center joint venturer and developer in every shopping center in which Respondent is a major tenant.

C. *It is further ordered* That Respondent notify the Commission at least thirty (30) days prior to any proposed change in the corporate respondent or in its subsidiary Homart such as dissolution, assignment or sale resulting in the emergence of a successor corporation, the creation or dissolution of subsidiaries or any other change in the corporations which may affect compliance obligations arising out of the order.

D. *It is further ordered* That Respondent shall within sixty (60) days after service of this order upon Respondent file with the Commission a report, in writing, setting forth in detail the manner and form in which they have complied with this order.

Commissioner Dole abstained, not having participated in the decision to provisionally accept this agreement. Commissioner Clanton dissented.

JOHN F. DUGAN,
Acting Secretary.

[FR Doc.77-15088 Filed 5-26-77;8:45 am]

Title 17—Commodity and Securities Exchanges

CHAPTER II—SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-13565]

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

Uniform Net Capital Rule and Customer Protection Rule

AGENCY: Securities and Exchange Commission.

ACTION: Final rules and interpretations.

SUMMARY: These amendments require brokers and dealers to reflect in their capital computations the exposure resulting from certain short security positions, to enable net capital computations to take into account more completely the risks associated with transactions in options and to effect certain technical adjustments to these rules.

The interpretations in this release relate to the definition of the term "bearer form" for purposes of Rule 15c3-1d and the treatment of the consolidated computation of net capital by affiliates and subsidiary corporations and are designed to resolve questions raised by the application of these provisions of the rule to specific factual situations. These amendments and interpretations arise from the Commission's ongoing review of its financial responsibility requirements.

DATE: Effective date: July 15, 1977.

FOR FURTHER INFORMATION CONTACT:

Daniel J. Piliero II, Associate Director, Division of Market Regulation, Securities and Exchange Commission, Washington, D.C. 20549 (202-755-1390).

SUPPLEMENTARY INFORMATION: The Securities and Exchange Commission announced today the adoption of certain amendments and interpretations to Rule 15c3-1 (17 CFR 240.15c3-1) ("Rule 15c3-1"), the uniform net capital rule, and Rule 15c3-3 (17 CFR 240.15c3-3) ("Rule 15c3-3"), the customer protection rule. The amendments are essentially those proposed in Securities Exchange Act Release No. 11969 (January 2, 1976) (41 FR 5299 (Feb. 5, 1976)) ("Release No. 11969"), modified in light of suggestions received in response to the Commission's solicitation of public comment upon the proposals. The amendments, which become effective on July 15, 1977, are intended to require brokers and dealers to reflect in their capital computations the exposure resulting from certain short security positions, to enable net capital computations to take into account more completely the risks associated with transactions in options and to effect certain technical adjustments to Rules 15c3-1 and 15c3-3.

In addition, the Commission issued today certain interpretations of Rule 15c3-1 designed to resolve questions raised by the application of certain provisions of the rule to specific factual situations. These interpretations, set forth below, are made with respect to Rule 15c3-1c ("Appendix C") and Rule 15c3-1d ("Appendix D"). Rule 15c3-1c sets forth the requirements which must be met to consolidate in a single net capital computation the assets and liabilities of affiliates in order to obtain the flow-through capital benefits for a parent broker or dealer. The interpretation of Rule 15c3-1c concerns the general applicability of flow-through benefits, the minimum net capital requirement of the consolidated entity and the treatment under Rule 15c3-1(c)(2)(vi) and (f)(3) of consolidated security positions. The interpretation of Rule 15c3-1d clarifies the definition of "bearer form" as used therein with respect to securities collateralizing a secured demand note. The Commission believes that these interpretations are necessary and in the public interest to resolve questions raised by the application of these provisions of the rule to particular factual situations.

BACKGROUND

Section 15(c)(3) of the Securities Exchange Act of 1934 ("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,[1] the Commission, acting under section 15(c)(3), adopted Rule 15c3-3,[2] a customer protection rule. Rule 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"),[3] 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)[4] to require the Commission to adopt minimum financial responsibility standards for all brokers and dealers. In response to this directive, the Commission adopted amendments to Rule 15c3-1 on June 26, 1975.[5] Rule 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. As amended, Rule 15c3-1 preserves the traditional aggregate indebtedness concept and 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 and the Reserve Formula of Rule 15c3-3 are necessary and appropriate for the protection of investors. First, the recent experience of certain brokers and dealers demonstrates 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, in Securities Exchange Act Release No. 11969 (Jan. 2, 1976) ("Release No. 11969") the Commission proposed amendments to Rule 15c3-1 and the Reserve Formula which effectively would require brokers and dealers to reflect such exposure in their computation of net capital or mark to the market these short positions.[6] Second, experience with the rapidly developing options marketplace suggests the necessity of certain amendments to these rules to reflect more appropriately the risks associated with transactions in options.

