and maintenance of, the track on which the accident occurred.

(c) Each notification required by paragraph (a) of this section shall be made by (toll-free) telephone to the Board at Area Code 800–424–0201.

**§ 840.4 Information to be given in notification.**

The notice required by § 840.3 shall include the following information:

(a) Name and title of person reporting.

(b) Name of railroad.

(c) Location of accident (relate to nearest city).

(d) Time and date of accident.

(e) Description of accident.

(f) Casualties—

(1) Fatalities.

(2) Injuries.

(g) Property damage (estimate).

(h) Name and telephone number of person from whom additional information may be obtained.

Signed at Washington, D.C. this 30th day of January, 1976.

[SEAL] JOHN H. REED,
*Acting Chairman.*

[FR Doc.76-3421 Filed 2-4-76;8:45 am]

## SECURITIES AND EXCHANGE COMMISSION

**[ 17 CFR Part 240 ]**

[Release No. 34–11969]

### UNIFORM NET CAPITAL RULE AND CUSTOMER PROTECTION RULE

### Notice of Proposed Amendments

The Securities and Exchange Commission today announced proposed amendments to Rule 15c3–1 [17 CFR 240.15c3–1], the uniform net capital rule, and Rule 15c3–3 [17 CFR 240.15c3–3], the customer protection rule, under the Securities Exchange Act of 1934 ("the Act").

INTRODUCTION

Section 15(c)(3)[1] of the Act requires the Commission to regulate brokers and dealers respecting, inter alia, the custody, carrying and use of customers' funds and securities, and the maintenance of reserves against customers' deposits or credit balances. In 1972,[2] the Commission, acting under Section 15(c)(3), adopted Rule 15c3–3 [17 CFR 240.15c3–3],[3] a customer protection rule. Rule 15c3–3 [17 CFR 240.15c3–3] obliges brokers and dealers to obtain possession or control over fully paid or excess margin customers' securities and, through the Formula for Determination of Reserve Requirements of Brokers and Dealers ("the Reserve Formula"),[4] requires brokers and dealers to maintain reserves with respect to customers' funds and funds realized through the utilization of customers' securities. The Securities Acts Amendments of 1975 amended Section 15(c)(3)[5] to require the Commission to adopt minimum financial responsibility standards for all brokers and dealers. The Commission adopted amendments to Rule 15c3–1 [17 CFR 240.15c3–1] on June 26, 1975.[6] Rule 15c3–1 [17 CFR 240.15c3–1] requires substantially all brokers and dealers to maintain specified levels of net capital computed in accordance with the rule's provisions, which are intended to provide safeguards with respect to the financial responsibility of brokers and dealers. Rule 15c)–1 [17 CFR 240.15c3–1] as amended preserves the traditional aggregate indebtedness concept, but also provides an alternative capital requirement based on aggregate debit items in the Reserve Formula.

The Commission has determined that amendments to Rule 15c3–1 [17 CFR 240.15c3–1] and the Reserve Formula are necessary and appropriate for the protection of investors. First, recent experiences of certain broker-dealers demonstrate the desirability of reducing the exposure of customers' funds and securities which arises when a broker or dealer regularly maintains for extended periods short security positions in fail to receive or stock loan accounts, as well as in special omnibus accounts established under section 4(b) of Regulation T of the Federal Reserve Board [12 CFR 220.4(b)] or otherwise. Accordingly, the Commission proposes amendments to Rule 15c3–1 [17 CFR 240.15c3–1] and the Reserve Formula which effectively would require brokers and dealers to reflect such exposure in the computation of net capital or mark to the market these short positions. Second, experience with the rapidly developing options marketplace suggests the necessity of certain proposed amendments to these rules to reflect more appropriately the risks associated with transactions in options. Finally, the need for certain other proposed amendments to Rule 15c3–1 [17 CFR 240.15c3–1] and the Reserve Formula became apparent during efforts on the part of the Commission and self-regulatory organizations to assist brokers and dealers in understanding and implementing Rule 15c3–1 [17 CFR 240.15c3–1].[7]

PROPOSED AMENDMENTS TO RULE 15c3–1 AND RULE 15c3–3

Pursuant to sections 15(c)(3), 17(a) and 23(a) of the Securities Exchange Act of 1934, the Commission proposes to amend § 240.15c3–1 and § 240.15c3–3 in Part 240 of Chapter II of Title 17 of the Code of Federal Regulations as set forth below.

