

Grieveson, Grant International Limited

P.O. Box 191, 59 Gresham Street

London EC2P 2DS, England

March 16, 1984

Michael A. Macchiarolli, Esq.,

Assistant Director,

Securities Exchange Commission,

450 5th Street N.W.,

Washington DC 20549,

United States of America

Dear Mr. Macchiarolli,

We write to seek your permission to regard the undernoted sterling subordinated loans as satisfactory as defined under appendix D to S.E.A rule CFR 240 15 c. 3-1, although paragraph (b) (2) of that appendix defines 'specific amount' as specific dollar amount.

LENDER LOAN TYPE AMOUNT EFFECTIVE DATE MATURITY DATE

Grieveson, Grant and Co. Cash £100,000 3/1/83 3/3/84

Grieveson, Grant and Co. Cash £140,000 9/1/83 9/1/84

It is anticipated that the Pounds Sterling 100,000 loan due to mature on March 31, next will be renewed for a further one year period.

May we provide some background information which may explain why we are making this request.

Grieveson, Grant International Limited is an international company, is a wholly owned subsidiary company of Grieveson, Grant and Co., leading members of the Stock Exchange, London, is based in the Channel Islands/United Kingdom, is a member of the Midwest Stock Exchange Inc., Chicago, operates from London, England and Boston, U.S.A. and is principally financed in sterling. The Company's net capital computed in accordance with the requirements of Rule 15 c 3-1 supports both our North American business transacted for dollar settlement and business transacted through our parent partnership for settlement in sterling and various foreign currencies. The Company's authorized capital is Pounds Sterling 100,000 divided into 100,000 shares of Pounds Sterling 1 each of which

40,000 have been issued, all to Grieveson, Grant and Co., 20,000 at Pounds Sterling 1.00 at time of incorporation and a further 20,000 at Pounds Sterling 2.50 in March, 1980. The Company's ownership equity as at March 31, 1983, the end of our financial year, was \$351,779 (a copy of our audited accounts is enclosed for your convenience). This amount can be broken down as follows:-

Share Capital £40,000 @ \$1.4835 :

£1 - \$59,340

Share Premium £130,000 @ \$1.4835 :

£1 - \$44,506

Retained Earnings

(a combination of Sterling, Dollars and Yen) \$247,934

Additional finance is provided by the parent partnership in the form of the two subordinated loans, totalling Pounds Sterling 250,000, under discussion. At the exchange rate ruling on March 31, 1983 the dollar equivalent amounted to \$370,875. The Company's debt to debt plus equity ratio calculated in accordance with rule 15c 31 (d) was 51.3%.

We feel that although the above loans are denominated in sterling (our domestic currency) this in no way affects the permanency of the loans. The full amount has been paid to Grieveson, Grant International Limited by Grieveson, Grant and Co., on the effective date of each loan and there is no question of repayment until the respective maturity dates.

In the circumstances may we ask you to consider an interpretation in our case which will enable us in turn to interpret 'Specific Amount' in paragraph (b) (2) of Appendix D to read 'Specific Dollar or Sterling Amount'.

Thank you for your attention.

Yours sincerely,

for GRIEVESON, GRANT INTERNATIONAL LIMITED

Peter D. Scott

Company Secretary

c.c. Michael J. Cardin Esq.,

Manager,

Department of Market Regulation,

Midwest Stock Exchange Inc.,

120 South La Salle Street,

Chicago, Illinois 60603, USA

June 18, 1984

Peter D. Scott

Grieveson, Grant International Limited

P.O. Box 191 58 Gresham Street

London EC2P 2DS, England

Dear Mr. Scott:

This is in response to your March 16, 1984 letter on behalf of Grieveson, Grant International Limited ("Grieveson, Ltd:") wherein you request a no-action position from the Division with respect to the treatment of certain subordinated loan agreements under Appendix D to the net capital rule (17 CFR §240 15c3-1d).

I understand the pertinent facts to be as follows: Grieveson Ltd. is a wholly owned subsidiary of Grieveson, Grant and Co. ("Grieveson and Co."). Grieveson Ltd. has borrowed a total of 250,000 pounds pursuant to two subordination agreements with Grieveson and Co. The first of these loan agreements was for 100,000 pounds and is dated March 31, 1983. This loan agreement has an initial maturity date of March 31, 1984 and is anticipated to be renewed for a further one year period. The second sterling subordinated loan agreement is dated September 1, 1983. This agreement, for 150,000 pounds, is scheduled to mature on September 1, 1984. On March 31, 1983 the U.S. dollar equivalent of the loans amounted to \$371,875.

Paragraph (c)(2)(ii) of Rule 15c3-1 allows broker-dealers to exclude from net worth in arriving at net capital, liabilities which are subordinated to the claims of creditors pursuant to subordination agreements that comply with the provisions of Appendix D to Rule 15c3-1. Paragraph (b)(2) of Appendix D states that "all subordination agreements shall be for a specific dollar amount." Because the borrowings are denominated in a foreign currency, changes in exchange rates cause the U.S. dollar equivalent of the principal amount of such borrowings to fluctuate daily. However, based on the foregoing, the Division will raise no question and recommend no action to the Commission with regard to the treatment of Grieveson Ltd.'s two subordinated loans with Grieveson Co. under paragraph (b)(2) of Appendix D provided that:

(1) In order to determine the appropriate amount of its subordinated liabilities that are excluded from net worth pursuant to paragraph (c)(2)(ii) of Rule 15c3-1, Grieveson Ltd. will continually mark-to-the-market the outstanding principal amount of any non-U.S. dollar borrowing.

(2) In computing net capital, Grieveson Ltd. may exclude from net worth only the lesser of the dollar equivalent of the principal amount of the borrowing at the time of the borrowing or the dollar equivalent of the borrowing at the time of the computation.

(3) In computing aggregate indebtedness, Grieveson Ltd. may exclude the full amount of the subordinated borrowings. See Rule 15c3-1(c)(1)(xi).

The Division's position in this regard does not constitute a conclusion of law and is confined to the facts as you have represented them to us; any material change therein may warrant different result and should be brought to the Division's attention.

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

Sincerely,

Michael A. Macchiaroli

Assistant Director

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