

MEMO# 4321

December 11, 1992

SEC ADOPTION AND PROPOSAL OF AMENDMENTS TO BROKER-DEALER NET CAPITAL RULE

December 11, 1992 TO: BANK BROKER/DEALER ADVISORY COMMITTEE NO. 12-92
BROKER/DEALER ADVISORY COMMITTEE NO. 40-92 INSURANCE BROKER-DEALER ADVISORY
COMMITTEE NO. 20-92 OPERATIONS COMMITTEE NO. 37-92 SEC RULES COMMITTEE NO.
92-92 SMALL FUNDS COMMITTEE NO. 19-92 RE: SEC ADOPTION AND PROPOSAL OF
AMENDMENTS TO BROKER-DEALER NET CAPITAL RULE

The Securities and Exchange Commission recently adopted amendments to Rule 15c3-1 under the Securities Exchange Act, governing broker-dealer net capital requirements, and proposed other amendments to Rule 15c3-1. Copies of the adopted and proposed amendments are attached. The adopted amendments restructure much of the rule, and raise the minimum capital requirements for various types of broker-dealers. The amendments raise the minimum net capital requirement for firms that limit their activities to transactions in registered investment company shares, and that receive customer funds or securities, from \$2500 to \$25,000. (This increase would be effected pursuant to a phase-in schedule described in Appendix E of the adopting release.) Other broker-dealers (including other mutual fund firms) that do not handle any customer funds or securities and that are not direct wire order firms, must maintain a minimum of \$5000 in net capital. (This requirement also would be effected pursuant to a phase-in schedule described in Appendix E to the adopting release.) However, the SEC in the attached release has proposed that the minimum net capital requirement for those firms be increased to \$10,000. In the proposing release, the Commission emphasized that these firms must "develop procedures to prevent their customers from transmitting funds or securities to the firm" in order to be in the \$10,000 rather than the \$25,000 category. The SEC also amended the charge for mutual fund payables under the net capital rule. The rule requires a broker-dealer that owes money to a mutual fund in connection with a purchase of shares of that fund to include that amount in aggregate indebtedness even if offset by a receivable from another broker-dealer related to that transaction. As amended, the rule requires inclusion only of 15% of those amounts payable. Because the comment period for the proposed rules expires on February 5, 1993, please call me at 202/955-6251 with any comments you might have on the proposed rules by January 11, 1993. Thomas M. Selman Assistant Counsel Attachments

should not be considered a substitute for, legal advice.