PROPOSED AMENDMENTS WITH RESPECT TO CERTAIN DEFICIT CONDITIONS

The Commission notes that recently certain broker-dealers have engaged in regular and substantial short sales of securities for their own accounts. In one such case, the broker-dealer was able to conceal his short sales through "dummy" customer accounts, representing that the broker-dealer was selling long customer securities. The broker-dealer would, through an agent, borrow securities from an institution to cover its short position. The broker-dealer was able to continue this scheme largely because other broker-dealers and institutions failed to protect themselves by requiring adequate security in the form of marks to market in stock loan and special omnibus accounts, or by allowing fails to receive from the broker-dealer to remain outstanding for extended periods of time. When, in a rising market, the broker-dealer was unable to meet demands for additional collateral or marks to market, a number of brokers and dealers and institutions suffered substantial losses. These practices are inconsistent with the public interest and the protection of investors.

The Commission has determined to propose certain amendments to Rule 15c3–1 [17 CFR 240.15c3–1] and the Reserve Formula to require brokers and dealers to maintain adequate security in stock loan and special omnibus accounts, and to provide for fails to receive. Thus, Rule 15c3–1(c)(2)(iv)(B) [17 CFR 240.15c3–1(c)(2)(iv)(B)] would be amended to require a deduction from net worth for deficits in special omnibus accounts maintained pursuant to section 4(b) of Regulation T [12 CFR 220.4(b)], or similar accounts carried for another broker or dealer, after application of marks to market or other required deposits outstanding five business days or less, as well as a deduction for the excess

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[1] 15 U.S.C. § 78o(c)(3) (Supp. IV, 1975).

[2] Securities Exchange Act Release No. 9856 (Nov. 10, 1972), 37 FR 25224 (Nov. 29, 1972).

[3] 17 CFR § 240.15c3–3 (1975). Rule 15c3–3 was adopted pursuant to § 15(c)(3) as it existed prior to the Securities Acts Amendments of 1975. *See* 15 U.S.C. § 78o(c)(3) (1970), *as amended*, 15 U.S.C. § 78o(c)(3) (Supp. IV, 1975).

[4] The Reserve Formula constitutes Exhibit A to Rule 15c3–3, 17 CFR 240.15c3–3a (1975).

[5] Act of June 4, 1975, Pub. L. No. 94–29, § 11(3), 89 Stat. 126.

[6] Securities Exchange Act Release No. 11497 (June 26, 1975), 40 FR 29795 (July 26, 1975).

[7] Since this rule's adoption on June 26, 1975, the Commission has cooperated with all the self-regulatory organizations in programs and procedures designed to provide brokers and dealers a smooth transition to uniform net capital regulation. The New York Stock Exchange sponsored a series of two-day seminars on the uniform rule in New York, Chicago, Dallas, San Francisco and Los Angeles. Members of the Commission staff participated as panelists at these seminars. The National Association of Securities Dealers sponsored one-day seminars in no less than thirty-four cities from coast to coast. Other self-regulators distributed a great deal of detailed information concerning the uniform net capital rule to their memberships. As a result of this extensive dialogue with the public, the Commission became aware of the need to propose certain technical amendments to Rule 15c3–1, designed to clarify several provisions of the rule. Similarly, comments received from the public and the self-regulatory organizations during the course of this educational process led to the modifications of certain interpretations concerning allocation procedures applicable to computations under the Reserve Formula. *See* 41 FR 5277 (Feb. 5, 1976).

of the market value of stock loaned over the value of any collateral received therefor. Rule 15c3–1(c)(2)(iv)(E) [17 CFR 240.15c3–1(c)(2)(iv)(E)] would be amended to require a deduction from net worth for the excess of the market value over the contract value of securities failed to receive outstanding longer than thirty calendar days. The Reserve Formula would be amended to require inclusion therein of amounts equal to the deductions from net worth stipulated in the proposed amendments to Rule 15c3–1 [17 CFR 240.15c3–1].

1. The proposed amendments to the Reserve Formula are set out later in this release. The text of the proposed amendments to Rule 15c3–1(c)(2)(iv)(B) & (E) [17 CFR 240.15c3–1(c)(2)(iv)(B), (E)] is as follows:

§ 240.15c3–1 [Amended]

* * * * *

(c) * * *

(2) * * *

(iv) * * *

(B) All unsecured advances and loans; deficits in customers' and non-customers' unsecured and partly secured notes; deficits in special omnibus accounts maintained in compliance with the requirements of 12 CFR 220.4(b) of Regulation T under the Securities Exchange Act of 1934, or similar accounts carried on behalf of another broker or dealer, after application of calls for margin, marks to the market or other required deposits which are outstanding 5 business days or less; deficits in customers' and noncustomers' unsecured and partly secured accounts after application of calls for margin, marks to the market or other required deposits which are outstanding 5 business days or less, except deficits in cash accounts as defined in 12 CFR 220.4(c) of Regulation T under the Securities Exchange Act of 1934 for which not more than one extension respecting a specified securities transaction has been requested and granted, and deducting for securities carried in any of such accounts the percentages specified in paragraphs (c)(2)(vi) or (f) of this section or Appendix (A), 17 CFR 240.15c3–1a; the market value of stock loaned in excess of the value of any collateral received therefor; receivables arising out of free shipments of securities (other than mutual fund redemptions) in excess of $5,000 per shipment and all free shipments (including mutual fund redemptions) outstanding more than 7 business days; and collateral deficiencies in secured demand notes as defined in Appendix (D), 17 CFR 240.15c3–1d;

