must be included in Item #8 of the Reserve Formula under Rule 15c3-3.

In you have any questions, please feel free to call.

Sincerely,



Arvind K. Lal
Staff Attorney

1/ See Securities Exchange Act Release 34-9856.

2/ See Securities Exchange Act Release 34-9622.