



DIVISION OF
MARKET REGULATION

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

Overnight investment of (k)(2)(i) funds.

September 30, 1988

Mr. Richard V. Silver
Vice President and Associate Counsel
Equitable Financial Companies
The Equitable Life Assurance Society
787 Seventh Avenue
New York, New York 10019

Dear Mr. Silver:

This is in response to your letter of August 18, 1988, on behalf of Equico Securities Inc. ("Equico") in which you seek a no-action position from the Division of Market Regulation (the "Division") in connection with your proposal for the investment of "overnight balances" in Equico's (k)(2)(i) account.

I understand the pertinent facts to be as follows: Equico is a registered broker-dealer and a member of the National Association of Securities Dealers, Inc. ("NASD") and the Philadelphia Stock Exchange. In addition to its brokerage business, which is conducted on a fully disclosed basis, Equico participates in the sale of investment company securities and interests in public and private direct participation programs. Equico transacts its non-disclosed business under the paragraph (k)(2)(i) exemption of Rule 15c3-3. Pursuant thereto, all customer funds received by Equico are promptly deposited into the firm's "Special Account for the Exclusive Benefit of Customers" ("Special Account"). Equico then forwards such customer funds to the investment vehicle designated by the customer as required to timely settle client purchase orders. Presently, the Special Account is maintained as a non-interest-bearing account at Chase Manhattan Bank ("CMB"). Equico proposes to invest the "overnight balances" in the Special Account in a CMB Institutional Money Market Account.

Pursuant to its proposal, Equico will continue to maintain the previously established Special Account located at CMB. Under the terms of its proposal Equico will open a new Special Account at CMB which will be an interest bearing money market account ("Money Market Account").

Mr. Richard V. Silver
Page 2

Equico will utilize the Special Account and the Money Market Special Account as follows: Deposits of client funds will be made daily into the Special Account and checks will be drawn against the Special Account to timely settle client purchase orders. Equico will continuously monitor the flow of deposits into the Special Account as well as the payments from the Special Account to assure that there are always sufficient funds in the account to pay checks presented for payment. Consistent therewith, from time to time, Equico will transfer a portion of the overnight balances in the Special Account to the Money Market Account. Equico does not expect that amounts in the Special Account will ever be insufficient to cover checks presented against the Special Account.

Equico will enter into an agreement with CMB in which the bank will agree to pay any overdrafts on the Special Account up to the full amount of the aggregate collected balance of the Special Account and the Money Market Account if for any reason, there are not enough funds in the Special Account to pay a check that has been presented for collection.

Based on these facts and representations, the Division of Market Regulation will raise no question nor recommend any action to the Commission if Equico invests the overnight balances in its Money Market Account at CMB. You should understand that the position expressed herein is a staff position with respect to enforcement only and does not purport to express any legal conclusion on this matter. The Division's position is necessarily confined to the facts as you have represented them; any material change therein may warrant a different result and should be brought to the Division's attention.

If you have any questions, please contact us.

Sincerely,



Arvind K. Lal
Staff Attorney

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