* * * * *

(E) All other unsecured receivables; all assets doubtful of collection less any reserves established therefor; the amount by which the market value of securities failed to receive outstanding longer than thirty (30) calendar days exceeds the contract value of such fails to receive outstanding longer than thirty (30) calendar days, and the funds on deposit in a "segregated trust account" in accordance with 17 CFR 270.27d–1 under the Investment Company Act of 1940, but only to the extent that the amounts on deposit in such segregated trust account exceeds the amount of liability reserves established and maintained for refunds of charges required by Sections 27(d) and 27(f) of the Investment Company Act of 1940; provided, that any amount deposited in the "Special Reserve Bank Account for the Exclusive Benefit of Customers" established pursuant to 17 CFR 240.15c3–3 and clearing deposits shall not be so deducted.

* * * * *

RULE 15c3–1(b)(2)—ALTERNATIVE FINANCIAL RESPONSIBILITY STANDARD FOR FLOOR BROKERS

In Securities Exchange Act Release No. 11624 (Aug. 29, 1975), 40 FR 41520 (Sept. 8, 1975), the Commission adopted paragraph (b)(2) of Rule 15c3–1 [17 CFR 240.15c3–1], an alternative financial responsibility standard for brokers who act solely as floor brokers on a national securities exchange. Rule 15c3–1(b)(2) [17 CFR 240.15c3–1(b)(2)] is predicated on certain exchange rules governing the priority of claims against the proceeds of the sale of an exchange membership. Rule 15c3–1(b)(2) [17 CFR 240.15c3–1(b)(2)] is available only where the value of the exchange membership is not less than $25,000, as of current bid or last sale. Several national securities exchanges have commented that insofar as their membership values are less than this amount, their floor brokers are precluded from operating under Rule 15c3–1(b)(2) [17 CFR 240.15c3–1(b)(2)]. The Commission has determined that it is appropriate to make Rule 15c3–1(b)(2) [17 CFR 240.15c3–1(b)(2)] available to floor brokers of all national securities exchanges who are able to meet financial responsibility standards necessary for the protection of investors. Accordingly, the Commission proposes to amend Rule 15c3–1(b)(2) [17 CFR 240.15c3–1(b)(2)] to allow floor brokers to operate thereunder if the value of their exchange membership is held in escrow by an independent agent.

2. The text of the proposed amendments to Rule 15c3–1(b)(2) is as follows:

* * * * *

(b) * * *

(2) A member in good standing of a national securities exchange who acts as a floor broker (and whose activities do not require compliance with other provisions of this rule) may elect to comply, in lieu of the other provisions of this section, with the following financial responsibility standard: the value of the exchange membership of the member (based on the lesser of the most recent sale price or current bid price for an exchange membership) is not less than $15,000, or an amount equal to the excess of $15,000 over the value of the exchange membership is held by an independent agent in escrow; provided that the rules of such exchange require that the proceeds from the sale of the exchange membership of the member and the amount held in escrow pursuant to this paragraph shall be subject to the prior claims of the exchange and its clearing corporation and those arising directly from the closing out of contracts entered into on the floor of such exchange.

* * * * *

RULE 15c3–1(c)(2)(vi)(M) and (f)(3)(iii)—UNDUE CONCENTRATION

Rule 15c3–1(c)(2)(vi)(M) [17 CFR 240.15c3–1(c)(2)(vi)(M)] essentially provides that, for purposes of computing net capital, an additional deduction from net worth equal to one-half the appropriate haircut shall be taken against all positions of a broker or dealer in the securities of an issuer of a single class or series with a value exceeding ten percent of tentative net capital. A similar provision, Rule 15c3–1(f)(3)(iii) [17 CFR 240.15c3–1(f)(3)(iii)], applies to computations under the alternative net capital requirement. These provisions are intended to provide a hedge against downside market risk, which increases proportionately with the size and consequent possible illiquidity of such substantial positions. Since the adoption of Rule 15c3–1 [17 CFR 240.15c3–1], members of the public have commented that these provisions may not be appropriate as applied to redeemable shares of registered investment companies. Since such securities are fully redeemable, they remain readily convertible into cash. Accordingly, the Commission proposes to amend paragraphs (c)(2)(vi)(M) and (f)(3)(iii) of Rule 15c3–1 [17 CFR 240.15c3–1] to exempt therefrom positions in redeemable securities[8] of investment companies registered pursuant to Section 8 of the Investment Company Act of 1940.[9]

