



DIVISION OF  
MARKET REGULATION

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

August 19, 1986

Mr. O. Gene Hurst  
President  
Wolfe & Drizos Corporates, Inc.  
7 Dey Street  
New York, New York 10007

Dear Mr. Hurst:

This responds to your letter of May 7, 1986 on behalf of Wolfe & Drizos Corporates, Inc. ("Wolfe") regarding the treatment of corporate bonds brokers' broker under Rule 15c3-1 of the Securities Exchange Act of 1934 (17 CFR §240.15c3-1).

I understand the pertinent facts to be as follows: Wolfe, a registered broker-dealer, operates solely as a brokers' broker within the corporate bond community. As such, Wolfe acts exclusively as an undisclosed agent in the purchase and sale of corporate debt securities for other registered broker-dealers. Moreover, Wolfe has no "customers" as defined in Rule 15c3-1 and maintains no trading accounts for proprietary positions. 1/ Lastly, Wolfe will at all times have and maintain net capital of not less than \$150,000. Accordingly, you ask that Wolfe be afforded net capital treatment similar to that afforded the municipal securities brokers' brokers under paragraph (a)(8) of Rule 15c3-1.

Based on the foregoing facts, the Division will raise no question nor recommend any action to the Commission if Wolfe elects to operate according to paragraph (a)(8) of Rule 15c3-1, if (1) Wolfe has and maintains net capital of not less than \$150,000, and (2) Wolfe deducts from net worth one percent of the contract value of each corporate debt securities fail to deliver contract which is outstanding 5 business days or longer.

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1/ A brokers' broker operating pursuant to paragraph (a)(8) would by definition be precluded from maintaining any proprietary accounts. However, the staff of the SEC would not object in such brokers were to invest idle cash in government securities falling within paragraph (c)(2)(vi)(A)(1), Category 1 or securities qualifying under (c)(2)(vi)(E)(1).

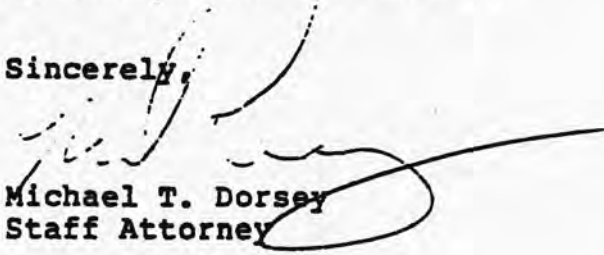
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Such deduction shall be increased by any excess of the contract price of the fail to deliver over the market value of the underlying security. Wolfe may exclude from its aggregate indebtedness computation indebtedness adequately collateralized by corporate debt securities, outstanding for not more than one business day and offset by corporate debt securities fail to deliver of the same issue and quantity. Wolfe need not deduct from net worth the amount by which the market value of securities failed to receive outstanding longer than thirty calendar days exceeds the contract value of those failed to receive, as required by Rule 15c3-1(c)(2)(iv)(E).

You should understand the position expressed herein is a staff position on enforcement only and does not purport to express any legal conclusion on this matter. The Division's position is necessarily confined to the 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 further questions, please do not hesitate to contact me.

Sincerely,



Michael T. Dorsey  
Staff Attorney

cc: Martin Bobby  
NYSE, Inc.