

July 15, 1983

Ms. Susan B. Mann

Director of Examinations

Philadelphia Stock Exchange

Philadelphia Stock Exchange Building

1900 Market Place

Philadelphia, Pennsylvania 19103

Dear Ms. Mann:

This is in response to your letter of July 6, 1982, on behalf of the Philadelphia Stock Exchange ("Phlx"), in which you request the views of the Division regarding the treatment and aging of floor brokerage commission's receivable under paragraph (c)(2)(iv) of Rule 15c3-1 (17 CFR § 240.15c3-1) in the computation of a broker-dealer's net capital.

Paragraph (c)(2)(iv)(C) of the net capital rule requires, among other things, that floor brokerage commissions receivable which are outstanding longer than thirty calendar days from the date they arise must be deducted from net worth in computing net capital. However, the Division will not recommend any action to the Commission if in computing net capital, the thirty day period during which the receivable is treated as an allowable asset for net capital purposes, accrues starting from the reporting month end, provided that such receivable is billed promptly after the close of the month.

If you have any further questions, please do not hesitate contact us.

Sincerely,

Julio A. Mojica

Staff Attorney

Philadelphia Stock Exchange

PHILADELPHIA STOCK EXCHANGE BUILDING

1900 MARKET STREET, PHILADELPHIA PA 19103

Telephone 215/496-5000

July 6, 1982

Mr. Michael A. Macchiaroli

Branch Chief, Financial Responsibility

Division of Market Regulation

Securities and Exchange Commission

500 North Capitol Street Washington, DC 20549

RE: SEC RULE 15c3-1: TREATMENT OF FLOOR BROKERAGE COMMISSIONS  
RECEIVABLE

Dear Mr. Macchiaroli:

The purpose of this letter is to confirm the conversations of June 29, 1982 and July 1, 1982 between yourself and various PHLX staff regarding the treatment and aging of floor brokerage commissions receivable under SEC Rule 15c3-1(c)(2)(iv)(C) in the computation of a broker/dealer's net capital.

You stated that Rule 15c3-1 literally allows only those floor brokerage commissions arising within thirty days of reporting net capital to be deducted from net worth. However, the staff of the Securities and Exchange Commission for the time being will not object if, when reporting net capital, this thirty day period is construed to begin as of the end of the month in which the receivable arises. To better ensure compliance with this rule, a floor broker should send out his bills promptly (i.e. within the first few days) after the end of the month.

To illustrate this position, the following sequence of actions and discussion are presented:

1. Floor broker executes transactions for other members of a national securities exchange throughout the month of May 19x2.

2. The floor broker prepares monthly floor brokerage commission bills for May promptly after the month end, and mails them on June 4, 19x2.
3. The floor broker prepares a monthly financial report as of each month end and includes all floor brokerage commissions receivable in May as current on the May financial report. On the June financial report the floor brokerage receivable included as current in May's financial statement will become non-current to the extent it is not received by the broker/dealer.

The thirty day period during which the floor brokerage commission receivable is considered current accrues starting from the reporting month end, provided that such receivables are billed promptly after the close [\*4] of the month, rather than accruing from the date of the billing, regardless of when that billing accrues.

In view of the position of the Commission's staff on this issue, the Exchange will also not object to such treatment of floor brokerage commissions. If you have any questions concerning this letter, please call me at 215/496-5177.

Very truly yours,

Susan R. Mann

Director of Examinations