Other proposed amendments to Rule 15c3–1(f)(3)(iii) [17 CFR 240.15c3–1(f)(3)(iii)] would conform this provision to Rule 15c3–1(c)(2)(vi)(M) [17 CFR 240.15c3–1(c)(2)(vi)(M)] by subjecting securities collateralizing a secured demand note to this undue concentration provision, and by excluding positions of relatively small size or value from undue concentration charges.

3. The text of the proposed amendments to Rule 15c3–1(c)(2)(vi)(M) and (f)(3)(iii) [17 CFR 240.15c3–1(c)(2)(vi)(M), (f)(3)(iii)] follows:

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(c) * * *

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(2) * * *

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(vi) * * *

* * * * *

(M) In the case of money market instruments or securities of a single class or series of an issuer, including any option written, endorsed or held to purchase or sell securities of such a single

[8] It is intended that the term "redeemable security" shall carry its statutory meaning. *See* § 2(a)(32) of the Investment Company Act of 1940, 15 U.S.C. § 80a–2(a)(32) (1970).

[9] *Id.* § 80a–8.

class or series of an issuer (other than "exempted securities" and redeemable securities of an investment company registered pursuant to the Investment Company Act of 1940), which are long or short in the proprietary or other accounts of a broker or dealer, including securities which are collateral to secured demand notes defined in Appendix (D), 17 CFR 240.15c3–1d, for more than 11 business days and which have a market value of more than 10 percent of the "net capital" of a broker or dealer before the application of subparagraph (c)(2)(vi) or Appendix (A), 17 CFR 240.15c3–1a, there shall be an additional deduction from net worth and/or the Collateral Value for securities collateralizing a secured demand note defined in Appendix (D), 17 CFR 240.15c3–1d, equal to 50 percent of the percentage deduction otherwise provided by this subparagraph (c)(2)(vi) or Appendix (A), 17 CFR 240.15c3–1a, on that portion of the securities position in excess of 10% of the "net capital" of the broker or dealer before the application of subparagraph (c)(2)(vi) and Appendix (A), 17 CFR 240.15c3–1a. This provision shall apply notwithstanding any long or short position exemption provided for in subdivision (I) or (J) of this subparagraph (except for long or short position exemptions arising out of the first proviso to subdivision (c)(2)(vi)(J)) and the deduction on any such exempted position shall be 15% of that portion of the securities position in excess of 10% of net capital before the application of subparagraph (c)(2)(vi) and Appendix (A), 17 CFR 240.15c3–1a. Provided, that such additional deduction shall be applied in the case of equity securities only on the market value in excess of $10,000 or the market value of 500 shares, whichever is greater, or $25,000 in the case of a debt security. Provided, further, that any specialist which is subject to a deduction required by this subdivision (M), respecting his specialty stock, who can demonstrate to the satisfaction of the Examining Authority for such broker or dealer that there is sufficient liquidity for such specialists' specialty stock and that such deduction need not be applied in the public interest for the protection of investors, may upon a proper showing to such Examining Authority have such undue concentration deduction appropriately decreased, but in no case shall the deduction prescribed in subdivision (J) above be reduced. Each such Examining Authority shall make and preserve for a period of not less than 3 years a record of each application granted pursuant to this subdivision, which shall contain a summary of the justification for the granting of the application. Provided further, that until June 1, 1976, this subparagraph shall not apply to municipal securities.

