SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
MARKET REGULATION

AUG 25 1976

Mr. Ernest M. Grunebaum
Stuart Brothers
New York Hanseatic Division
55 Broad Street
New York, New York 10004

Dear Mr. Grunebaum:

This is in response to your letter of July 23, 1976 on behalf of Stuart Brothers regarding the treatment of deficits in partly secured reverse repurchase agreements ("RR/P") in securities issued by, or guaranteed as to principal and interest, by the United States Government pursuant to Rule 15c3-1 (17 CFR 240.15c3-1) under the Securities Exchange Act of 1934 ("The Act").

It is the Division's view that mark to the market deficiencies in RR/P's should be deducted from net worth in the determination of net capital pursuant to subparagraph (c)(2)(iv)(E) of the Rule.

However, when such RR/P are executed with "customers" or "non-customers" which have net tangible assets of 16 million dollars ($16,000,000) or more, no question will be raised by the staff where the following percentages of the mark to market deficit is charged to net worth in lieu of the deduction required by subparagraph (c)(2)(iv)(E) of the Rule.

1. RR/P's with 30 calandar days or less to maturity - 0%;

2. RR/P's with 31 to 90 calendar days to maturity - 25%;

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3. RR/P's in excess of 90 calendar days to maturity - 100%; and in addition to 1., 2. and 3. above,

4. The amount by which the deficit in all such RR/P's exceed 5% of net capital before the application of subparagraphs (c)(2)(vi), (f)(3) or Appendix A of Rule 15c3-1.

Sincerely,

Nelson S. Kibler
Assistant Director