Therefore, in Release No. 11969 the Commission proposed to raise to fifty percent the deduction on long positions in listed options not offset by a short position in securities,[7] and to require recognition in the Reserve Formula of certain methods of financing brokers' and

---

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

[2] 17 CFR 240.15c3-3 (1975). Rule 15c3-3 was adopted pursuant to section 15(c)(3) as it existed prior to the Securities Act Amendments of 1975. See 15 U.S.C. 78o(c)(3) (1970), as amended, 15 U.S.C. 78o(c)(3) (Supp. V, 1975).

[3] The Reserve Formula constitutes Exhibit A to Rule 15c3-3, 17 CFR 240.15c3-3a (1976).

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

[5] Securities Exchange Act Release No. 11497 (June 26, 1975), 40 FR 29795 (July 16, 1976).

[6] Securities Exchange Act Release No. 11969 (Jan. 2, 1976), 41 FR 5299, 5300 (Feb. 5, 1976).

[7] Id. at 11, 41 FR at 5302.

dealers' margin requirements at the clearing corporation level.[8] Finally, the need for certain other amendments to Rule 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. The Commission's response to this need consisted of proposed amendments to Rule 15c3–1(b)(2),[9] the alternative financial responsibility standard for floor brokers, as well as proposed amendments to the undue concentration provisions of Rule 15c3–1(c)(2)(vi)(M) and (f)(3)(iii)[10] and proposed amendments constituting clarifications of certain other provisions of Rule 15c3–1.[11]

Generally, public comment concerning these proposals has been favorable. The Commission has determined that it is appropriate to adopt the amendments to Rule 15c3–1 and the Reserve Formula of Rule 15c3–3 in substantially the form proposed in Release No. 11969. However, several thoughtful comments received from the public did suggest the advisability of certain changes to these proposed amendments. Additionally, later amendments to Rule 15c3–1 have rendered obsolete certain of the proposals announced in Release No. 11969, necessitating their withdrawal at this time.

The modifications to the amendments proposed in Release No. 11969 may be summarized as follows:

(1) The Commission has determined not to adopt the amendment to Rule 15c3–1(c)(13) proposed in Release No. 11969. In its original form, Rule 15c3–1(c)(13) provided that, for purposes of the deductions from net worth specified in Rule 15c3–1(c)(2)(x) relative to certain positions in listed options, equity shall be computed by adding the credit balance in an options specialist's account to the current market value of the long positions in the account, and deducting the debit balance and the current market value of the short positions in the account. In Release No. 11969, the Commission proposed an amendment to this provision to clarify that all securities positions (including options positions) in such an account must be haircut pursuant to Rule 15c3–1(c)(2)(vi), (c)(2)(x), or Appendix A to the rule, as appropriate.[12] Subsequently, the Commission adopted amendments to Rule 15c3–1(c)(2)(x) which incorporated a definition of "equity" into Rule 15c3–1(c)(2)(x) and deleted Rule 15c3–1(c)(13) thereby rendering the proposed amendment to Rule 15c3–1(c)(13) unnecessary.

(2) With respect to the amendments to the Reserve Formula (Rule 15c3–3a) proposed in Release No. 11969, interested members of the public suggested two modifications which the Commission has determined are appropriate for the protection of investors. First, the amount of restricted letters of credit obtained by a clearing member of Options Clearing Corp. ("OCC") and collateralized by customers' securities will be includable as a credit item only[13] to the extent of the member's OCC margin requirement. Second, the amount of margin deposited with OCC and represented by a restricted letter of credit collateralized by customers' securities will be includable as a debit item even though the customers' securities are margin securities. Also we have further clarified Note A with respect to an overdraft in any account balance of a broker or dealer.

In all other respects, the Commission has determined to adopt in their original form the amendments to Rule 15c3–1 and the Reserve Formula proposed in Release No. 11969. The full text of the amendments to these rules adopted herein is set forth below.

Statutory Basis, Competitive Considerations and Effective Date

The amendments and interpretations set forth below with respect to §§ 240.15c3–1 and 240.15c3–3 in Part 240 of Chapter II of Title 17 of the Code of Federal Regulations, are adopted, effective July 15, 1977, pursuant to the Securities Exchange Act of 1934 and particularly sections 15(c)(3) and 23(a) thereof, 15 U.S.C. 78o(c)(3), w(a). The Commission finds that any burden imposed upon competition by the proposed amendments is necessary and appropriate in furtherance of the purposes of the Act, and particularly to implement the Commission's continuing mandate under section 15(c)(3) thereof, 15 U.S.C. 78o(c)(3), to provide minimum safeguards with respect to the financial responsibility of brokers and dealers.

