

February 17, 1986

Mr. Jeffrey C. Bernstein

Oppenheim, Appel, Dixon & Co.

One New York Plaza New York, N.Y. 10004

Dear Mr. Bernstein:

In your letter dated March 6, 1985, you asked about the treatment under the net capital rule (17 CFR 240.15c1-1) of a hedged position where the broker-dealer is long an unlisted call written by its customer and is short the underlying security; in addition, the customer is long the underlying security which is carried at the broker-dealer in street name.

You state that the customer's positions will be maintained in a separate customer account apart from the customer's other accounts.

The Division will raise no question nor recommend any action if the broker-dealer treats the unlisted option as a listed option for the purpose of treating the hedged position for haircut purposes under the net capital rule as a position comprised of a short security and a long listed call for the same number of units of the same underlying security.

Sincerely,

Michael A. Macchiaroli

Assistant Director

Mr. Michael A. Macchiaroli

Securities and Exchange Commission

450 Fifth Street, NW Washington, DC 20549

Dear Michael:

This is to confirm your oral response to my question regarding the Rule 15c3-1 treatment of long over-the-counter options in a broker-dealer's firm trading

account if the call is written by a customer of the same broker-dealer and is properly margined.

As we discussed, a customer of a broker-dealer who is long a security held at the broker-dealer would write an over-the-counter call on that security. The customer's account would be properly margined in accordance with the applicable maintenance margin requirements of the designated self regulatory organization.

The broker-dealer would purchase such over-the-counter option from its customer and would also be short the underlying security in its firm trading account.

You stated that in the above situation, the broker-dealer could apply Rule 15c1-1 Appendix A paragraph (c)(10) charges to the broker-dealer's firm position (consisting of the long over-the-counter option and short the underlying security) as though the long call option was a listed call option.

Sincerely,

Jeffrey C. Bernstein