



DIVISION OF
MARKET REGULATION

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

March 27, 1989

Mr. Leslie U. Harris
Managing Partner
East/West Securities Co.
120 Montgomery Street
San Francisco, California 94104

Dear Mr. Harris:

This responds to your September 23, 1988 letter, on behalf of East/West Securities Co. ("EWS"), requesting the Division's interpretation of the phrase "outstanding longer than thirty (30) days from the date they arise" in connection with commissions receivable from other brokers or dealers under the net capital rule, Rule 15c3-1 under the Securities Exchange Act of 1934 (17 C.F.R. §240.15c3-1).

Subparagraph (c)(2)(iv)(C) of the net capital rule requires a broker or dealer computing net capital to deduct from its net worth commissions receivable from other brokers or dealers that are outstanding longer than thirty calendar days from the date they arise. You inquire whether commissions receivable from other brokers or dealers arise on "the date a check is actually received and cashed" or "the date the check is made payable." The date a check is "received and cashed" or is "made payable" is not directly relevant to the date a commission receivable from another broker or dealer arises.

Generally accepted accounting practices normally require that financial effect be given to transactions at the time an event takes place, i.e., the time an entity becomes entitled to an asset from, or incurs an obligation to, another party. Thus, that date would normally be the time when the receivable or payable arises. However, a broker or dealer typically bills commissions receivable from other brokers or dealers on a monthly basis at the end of each calendar month.

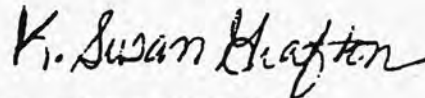


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In light of this industry practice, the Division stated in its July 15, 1983 letter to the Philadelphia Stock Exchange, Inc. that it would raise no question if a broker or dealer, in computing its net capital, begins counting the thirty day period, during which commissions receivable from other brokers or dealers are outstanding, at the end of the calendar month in which the receivable was earned. The receivable must be billed promptly after the close of the month.

I hope this has been responsive to your question. If you require any additional information, please feel free to contact the undersigned.

Sincerely,

A handwritten signature in cursive script that reads "K. Susan Grafton".

K. Susan Grafton
Staff Attorney