



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

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DIVISION OF
MARKET REGULATION

29 June 1993

Timothy W. Jenkins, Esq.
O'Connor & Hannan
1919 Pennsylvania Ave., NW, Suite 800
Washington, DC 20006-3483

Dear Mr. Jenkins:

This letter is in response to your letter of 25 June 1992, requesting, on behalf of the National Association of Church and Institutional Financing Organizations ("NACIFO") an extension of the Division of Market Regulation's ("Division") position concerning the application of the Uniform Net Capital Rule¹ to taxable, nonconvertible debt securities issued by church and health care institutions.

Sub-paragraph (c)(2)(vi)(F) of the Uniform Net Capital Rule provides that nonconvertible debt securities which, among other requirements, are rated in one of the four highest rating categories by at least two nationally recognized statistical rating organizations ("NRSROs") are subject to haircut deductions ranging from 2% to 9%.² Absent such two ratings, these securities receive substantially higher haircut deductions pursuant to sub-paragraph (c)(2)(vi)(J) of the Uniform Net Capital Rule.³

In a letter dated 11 November 1975, NACIFO, through counsel, represented that taxable, nonconvertible debt securities issued by church and health care institutions generally receive only one rating from an NRSRO which, was, at that time, the only one possessing the requisite experience and expertise to produce reliable ratings for such bonds on a regular basis. On 15 March 1976, in response to the 11 November 1975 letter, the Division stated that, for purposes of sub-paragraph (c)(2)(vi)(F) of the Uniform Net Capital Rule, a second rating would not be required for taxable, nonconvertible debt securities issued by church and health care institutions if such securities were rated by one NRSRO in one of the four highest

¹ Exchange Act Rule 15c3-1, 17 C.F.R. § 240.15c3-1.

² 17 C.F.R. § 240.15c3-1(c)(2)(vi)(F).

³ 17 C.F.R. § 240.15c3-1(c)(2)(vi)(J).

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rating categories. By subsequent letters, the Division has continued this position until 30 June 1993.

As confirmed by you in our telephone conversation of 29 June 1992, the conditions described in NACIFO's letter dated 11 November 1975 have remained unchanged. Accordingly, the Division has determined that it is appropriate to extend the position embodied in our prior letters until 30 June 1994. We will continue to monitor closely the impact of this position to ensure that it operates in a manner consistent with the public interest and the protection of investors.

As you are aware, the Division is contemplating modifications of the provisions of the Uniform Net Capital Rule that apply to taxable, nonconvertible debt securities issued by church and health care institutions. We expect to resolve the net capital issues associated with such securities in the near future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Julius R. Leiman-Carbia', with a long horizontal stroke extending to the right.

Julius R. Leiman-Carbia
Special Counsel

JUN 28 1993

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ATTORNEYS AT LAW

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DIVISION OF MARKET REGULATION

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June 25, 1993

BY FACSIMILE (272-2864) & HAND DELIVERY

Mr. Michael A. Macchiaroli
Assistant Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W., Room 5197
Washington, D.C. 20554

Dear Mr. Macchiaroli:

I represent the National Association of Church and Institutional Financing Organizations ("NACIFO"). The purpose of this letter is to request an additional one year extension of the Securities and Exchange Commission's ("Commission") position with respect to application of the Uniform Net Capital Rule ("Rule") [Rule 15c 3-1 (17 C.F.R. § 240.15c 3-1)] to taxable non-convertible debt securities issued by church and health care institutions. The most recent extension authorized by the Commission will expire on June 30.

I understand the Commission may propose for public comment modifications of the Rule which will deal with application of the dual rating requirements to certain non-convertible debt securities. In recent discussions with Julius Leiman-Carbia of your staff, it was confirmed that no action has been taken on the Rule. Since the public comment period and the rule modification process are not complete, we would appreciate the Commission providing another letter of extension. On behalf of NACIFO, I request that such an extension be granted.

Thank you in advance for your assistance in this matter. If I can provide you with further information, please do not hesitate to contact me.

Sincerely yours,



Timothy W. Jenkins