* * * * *

(f) * * *

(3) * * *

(iii) In the case of money market instruments, or securities of a single class or series of an issuer, including any option written, endorsed or held to purchase or sell securities of such a single class or series of an issuer (other than "exempted securities" and redeemable securities of an investment company registered pursuant to the Investment Company Act of 1940) and securities underwritten (in which case the deduction provided for herein shall be applied after 11 business days) which are long or short in the proprietary or other accounts of a broker or dealer, including securities which are collateral to secured demand notes defined in Appendix (D), 17 CFR 240.15c3–1d, and which have a market value of more than 10 percent of the "net capital" of a broker or dealer before the application of subparagraphs (c)(2)(vi), (f)(3) or Appendix (A), 17 CFR 240.15c3–1a, there shall be an additional deduction from net worth and/or the Collateral Value of securities collateralizing a secured demand note defined in Appendix (D), 17 CFR 240.15c3–1d, equal to 50 percent of the percentage deduction otherwise provided by this section or Appendix (A), 17 CFR 240.15c3–1a (in the case of securities described in subparagraph (f)(3)(i) which receive a 30% deduction or securities described in subparagraph (f)(3)(ii) the deduction required by this subdivision (f)(3)(iii) shall be 15%) on that portion of the securities position in excess of 10 percent of the "net capital" of the broker or dealer before the application of subparagraphs (c)(2)(vi), (f)(3)(i) and (ii) and Appendix (A), 17 CFR 240.15c3–1a. This provision shall apply notwithstanding any long or short position exemption provided for in subparagraphs (c)(2)(vi)(I) or (f)(3)(ii) (except for a long or short position exemption arising out of the first proviso to subparagraph (f)(3)(ii)) and the deduction on any such exemption position shall be 15% of that portion of the position in excess of 10% of net capital before the application of subparagraph (c)(2)(vi), subparagraphs (f)(3)(i) and (ii) and Appendix (A), 17 CFR 240.15c3–1a. Provided that such additional deductions shall be applied in the case of equity securities only on the market value in excess of $10,000 or the market value of 500 shares, whichever is greater, or $25,000 in the case of a debt security. Provided further, that any specialist who is subject to a deduction required by this subdivision (f)(3)(iii) respecting his specialty stock, who can demonstrate to the satisfaction of the Examining Authority for such broker or dealer that there is sufficient liquidity for such specialist's specialty stock and that such deduction need not be applied in the public interest for the protection of investors may on a proper showing to such Examining Authority have such undue concentration deduction appropriately decreased but in no case shall the deduction prescribed in subdivision (f)(3)(ii) above be reduced. Each such Examining Authority shall make and preserve for a period of not less than 3 years a record of each application granted pursuant to this subdivision, which shall contain a summary of the justification for the granting of the application. Provided further, that until June 1, 1976, this subparagraph shall not apply to municipal securities.

* * * * *

RULE 15c3–1(c)(2)(xiii)—INDEBTEDNESS COLLATERALIZED BY EXEMPTED SECURITIES

Rule 15c3–1(c)(2)(xiii) [17 CFR 240.15c3–1(c)(2)(xiii)] provides that a broker or dealer may, at his option, include indebtedness collateralized by exempted securities in aggregate indebtedness or deduct four percent of such indebtedness from net worth. The proposed amendments to this provision would clarify that the option of deducting four percent of such indebtedness from net worth is available only if the indebtedness would be otherwise includable in aggregate indebtedness.

4. The text of the proposed amendment to Rule 15c3–1(c)(2)(xiii) [17 CFR 240.15c3–1(c)(2)(xiii)] is as follows:

* * * * *

(c) * * *

(2) * * *

(xiii) Deducting, at the option of the broker or dealer, in lieu of including such amounts in aggregate indebtedness, 4 percent of the amount of any indebtedness secured by exempted securities or municipal securities if such indebtedness would otherwise be includable in aggregate indebtedness. Provided, with respect to indebtedness collateralized by municipal securities, that such option shall be available until June 1, 1976.

* * * * *

RULE 15c3–1(c)(13)—DEFINITION OF "EQUITY"

Rule 15c3–1(c)(13) [17 CFR 240.15c3–1(c)(13)] provides that, for purposes of the deductions from net worth specified in Rule 15c3–1(c)(2)(x) [17 CFR 240.15c3–1(c)(2)(x)] relative to certain transactions in options, equity shall be computed by adding the credit balance in the account to the current market value of all long positions in the accounts specified in Rule 15c3–1(c)(2)(x) [17 CFR 240.15c3–1(c)(2)(x)], and deducting the debit balance in the account and the current market value of all short positions in such accounts. The Commission proposes to amend Rule 15c3–1(c)(13) [17 CFR 240.15c3–1(c)(13)] to clarify that all securities positions (including listed options positions) in accounts specified in Rule 15c3–1(c)(2)(x) [17 CFR 240.15c3–1(c)(2)(x)] must be haircut pursuant to Rule 15c3–1(c)(2)(vi) [17 CFR 240.15c3–1(c)(2)(vi)], (c)(2)(x) [17 CFR 240.15c3–1(c)(2)(x)], or Appendix A to the rule, as appropriate. The proposed amendments would also reflect the deletion of Rule 15c3–1(c)(2)(xi) [17 CFR 240.15c3–1(c)(2)(xi)] by Securities Exchange Act Release No. 11624 (Aug. 29, 1975), 40 FR 41520 (Sept. 8, 1975).

