

Goldman Sachs & Co.

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May 25, 1973

Securities and Exchange Commission

Division of Market Regulation

Washington, D. C. 20549

Attention: Mr. Nelson Kibler

Gentlemen:

Reference is made to Release #9922 dated January 2, 1973 under the Securities Exchange Act of 1934. On page 2 and 3 of the release, the subject of "same day receipt and re-delivery (turnaround)" is discussed with respect to "physical possession or control of securities" under Rule 15c3-3.

It is our understanding that same day receipt and re-delivery, as defined in the above release, includes setting up items for delivery on the following business day if the delivery so set up is:

- 1) Deposited in a clearing facility such as the Central Certificate Service or the Stock Clearing Corporation.
- 2) Set up for delivery via the "PDQ" system of the Central Certificate Service.
- 3) Delivered to a bank for shipment, draft attached.
- 4) Delivered to a bank as collateral for an overnight loan and the bank is instructed to deliver such items on the following day directly to a clearing facility such as the Central Certificate Service or the Stock Clearing Corporation.
- 5) Delivered to a bank as collateral for an overnight loan and the bank is instructed to deliver such items on the following day to one or more of our Regional offices for delivery against payment to the brokers or customers who purchased them.

The items so set up for delivery may relate to transactions that have settled or that will settle on the next business day.

Written confirmation that you concur in the foregoing understanding would be appreciated.

Very truly yours,

Martin A. Smith

August 22, 1973

Mr. Martin A. Smith, Vice-President

Operations Department

Goldman, Sachs & Co.

55 Broad Street

New York, New York 10004

Dear Mr. Smith:

This is in response to your letter of May 25, 1973 in which you raise several questions relating to the interpretation of subparagraph (b)(2) of Rule 15c3-3 with regard to the permissibility of "same day receipt and re-delivery ('turnaround')" of securities coming into the possession or control of the broker-dealer.

As you are aware, Rule 15c3-3 requires a broker-dealer to take timely steps in good faith to establish physical possession or control of customers' fully paid or excess margin securities and permits same day turnaround of securities where they are necessary in order to expedite the normal processing of securities transactions so long as such turnarounds do not create or increase a deficiency of securities needed for compliance with the rule.

It is our view that the same day turnaround privilege provided for in the rule is available only when the re-delivery of the securities received is in satisfaction of a securities transaction that has reached settlement on the day of its receipt, is

settling on the date received or will reach settlement on the day following its receipt. Further, in order to qualify for the same day turnaround privilege, such securities must be placed beyond the control of the broker-dealer on the same business day such securities are received.

Provided the above criteria exist and such turnarounds do not create or increase deficiencies, appropriate use of the same day turnaround privilege is accomplished if securities must be delivered on the evening before actual delivery to the contra broker-dealer, to a securities depository or clearing facility (e.g., the NCC night drop) or must otherwise be instructed for delivery the night before actual delivery (e.g., "PDQ" deliveries).

Similarly, where the broker-dealer delivers securities on the day they are received to a bank for shipment draft attached for items which have already reached settlement, is a fail to deliver on the day received or will settle the next day the broker-dealer has effectively relinquished control of such securities on the same day received and a valid same day turnaround has been accomplished.

On the other, hand, it is the Division's view that where securities are delivered to a bank on overnight loan with instructions for delivery the following day to either a clearing facility or to a regional office for delivery against payment the next day, the intermediate delivery to a bank would be inconsistent with the intent and purpose of the rule. As stated above, the permissibility of a same day turnaround of securities is based on the need to continue the efficient processing of securities transactions without diminishing the protection of customers. Since a broker-dealer who is complying with the rule's provisions must be able to compute its excess or deficiency of fully paid or excess margin securities prior to the release of the securities from bank loan the next business day, it is our view that a valid same day turnaround does not exist and delivery on the next day to either a depository, clearing facility or regional office of a broker-dealer for delivery against payment is not permissible if a deficit is thereby created or increased.

If you have any further questions, please do not hesitate to contact us.

Sincerely,

Nelson S. Kibler

Assistant Director

Broker-Dealer Financial Responsibility and Securities Transactions

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