Interpretations of Rule 15c3–1

The Commission has determined to issue the following interpretations to Rule 15c3–1:

A. *Section 240.15c3–1c Consolidated Computations of Net Capital and Aggregate Indebtedness for Certain Subsidiaries and Affiliates (Appendix C to 17 CFR 240.15c3–1).* Appendix C (17 CFR 240.15c3–1c) to Rule 15c3–1 sets forth the requirements which must be met to consolidate in a single net capital computation the assets and liabilities of subsidiaries and affiliates in order to obtain flow-through capital benefits for a parent broker or dealer.

Paragraph (b)(2) of Appendix C provides that a broker or dealer may claim flow-through capital benefits only if it possesses majority ownership and control over its consolidated subsidiary or affiliate, and there exists a satisfactory opinion of counsel essentially stating that at least the portion of the subsidiary's or affiliate's net asset values related to the parent's ownership interest therein may be distributed to the parent (or its SIPC trustee) within thirty days, at the instance of the distributee.

The Division of Market Regulation has received inquiries from certain interested members of the public raising questions of general applicability concerning flow-through benefits, the minimum net capital requirement of the consolidated entity, and the treatment under Rule 15c3–1(c)(2)(vi) and (f)(3) of consolidated securities positions. The following interpretations are intended to respond to these inquiries.

(a) *Flow-through capital benefits.* A subsidiary or affiliate broker or dealer included within a consolidated computation pursuant to Appendix C must comply, in its own right, with all applicable provisions of Rule 15c3–1 as if the consolidation did not exist. For purposes of its computations under the rule, the consolidated subsidiary or affiliate may not derive from such consolidation, directly or indirectly, any decrease in its aggregate indebtedness, increase in its net capital, or decrease in its required minimum net capital.

(b) *Minimum net capital requirement of the consolidated entity.* (1) The minimum dollar net capital requirement of the consolidated entity is determined by adding the amount of net capital required for compliance by each consolidated subsidiary subject to Rule 15c3–1 to the minimum dollar net capital requirement of the parent broker or dealer.

(2) If the parent computes its capital requirement under the alternative net capital requirement set forth in Rule 15c3–1(f), the net capital of the consolidated entity must equal at least the greater of the minimum dollar net capital requirement described in (1) above or 4 percent of the combined aggregate Reserve Formula debit items.

(3) If the parent computes capital under the aggregate indebtedness method set forth in Rule 15c3–1(a), the net capital of the consolidated entity must equal at least the minimum dollar net capital requirement described in (1) above and, in addition, the aggregate indebtedness of the consolidated entity may not exceed 1500 percent of the net capital of the consolidated entity.

(c) *Deductions on consolidated security positions.* For purposes of computing the net capital of the consolidated entity, the parent corporation shall apply the deductions set forth in Rule 15c3–1(c)(2)(vi), (f)(3) and Appendix A to all

---

[8] Id. at 12–15, 41 FR at 5300. Since the issuance of Release No. 11969, the Commission has adopted additional amendments to Rule 15c3–1 which are intended to enable net capital computations to reflect more directly the credit and market risks assumed by brokers and dealers who clear, gurantee, or endorse transactions by specialists in listed options. Securities Exchange Act Release No. 12766 (Sept. 2, 1976), 41 FR 39014 (Sept. 14, 1976) and letters from the Division of Market Regulation to the various options exchanges March 28, 1977 and April 8, 1977. See note 13 infra and accompanying text.

[9] Release No. 11969, supra note 6, at 7–8, 41 FR at 5300.

[10] Id. at 8–10, 41 FR at 5300.

[11] Id. at 10, 41 FR at 5301 (adjustment to net worth for indebtedness collateralized by exempted securities); id. at 10–11, 41 FR at 5301 (definition of "equity").

[12] Release No. 11969 at 10–11, 41 FR at 5301.

[13] As proposed, the value of the face amount of the letter of credit might have been considered as includable.

the securities held by the parent and by the subsidiary or affiliate as if all such positions were the positions of the parent. Therefore, deductions applicable to the consolidated positions are those required by the parent's method of computing capital under Rule 15c3–1.