5. The text of the proposed amendments to Rule 15c3–1(c)(13) [17 CFR 240.15c3–1(c)(13)] is as follows:

* * * * *

(c)(13) For purposes of subparagraph (c)(2)(x) of this section equity shall be computed by adding the credit balance (if any) in the account to the current market value of all securities (including listed options) after the application of subparagraph (c)(2)(vi), (c)(2)(x) (to the extent applicable) or Appendix A, 17 CFR 240.15c3-1a, carried long in the accounts specified in subparagraphs (c)(2)(x) of this section and by deducting the debit balance (if any) in the account and the current market value of all securities (including listed options) after the application of subparagraph (c)(2)(vi), (c)(2)(x) (to the extent applicable) or Appendix A, 17 CFR 240.15c3-1a, carried short in such accounts.

RULE 15c3-1a(c)(8)—HAIRCUTS ON LONG LISTED OPTIONS

Paragraph (c)(8) of Appendix A to Rule 15c3-1 [17 CFR 240.15c3-1a(c)(8)] requires brokers and dealers carrying long listed options for which there is no offsetting security position to apply a thirty percent haircut to the long positions. This provision is intended to provide a sufficient capital cushion against the downside market risk relating to the underlying equity security. Since the market value of an option is a leverage function of the value of the underlying security, the haircut on long listed options positions should be higher than the haircut applied to the underlying equity security in order to secure the needed capital cushion. Since positions in most equity securities are given a thirty percent haircut pursuant to Rule 15c3-1(c)(2)(vi)(J) [17 CFR 240.15c3-1(c)(2)(vi)(J)], it is necessary to provide a higher haircut for a corresponding options position. The Commission has determined that it is appropriate to raise the haircut on long listed options positions not offset by a security position to fifty percent, and proposes to amend paragraph (c)(8) of Appendix A to Rule 15c3-1 [17 CFR 240.15c3-1] accordingly.

6. The text of the proposed amendment to Rule 15c3-1a(c)(8) [17 CFR 240.15c3-1a(c)(8)] is as follows:

APPENDIX A TO RULE 15c3-1, 17 CFR 240.15c3-1a

* * * * *

(c) * * *

(8) Where a broker or dealer is long listed options and there is no offsetting security position, deducting 50 percent of the market value of any net long positions in options in the same underlying security, with the same exercise price and the same expiration date. Where a broker-dealer has a net short position in an option in the same underlying security, with the same exercise price and the same expiration date and for which the broker or dealer does not have a related position in the underlying security or an option position otherwise provided for in this Appendix (A), the deduction shall be determined as provided in subparagraph (c)(1) or (2) of this Appendix (A).

RULE 15c3-3a—RESERVE FORMULA

Since the advent of trading in listed options, brokers and dealers effecting options transactions have developed new methods of financing their margin requirements at the clearing corporation level which were not anticipated when Rule 15c3-3 [17 CFR 240.15c3-3] was adopted. These developments dictate amendments to the Reserve Formula in Exhibit A to Rule 15c3-3 [17 CFR 240.15c3-3], to ensure that the reserve requirements continue to secure the contemplated standard of protection for customers' funds and securities, and to provide an appropriate computational basis for the alternative net capital requirement provided in Rule 15c3-1(f) [17 CFR 240.15c3-1(f)]. Accordingly, the Commission proposes to amend the Reserve Formula to include as a credit item the principal amount of restricted letters of credit obtained by members of the Options Clearing Corporation ("OCC") and collateralized by customers' securities. It is also proposed to amend the Reserve Formula to include as debit items margin deposited with OCC to the extent such margin is represented by cash, proprietary qualified securities, or restricted letters of credit collateralized by customers' fully paid or excess margin securities.

The text of the proposed amendments to the Reserve Formula, including those discussed earlier relating to certain deficit conditions, is as follows:

**§ 240.15c3-3a Exhibit A—formula for determination of reserve requirement of brokers and dealers under § 240.15c3-3.**

| | Credits | Debits |
|---|---|---|
| 1. Free credit balances and other credit balances in customers' security accounts. (See note A.) | $xxx | |
| 2. Monies borrowed collateralized by securities carried for the account of customers. (See note B.) | xxx | |
| 3. Monies payable against customers' securities loaned. (See note C.) | xxx | |
| 4. Customers' securities failed to receive. (See note D.) | xxx | |
| 5. Credit balances in firm accounts which are attributable to principal sales to customers | xxx | |
| 6. Market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days | xxx | |
| 7. Market value of short security count differences over 30 calendar days old | xxx | |
| 8. Market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days | xxx | |
| 9. Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the last 40 d | xxx | |
| 10. Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection. (See note E.) | | $xxx |
| 11. Securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers' securities failed to deliver | | xxx |
| 12. Failed to deliver of customers' securities not older than 30 calendar days | | xxx |
| 13. Margin required and on deposit with the Options Clearing Corporation for all option contracts written or purchased in customer accounts. (See note F.) | | xxx |
| Total | | |
| | $ | |
| 14. Excess of total credits (sum of items 1 to 9) over total debits (sum of items 10 to 13) required to be on deposit in the Reserve bank account (sec. 240.15c3-3(e)). If the computation is made monthly as permitted by this section, the deposit shall be not less than 105 pct of the excess of total credits over total debits | | |

NOTE A. Item 1 shall include all outstanding drafts payable to customers which have been applied against free credit balances or other credit balances and shall also include checks drawn in excess of bank balances per the records of the broker or dealer.

