



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

October 5, 1987

Edward Kwalwasser, Esq.
Senior Vice President
New York Stock Exchange, Inc.
20 Broad Street
New York, New York 10005

Mr. Thomas R. Cassella
Vice President
National Association of
Securities Dealers, Inc.
1735 K Street, N.W.
Washington, D.C. 20036

Dear Messrs. Kwalwasser and Cassella:

You have asked for clarification of the so-called blockage test for securities positions for purposes of the net capital rule, Rule 15c3-1 under the Securities Exchange Act of 1934 (17 CFR §240.15c3-1).

Generally, it is the view of the Division that when it can be established that the marketplace can absorb only a limited number of shares of a security for which a ready market seemingly exists, the non-marketable portion of that position is subject to a 100% deduction from net worth in computing net capital.

You believe that broker-dealers need guidelines for determining which portion of a particular position is considered non-marketable when confronted with a marketplace that can absorb only a limited number of shares. Broker-dealers often encounter this problem with securities traded on an exchange or in the over-the-counter market when they have accumulated a large block of a particular security in their trading or other proprietary accounts.

The Division will raise no question nor recommend any action to the Commission if a broker-dealer, when faced with a blockage in securities which are either shares of common stock or preferred stock not covered by paragraph (c)(2)(vi)(H) of Rule 15c3-1 (highly rated preferred stock), treats as readily

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marketable securities that portion of the block which equals the aggregate of the most recent four-week, inter-dealer trading volume. */ The number of shares exceeding the aggregate of the most recent four-week, inter-dealer trading volume should be considered non-marketable and subject to a 100% deduction unless the broker-dealer demonstrates to the satisfaction of its Designated Examining Authority that a ready market exists for these excess shares.

Should you have any questions please do not hesitate to contact me.

Sincerely,



Michael A. Macchiaroli
Assistant Director

*/ Those securities purchased by the computing broker-dealer during the most recent four-week period shall be excluded from the determination of trading volume.