



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

August 20, 1984

Mr. Irving Lipsiner
Irving Lipsiner Associates, Inc.
43 Trumbell Street
New Haven, Connecticut 06511

Dear Mr. Lipsiner:

This is in response to your letter of April 4, 1984 wherein you inquire as to the appropriate treatment of gold under the net capital rule (17 CFR 240.15c3-1). Subparagraph (a)(3)(iv) of Appendix B to Rule 15c3-1 of the Securities Exchange Act of 1934 requires broker-dealers to deduct from net worth in arriving at net capital all commodity related inventories except for "readily marketable spot commodities" or spot commodities which adequately collateralize indebtedness. Twenty percent of the market value of readily marketable commodity inventories that are not covered by an open futures contract must be deducted from net worth under Rule 15c3-1b(a)(3)(ix). For purposes of subparagraph (iv) the Division has interpreted "readily marketable" to mean that the gold is within the broker-dealer's "control in good deliverable form" and "covered by appropriate insurance."

The term "within the broker-dealer's control" refers to gold in bullion form, identified by serial number or otherwise, and subject to immediate disposition at the direction of the broker-dealer. Storage arrangements acceptable to insurance carriers are satisfactory provided the coverage complies with the "appropriate insurance" requirement discussed below. Certain custodial requirements must be satisfied whenever gold bullion is stored in outside depositories. The broker-dealer must satisfy itself that the depository will maintain physical possession or control of the bullion stored for its customers free of any lien or claim on such bullion other than that arising out of, and limited to the extent of, any margin transaction or other unpaid for transaction. Records shall be maintained to separately identify gold owned by the firm, customer pledged gold bullion subject to lien and customer bullion not pledged and fully paid for. The broker-dealer must include as part of a written agreement with the depository such other protections as may be deemed necessary. Broker-dealers considering the utilization of foreign depositories are cautioned to familiarize themselves with foreign laws on banking and bankruptcy to insure compliance with this paragraph, since these laws may differ significantly from those of the United States.

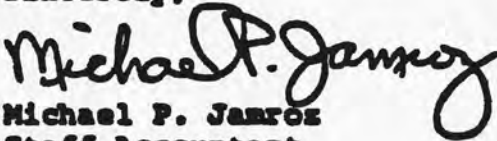
Mr. Irvin Lipsiner
Page Two

The term "good deliverable form" refers to the condition of the gold. To be in "good deliverable form", the gold must be minimum 995 parts per 1000 fine and either have been refined by a refiner or assayed by an assayer recognized as being acceptable to those organized national U.S. commodity exchanges trading in gold or the London Gold Market.

The term "appropriate insurance" refers to insurance coverage of all gold under the control of a broker-dealer, whether stored in a depository, in its own custody, in transit, or in any other location within the broker-dealer's control.

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

Sincerely,


Michael P. Janroz
Staff Accountant