

July 18, 1985

Mr. Martin Hobby

New York Stock Exchange, Inc.

11 Wall Street New York, New York 10005

Dear Mr. Hobby:

This is to clarify the application of Rules 17a-3 and 17a-4 (17 CFR 240.17a-3 and 17a-4) to members of the New York Stock Exchange which act only as market-makers to the Exchange.

The facts are as follows: these Exchange Market-Makers have related options and stock activity cleared and carried by a clearing member. Rules 17a-3 and 17a-4 require them to prepare and maintain a monthly balance sheet or trial balance, a monthly profit and loss statement, a cash receipts and disbursements blotter, a purchase and sale blotter, and a trading ledger. Generally, a market-maker will obtain the services of an accountant or bookkeeping service to comply with these requirements. The question is: what kind of records should these service bureaus prepare so that the requirements of Rule 17a-3 are met by a market-maker who processes all transactions as a broker-dealer through his clearance account?

We understand that the clearing firm or service bureau which processes the accounts of market makers could identify in and process through the clearance account all cash receipts and disbursements. The clearance account would already contain all options and options-related transactions of a market-maker. This will allow the clearing firm or service bureau, through generation of monthly account statements and daily account status, to provide an accounting of all transactions by a market-maker.

Based on the above-described circumstances, the Division will recommend no-action to the Commission if an Exchange market-maker who processes all transactions as a broker-dealer through his clearance account utilizes his clearing firm's clearance account records to satisfy his Rule 17a-3 record-keeping requirements so long as the clearing firm complies with the provisions of Rule 17a-4(i) and Rule 17a-3(b)(2).

Sincerely,

Michael A. Macchiaroli

Assistant Director

Mr. Craig S. Loosemore

Mr. Kevin M. Loosemore

C/O LOOSEMORE, LOOSEMORE & CO.

351 Broad Street Tower B, Suite #2116

Newark, NJ 07104

NEW YORK STOCK EXCHANGE

Department of Membership Regulatory Services

Mr. Robert Nofi

Director of Surveillance

55 Water Street, 23rd Floor New York, NY 10041

RE: Requested written confirmation per your April 11th letter.

Dear Mr. Nofi:

Since you refuse to meet with me to discuss your signed April 11th letter, which was addressed to me, per our telephone conversation on April 11th, even though you promised earlier to do so, I am hereby writing my response to the part of the letter requesting a written confirmation from me. As you know, Mr. Richard Greves also per same telephone conversation refused to meet with me to discuss the attached report, which was part of your letter, even though he promised to do so in front of Mr. David Weiss as he delivered said letter on April 11th directly to me on the option floor.

Mr. Pellicone's latest review of my amended June 30, 1984 FOCUS Report, according to your own letter, discloses that I was and that I am now currently in compliance with the capital requirements of S.E.C. Rule 15c3-1. I hereby refute the statement,

made within the attached report, that the subject matter of said report and the examination process was discussed with me before said report was referred to the Enforcement Division. I was notified of the contents of said report simultaneously along with Enforcement.

As a layman reading said Exception Report, the only alleged substantive discrepancy of rule violations included and I quote: "Mr. Loosemore does not maintain a General Ledger nor does he prepare a monthly Trial Balance, as required." It is my opinion that I do now and have always since the first day of options trading (September 23, 1983) maintained and preserved adequate books/records per interpretation by Michael Macchiaroli (Asst. Director - Compliance of Financial Responsibility- Washington D.C. office of the SECURITIES & EXCHANGE COMMISSION) of the Federal Regulations 240.17a-3 and 17a-4, confirmed per an April 15th telephone conversation. But Mr. Macchiaroli did clarify that the Exchange as my Regulator and Examining Authority may prescribe additional books/records which leads to Exchange Rule 440.

Does the Exchange require books/records beyond those considered necessary by the SECURITIES & EXCHANGE COMMISSION for a self-capitalized, independent, Competitive Options Trader who is not a floor broker nor self-clearing? Mr. Nofi, if you now wish to arrange a meeting to discuss this matter please call 212-587-8700 and leave a message with the receptionist of FIRST OPTIONS OF CHICAGO, INC.

Respectfully yours,

Craig S. Loosemore

NEW YORK STOCK EXCHANGE, INC.

MEMBER FIRM REGULATORY SERVICES

April 11, 1985

Report on Follow Up Examination of Mr. Craig S. Loosemore (Rule 15B2-2)

An examination was completed of the financial and regulatory trading rules. Efforts of the examiner were based on the knowledge of your regulatory history and "on the scene" examiner insight.

During the course of this examination, any identified problems would have been brought to your attention. Since this is an exception report, only substantive discrepancies of rule violations would be included.

The examination included a review of the following areas: Financial Responsibility Standards (SEC Rule 15c3-1) Rules and Policies of Market Surveillance Supplemental Regulatory Reporting Members Dealing For Their Own Accounts Books and Records (SEC Rule 17a-3 and 17a-4)

The examination disclosed the following which has been referred to the Enforcement Division for further review. Mr. Loosemore does not maintain a general ledger nor does he prepare a monthly Trial Balance, as required.

The subject matter of this report and the examination process were discussed with Mr. Loosemore.

John Pellicone

Examiner

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