NOTE B. Item 2 shall include the principal amount of Restricted Letters of Credit obtained by members of Options Clearing Corporation which are collateralized by customers' securities.

NOTE C. Item 3 shall include in addition to monies payable against customers' securities loaned the amount by which the market value of securities loaned exceeds the collateral value received from the lending of such securities.

NOTE D. Item 4 shall include in addition to customers' securities failed to receive the amount by which the market value of securities failed to receive and outstanding more than thirty (30) calendar days exceeds their contract value.

NOTE E. (1) Debt balances in margin accounts shall be reduced by the amount by which a specific security (other than an exempted security) which is collateral for margin accounts exceeds in aggregate value 15 percent of the aggregate value of all securities which collateralize all margin accounts receivable; provided, however, the required reduction shall not be in excess of the amounts of the debit balance required to be excluded because of this concentration rule. A specified security is deemed to be collateral for a margin account only to the extent it represents in value not more than 140 percent of the customer debit balance in a margin account.

(2) Debit balances in special omnibus accounts, maintained in compliance with the requirements of Section 4(b) of Regulation T under the Act (12 CFR 220.4(b)) or similar accounts carried on behalf of another broker or dealer, shall be reduced by any deficits in such accounts (or if a credit, such credit shall be increase) less any calls for margin, marks to the market, or other required deposits which are outstanding 5 business days or less.

(3) Debit balances in customers' cash and margin accounts included in the formula under Item 10 shall be reduced by an amount equal to 1 percent of their aggregate value.

NOTE F. Item 13 shall include the amount of margin deposited with Options Clearing Corporation to the extent such margin is represented by cash, proprietary qualified securities, and restricted letters of credit collateralized by customers' fully paid or excess margin securities. The amount of margin secured by restricted letters of credit collateralized by margin securities shall not be included as a debit in Item 13.

STATUTORY BASIS AND COMPETITIVE CONSIDERATIONS

These proposed amendments to Rule 15c3–1 [17 CFR 240.15c3–1] and Rule 15c3–3 [17 CFR 240.15c3–3] are proposed pursuant to the Securities Exchange Act of 1934 (the "Act"), particularly Sections 2, 6, 10, 15, 17 and 23 thereof. The Commission finds that any burden upon competition imposed by the proposed amendments is necessary and appropriate in furtherance of the purposes of the Act, and is necessary and appropriate to implement the Commission's continuing mandate under this Act, and particularly section 15(c)(3) thereof, to provide safeguards with respect to the financial responsibility and related practices of brokers and dealers, and to protect customers' funds and securities.

REQUEST FOR COMMENTS

All interested persons are invited to submit their views and comments on the proposed amendments to Rule 15c3–1 [17 CFR 240.15c3–1], and Rule 15c3–3 [17 CFR 240.15c3–3]. All communications should be addressed to George A. Fitzsimmons, Secretary, Securities and Exchange Commission, 500 North Capitol Street, Washington, D.C. 20549, no later than February 29, 1976. Reference should be made to File No. S7–609.

All comments received will be available for public inspection.

By the Commission.

[SEAL] GEORGE A. FITZSIMMONS,
*Secretary.*

JANUARY 2, 1976.

[FR Doc.76–3388 Filed 2–4–76;8:45 am]

## VETERANS ADMINISTRATION

### [ 38 CFR Part 1 ]

### PRIVACY ACT OF 1974

### Safeguarding Personal Information in Veterans Administration Records

The Administrator of Veterans' Affairs proposes a regulatory change providing that a request to amend or correct a record pursuant to section 552a (d), title 5, United States Code (Privacy Act of 1974, 88 Stat. 1896), will normally be completed within 30 working days. This action is proposed in accordance with Office of Management and Budget guidelines for the Privacy Act implementation (Circular No. A–108, subsection (d) Access to Records, Actions Required on Requests to Amend Records, 40 FR 28958, July 0, 1975).

