

Edward Kwalwasser
Senior Vice President
New York Stock Exchange, Inc.
11 Wall Street
New York, New York 10005

Thomas Cassella
National Association of Securities Dealers Inc.
1735 K Street, N.W.
Washington, D.C. 20006

Dear Messrs. Kwalwasser and Cassella:

We have been asked by broker-dealers on several occasions to designate, pursuant to paragraph (c)(7) of Commission Rule 15c3-3 (17 C.F.R. §240.15c3-3), issuers of commercial paper as control locations for the commercial paper that they issue. Specifically, these broker-dealers have requested that issuers of commercial paper be allowed to issue their commercial paper in the name of the broker-dealer or some other nominee and to hold the commercial paper in book-entry form on its books and records.

Paragraph (b) of Rule 15c3-3, the Commission's customer protection rule, requires a broker-dealer to obtain promptly and thereafter to maintain the physical possession or control of all fully-paid and excess margin securities carried by the broker-dealer for the account of customers. Paragraphs (c)(1) through (6) of the rule sets forth six specific "locations" where securities, although not in the physical possession of the broker-dealer, will be deemed to be within its control. Since issuers of commercial paper do not fall within any of the six specific control "locations" set forth in paragraph (c), a broker-dealer desiring to maintain its customers' commercial paper in book-entry form with the issuer must apply, pursuant to paragraph (c)(7), to the Commission to have the issuer designated as a control location.

In light of the fact that several broker-dealers have applied to have various commercial paper issuers designated as control locations, the Division has determined that it would be prudent not to approve each application on a case-by-case basis. Instead, the Division will neither raise any question nor recommend any action if a broker-dealer treats an issuer of book-entry commercial paper as a control location for purposes of Rule 15c3-3 under the following circumstances:

(1) the delivery to the broker-dealer of certificates representing ownership of the commercial paper does not require the payment of money or value, and the issuer has acknowledged in writing that all commercial paper it holds for the broker-dealer is for the exclusive benefit of the broker-dealer's customers and is not subject to any right, charge, security interest, lien, or claim of any kind in favor of the issuer or any person claiming through the issuer;

(2) the commercial paper has a maturity at the time of issuance not exceeding nine months, exclusive of days of grace (the maturity of any renewal thereof is likewise limited);

(3) either the commercial paper is rated in one of the three highest categories by at least two of the nationally recognized statistical rating organizations or other commercial paper issued by the issuer is so rated;

(4) the broker-dealer carries the commercial paper "long" in the appropriate customer account;

(5) the broker-dealer reflects the commercial paper of each issuer separately in its securities books and records maintained pursuant to Commission Rule 17a-3 (17 C.F.R. §240.17a-3) and includes the commercial paper in its quarterly count made pursuant to Commission Rule 17a-13 (17 C.F.R. §240.17a-13); and

(6) the broker-dealer is not aware of any substantial problem, either of an operational or a financial nature, the issuer may be experiencing that could endanger the commercial paper of its customers.

We ask that you call this matter to the attention of your member organizations.

Sincerely,

Michael A. Macchiaroli Assistant Director