

DEC 9 1975

Ms. Marsha O'Bannon

Director of Rule Interpretation

Commissions Access and Margins

New York Stock Exchange, Inc.

55 Water Street New York, New York 10041

Dear Marsha:

In your letter of March 11, 1975, (not available from SEC public files) you request clarification regarding the treatment to be accorded partly-secured accounts in the "Reserve Formula" computation under Rule 15c3-3 (17 CFR 240.15c3-3, Exhibit A, "Formula for Determination of Reserve Requirements of Brokers and Dealers under Rule 15c3-3"). You state that you believe that the debit balance in a partly-secured customer's account should be included in the Reserve Formula to the extent that it is secured by long marketable securities in the account and, that any remaining debit should be excluded.

In the case of a margin account which is partly secured after applying current margin calls outstanding and in the case of a margin account where a margin call is outstanding more than 5 business days, it is our view that the amount which should be included as a debit item in the Reserve Formula should be the debit balance in such account reduced by:

- 1) the deficit in such account after the application of current margin calls; and
- 2) the amount which results from applying the appropriate haircut, set forth in Rule 15c3-1(c)(2)(vi) or (f), to the market value of the securities in the account.

With respect to a partly secured cash account, which has a transaction liquidating to a deficit and which is not current within the meaning of Regulation T of the Board of Governors of the Federal Reserve or which has more than one extension thereunder, it is our view that the amount includable as a debit item in the Reserve Formula should be the debit balance in the partly-secured cash account reduced by:

1. the deficit related to the transactions which are causing such deficit;
and
2. the amount which results from applying the appropriate haircut, set forth in Rule 15c3-1(c)(2)(vi) or (f), to the market value of the securities transactions which are causing the deficit.

If you have further questions, please contact us.

Sincerely,

Nelson S. Kibler

Assistant Director

NSK/sml/12-9-75

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