



DIVISION OF
MARKET REGULATION

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

March 21, 1985

Mr. James A. Francis
Vice President
The Ohio Company
155 East Broad Street
Columbus, Ohio 43215

Dear Mr. Francis:

This is in response to your letter of April 23, 1984, in which you, on behalf of The Ohio Company ("Ohio"), request advice as to whether Ohio's method of maintaining money market funds for its customers is in compliance with the requirements of Rule 15c3-3 of the Securities Exchange Act of 1934 (17 CFR §240.15c3-3).

The pertinent facts as I understand them are as follows: Ohio is a registered broker-dealer which is the sponsor of two money market funds, the Cardinal Government Securities Trust and the Cardinal Tax Exempt Trust ("Cardinal Trusts"). Ohio receives funds daily for the purchase of shares in these trusts with the majority of the funds received being represented by checks made payable to the Cardinal Trusts. You furthermore state that most of the above funds are not collected but are transferred the following business day to the Cardinal Trusts' custodian bank, First Pennsylvannia Bank N.A. ("Bank") in Philadelphia, PA., to effect the actual purchase of Cardinal Trusts shares. On the same day the funds are wired to the Bank, you issue detailed buy instructions to the bank via a Panafax machine. The Bank is then responsible for mailing purchase confirmations, calculating interests, crediting same to customer accounts, and distributing the monthly statements.

You propose to establish a separate Special Reserve Bank Account whose only activity would be to receive the daily deposits of funds for the purchase of Cardinal Trusts shares. On the following business day these funds would be wired to the Bank. The funds, you state, would be totally separate from other funds generated by the general securities business of The Ohio Company. Furthermore, you are requesting a no-action position from the Commission concerning the requirement of a daily recomputation of Rule 15c3-3 reserve formula in connection with Cardinal Trusts' activity and propose to continue the preparation of a weekly 15c3-3 calculation where any unremitted Cardinal Trusts monies are shown as a credit in the formula and excluding these credits in the computation of the weekly deposit requirements.

The Division believes that the computation of reserve requirements under Rule 15c3-3 provides essential accountability for customers' funds and securities in the custody of a broker.

The Division is unable to grant your request for a no-action position regarding the exclusion of these credits from the Formula. The Division will, however, raise no questions and recommend that no action be taken if Ohio withdraws from the Reserve Bank Account sufficient cash to effect the purchase of money market shares for customers without making a prior reserve computation provided that:

- (1) Ohio maintains a separate Reserve Bank Account for its customer money market fund transactions;
- (2) Ohio promptly deposits in the separate Reserve Bank Account all funds received from customers for the purchase of money market fund shares;
- (3) Ohio wires funds out of the separate Reserve Bank Account to purchase shares by noon of the next business day following deposit;
- (4) The separate Reserve Bank Account set up for these transactions holds only customer funds which are earmarked for Ohio's money market fund purchases and no other funds; and
- (5) Ohio makes its Reserve Formula computation as required under Rule 15c3-3(e)(3) including as credits the amount of funds then held by the firm to purchase money market shares. To the extent that Ohio can show (e.g., with a bank deposit slip) that the funds in the account have been wired to effect purchases of the money market shares, it can exclude those credits for purposes of computing the weekly deposit requirement. The funds may not otherwise be used in the firm's business.

The position expressed herein is a staff position with respect to enforcement only and does not intend to express any legal conclusion on this matter. The Division's position is necessarily confined to facts as you have represented them; any material change therein may warrant a different result and should be brought to the Division's attention.

If you have any further questions, please contact us.

Sincerely,

Aase Berling
Aase A. Berling
Staff Accountant



Member New York Stock Exchange

155 East Broad Street
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April 23, 1984

Mr. Michael A. Macchiaroli
The Securities & Exchange Commission
Division of Market Regulation
450 Fifth Street N.W.
Washington, D.C. 20549

Dear Mr. Macchiaroli:

During a recent examination of our firm by the Chicago office of the Securities and Exchange Commission, it was brought to our attention that we were not including funds received for the purchase of Cardinal Government Securities Trust and Cardinal Tax-Exempt Money Trust (Cardinal Trusts), which are money market funds, in our regular 15c3-3 computation. The Ohio Company is the sponsor of the Cardinal Trusts and as such receives funds daily for the purchase of shares in said trusts. The vast majority of these funds are represented by checks made payable to the Cardinal Trusts.

Most of these monies are represented by uncollected funds and are thus not transferred to the Cardinal Trusts' custodian bank, First Pennsylvania Bank N.A. (First Pennsy) in Philadelphia, Pa. to effect actual purchase of Cardinal Trust shares, until the following business day after receipt. The same day that funds are wired to First Pennsy, detailed buy instructions are also transmitted to the custodian by way of a Panafax machine over telephone lines. First Pennsy is then responsible for mailing purchase confirmations, calculating and crediting interest and distributing monthly statements.

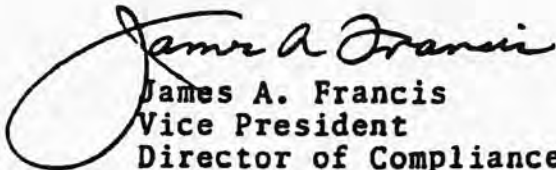
The Ohio Company is a full service broker-dealer performing our 15c3-3 reserve computation on a weekly basis. We propose to

establish a separate Special Reserve Bank Account, (see attached agreement) whose only activity would be to receive the daily deposit of funds for the purchase of Cardinal Trusts shares and subsequent wire transfer of these same funds on the following business day to First Pennsy. These funds would be totally separate from the other funds generated by the general securities business of The Ohio Company.

Clearly this process generates a daily withdrawal of funds from a Special Reserve Bank account. Considering all of the facts as presented, we are asking for a "no-action opinion" from the Commission for relief from the burdensome requirement of a daily recomputation of our 15c3-3 reserve calculation caused by the Cardinal Trusts' activity. We propose to continue to prepare only a weekly 15c3-3 reserve calculation, showing any unremitted Cardinal Trust monies as a credit in the formula, but excluding these credits for purposes of computing the weekly deposit requirement; since said funds would be wired to the custodian bank on the following day.

We are implementing the new Special Reserve account immediately and would appreciate your response at your earliest convenience.

Very truly yours,


James A. Francis
Vice President
Director of Compliance

JAF/rbw
Encl.