Section 1.577(b) of Title 38, Code of Federal Regulations, contains the requirements for an individual to request amendment of any VA record pertaining to him or her. This proposed amendment provides that reviews requested to amend or correct a record normally be completed within 30 days from the receipt of the request (excluding Saturdays, Sundays, and legal public holidays) unless unusual circumstances preclude completing action within that time. Promulgation of such an amendment was recommended by the Office of Management and Budget in a letter of November 28, 1975 following a review of agency rules and notices under the Privacy Act by an Ad Hoc Interagency Task Force on Privacy Act Implementation. Adoption of the proposed amendment will bring § 1.577(b) into closer conformity with the Office of Management and Budget guidelines.

Interested persons are invited to submit written comments, suggestions, or objections regarding the proposal to the Administrator of Veterans Affairs (271A), Veterans Administration, 810 Vermont Avenue NW., Washington, DC 20420. All relevant material received before March 8, 1976 will be considered. All written comments received will be available for public inspection at the above address only between the hours of 8 a.m. and 4:30 p.m. Monday through Friday (except holidays), during the mentioned 30-day period and for 10 days thereafter. Any person visiting Central Office for the purpose of inspecting any such comments will be received by the Central Office Veterans Assistance Unit in room 132. Such visitors to any VA field station will be informed that the records are available for inspection only in Central Office and furnished the address and the above room number.

Notice is given that it is proposed to make this amendment effective September 27, 1975, the effective date of section 3, Pub. L. 93–579.

In section 1.577, paragraph (b) is revised to read as follows:

**§ 1.577 Access to records.**

* * * * *

(b) Any individual may request amendment of any Veterans Administration record pertaining to him or her. Not later than 10 days (excluding Saturdays, Sundays, and legal public holidays) after the date of receipt of such request, the Veterans Administration will acknowledge in writing such receipt. The Veterans Administration will complete the review to amend or correct a record as soon as reasonably possible, normally within 30 days from the receipt of the request (excluding Saturdays, Sundays, and legal public holidays) unless unusual circumstances preclude completing action within that time. The Veterans Administration will promptly either:

* * * * *

Approved: January 30, 1976.

By direction of the Administrator.

[SEAL] ODELL W. VAUGHN,
*Deputy Administrator.*

[FR Doc.76–3458 Filed 2–4–76;8:45 am]

### [ 38 CFR Part 3 ]

### VETERANS BENEFITS

### Apportionments

The Administrator of Veterans' Affairs proposes regulatory changes to Part 3 of Title 38, Code of Federal Regulations, resulting from Pub. L. 94–71 (89 Stat. 395) which effected general increases in rates of disability compensation and rates of dependency and indemnity compensation for widows, widowers and children.

Section 3.461 of Title 38, Code of Federal Regulations, specifies the conditions under which awards of dependency and indemnity compensation will be apportioned for children not in the custody of the widow or widower. Paragraph (b) of the section relates to the rates payable as apportionments. Because of the increases in the overall rates payable to widows (widowers) with children, it is proposed to amend subparagraph (1) to increase the share payable to a child as an apportionment from $35 to $40. It is also proposed to revoke subparagraph (4) which provides that when a widow (widower) elects dependency and indemnity compensation instead of death compensation the share for an entitled child will be either the rate of dependency and indemnity compensation or the rate which would be payable as death compensation, whichever is greater. Under the increased rates provided by Public Law 94–71 the death compensation rate cannot be greater than the dependency and indemnity compensation rates payable for children over age 18. Therefore, apportionment will no longer be involved in such cases since the child would be awarded dependency and indemnity compensation in its own right. Since the provision in paragraph (b)(4) constitutes the only exception to the rule that dependency and indemnity compensation will not be apportioned for children over age 18, paragraph (a) is amended to delete the exception stated therein.

Interested persons are invited to submit written comments, suggestions, or objections regarding the proposal to the Administrator of Veterans' Affairs (271A) Veterans Administration, 810 Vermont Avenue, NW., Washington, DC 20420. All relevant material received before March 8, 1976 will be considered. All written comments received will be available for public inspection at the above address only, between the hours of 8 am and 4:30 pm Monday through Friday (except holidays), during the mentioned 30-day period and for 10 days thereafter. Any person visiting Central Office for the purpose of inspecting any such comments will be received by the Central Office Veterans Assistance Unit in room 132. Such visitors to any field station will be informed that the records are available for inspection only in Central Office and furnished the address and the above room number. Notice is given that the amendments to § 3.461 will be effective August 1, 1975, the effective date of Pub. Law 94–71.

1. In § 3.460, paragraphs (a), (b) and (c) are revised to read as follows:

**§ 3.460 Death pension.**

* * * * *

(a) *Civil and Indian wars; on and after October 1, 1967.*

| | |
|---|---|
| Widow (Widower) | $54.29 |
| Child | 23.84 |
| Each additional child | 8.13 |