



DIVISION OF
MARKET REGULATION

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

March 17, 1989

Mr. David A. Corna
Corna and Co. Inc., Investment Securities
490 City Park Avenue
Columbus, Ohio 43215

Dear Mr. Corna:

"This is in response to your October 19, 1988 letter on behalf of Corna and Co., Inc. Investment Securities ("Corna") regarding the treatment under Securities Exchange Act Rule 15c3-1 (17 C.F.R. §240.15c3-1) of common stock warrants and the underlying common stock. You have requested that the Division of Market Regulation (the "Division") take "no-action" if Corna, in computing its minimum net capital requirement under paragraph (a)(4) of Rule 15c3-1, treats a warrant and a common stock as a single security.

We understand the pertinent facts to be as follows: Corna is a registered broker-dealer and a market maker in certain common stock and warrants. As of July 31, 1988, Corna was making a market in sixteen common stock warrants, and the common stock underlying those warrants. The market values of the sixteen common stocks and warrants were all under \$5.00 each. In computing its minimum net capital requirement under paragraph (a)(4), Corna treated the warrant and the underlying common stock as a single security.

Paragraph (a)(4) of Rule 15c3-1 requires, among other things, that a market maker maintain minimum net capital of the greater of either (i) \$25,000 or (ii) \$2,500 for each security in which he makes a market that has a market value greater than \$5.00 or \$500 for each security that has a market value of \$5.00 or less. You have advised us that the registration statements concerning these issues and filed with the Securities and Exchange Commission described the issues as a unit consisting of a share of common stock and a warrant. However, the various stocks and warrants may be and are traded separately; a customer may buy and sell a warrant without the stock, and vice versa. Different bid and asked prices are quoted for each stock and warrant.

Based on the foregoing, the Division's view is that both the common stock warrants and the underlying common stocks should, for purposes of the net capital rule, be considered separate

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securities. Accordingly, Corna must, in calculating its minimum net capital requirement under paragraph (a)(4), treat the warrants and the underlying stock as separate securities, and reserve the appropriate amount of net capital for each.

If you have any further questions, please feel free to contact us.

Sincerely,

Michael A. Macchiaroli

Michael A. Macchiaroli
Assistant Director

cc: Walter Robertson
National Association of
Securities Dealers, Inc.