B. *Section* 240.15c3–1d *Satisfactory Subordination Agreements (Appendix D to 17 CFR 240.15c3–1).* Rule 15c3–1d (c) (4) provides that all securities collateralizing a secured demand note must be in bearer form, or registered in the name of the borrowing broker or dealer, or his nominee or custodian. The Commission wishes to clarify that this term, as used in Rule 15c3–1d(c) (4), possesses no specialized definition; a security is in bearer form for purposes of Appendix D when it runs to bearer according to its terms and not by reason of any endorsement.[14]

TEXT OF AMENDMENTS

Accordingly, 17 CFR Part 240 is amended as follows:

§ 240.15c3–1 Net capital requirements for brokers or dealers.

* * * * *

(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 exchanges.

* * * * *

(c) * * *

(2) * * *

(iv) * * *

(B) *Certain unsecured and partly secured receivables.* 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 non-customers' 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; any collateral deficiencies in secured demand notes as defined in Appendix (D) (17 CFR 240.15c3–1d);

* * * * *

(E) *Other deductions.* 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, 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 amount 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.

* * * * *

(vi) * * *

(M) *Undue concentration.* 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), 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 paragraph (c) (2) (vi) of this section 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 paragraph (c) (2) (vi) of this section or Appendix (A) (17 CFR 240.15c3–1a), 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 paragraph (c) (2) (vi) of this section and Appendix (A) (17 CFR 240.15c3–1a).

This provision shall apply notwithstanding any long or short position exemption provided for in (I) or (J) of this subdivision (except for long or short position exemptions arising out of the first proviso to paragraph (c) (2) (vi) (J) of this section) and the deduction on any such exempted position shall be 15 percent of that portion of the securities position in excess of 10 percent of net capital before the application of paragraph (c) (2) (vi) of this section 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 (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 (J) of this subparagraph 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 August 1, 1977, this paragraph shall not apply to municipal securities.

* * * * *

(xii) *Deduction from net worth for certain undermargined accounts.* Deducting the amount of cash required in each customer's or non-customer's account to meet the maintenance margin requirements of the Examining Authority for the 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.

(xiii) *Deduction from net worth for indebtedness collateralized by exempted securities.* 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.

* * * * *

(f) * * *

(3) * * *

[14] Accord, Uniform Commercial Code § 8–102(1) (d). See also id. § 8–310, Comment 1.

(iii) *Undue concentrations.* 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 paragraphs (c) (2) (vi) of this section, (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 paragraph (f) (3) (i) of this section which receive a 30 percent deduction or securities described in paragraph (f) (3) (ii) of this section the deduction required by this paragraph (f) (3) (iii) of this section shall be 15 percent) 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 paragraphs (c) (2) (vi), (f) (3) (i) and (ii) of this section and Appendix (A) (17 CFR 240.15c3–1a). This provision shall apply notwithstanding any long or short position exemption provided for in paragraph (c) (2) (vi) (I) or (f) (3) (ii) of this section (except for a long or short position exemption arising out of the first proviso to paragraph (f) (3) (ii) of this section) and the deduction on any such exemption position shall be 15 percent of that portion of the position in excess of 10 percent of net capital before the application of paragraph (c) (2) (vi), paragraphs (f) (3) (i) and (ii) of this section 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 paragraph (f) (3) (iii) of this section 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 paragraph (f) (3) (ii) of this section 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 August 1, 1977, this paragraph shall not apply to municipal securities.

* * * * *

§ 240.15c3–1a Options (Appendix A to 17 CFR 240.15c3–1).

* * * * *

(c) * * *

(8) *Listed Options.* 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 or 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).

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

		In dollars— 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 days	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 Corp. for all option contracts written or purchased in customer accounts. (See note F.)		xxx
	Total credits		
	Total debits		
14	Excess of total credits (sum of items 1–9) over total debits (sum of items 10–13) required to be on deposit in the "Reserve Bank Account" (§ 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	xxx	

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 a bank balance per the records of the broker or dealer.

NOTE B.—Item 2 shall include the amount of Letters of Credit obtained by a member of Options Clearing Corporation which are collateralized by customers' securities, to the extent of the member's margin requirement at Options Clearing Corp.

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 received and outstanding more than thirty (30) calendar days exceeds their contract value.

NOTE E.—(1) Debit 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 amount 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 increased) 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 required and on deposit with Options Clearing Corporation to the extent such margin is represented by cash, proprietary qualified securities, and letters of credit collateralized by customers' securities.

By the Commission.

GEORGE A. FITZSIMMONS,
Secretary.

MAY 23, 1977.

[FR Doc.77–15260 Filed 5–26–77;8:45 am]