



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

*Prepaid fails to receive*



AUG 2 1976

RECEIVED AUG 09 1976

Mr. Robert D. Gilman  
Associate Director  
Department of Member Firms  
Midwest Stock Exchange, Inc.  
120 South LaSalle Street  
Chicago, Illinois 60603

Dear Mr. Gilman:

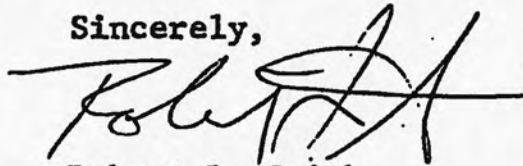
This is in response to your letter of July 12, 1976, on behalf of the Midwest Stock Exchange, Inc. regarding Rule 15c3-1 (17 CFR 240.15c3-1) and Rule 15c3-3 (17 CFR 240.15c3-3) under the Securities Exchange Act of 1934. Specifically, you request the Division's views regarding the treatment of prepaid fails to receive under Rule 15c3-1.

It is the view of the Division that such prepaid items should be treated as unsecured short positions which should be immediately deducted from net worth in the computation of a broker-dealer's net capital pursuant to Rule 15c3-1. However, in a letter dated July 15, 1974, to the National Association of Securities Dealers, Inc. (copy attached), the Division established certain criteria which if satisfied would not require a broker-dealer to deduct from net worth amounts representing prepaid fails to receive.

In addition, if such prepaid items are located in any of the control locations enumerated in subparagraph (c) of Rule 15c3-3, such prepaid fails need not be deducted from net worth.

If you have any further questions, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert L. Smith', with a large, stylized flourish extending from the end of the name.

Robert L. Smith  
Securities Operations  
Specialist