



DIVISION OF  
TRADING AND MARKETS

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

September 28, 2017

Ms. Kris Dailey  
Vice President, Risk Oversight & Operational Regulation  
Financial Industry Regulatory Authority ("FINRA")  
One World Financial Center  
200 Liberty Street  
New York, NY 10281

Re: Definition of "Fully Paid Securities" under Rule 15c3-3

Dear Ms. Dailey:

Your staff has asked whether the technical amendment to the definition of "fully paid securities" in paragraph (a)(3) to Rule 15c3-3 ("Rule 15c3-3") under the Securities Exchange Act of 1934, as adopted by the amendments to the financial responsibility rules for broker-dealers (the "final rule amendments"), was intended to expand the scope of securities that are deemed to be fully paid securities which therefore cannot be rehypothecated by the carrying broker-dealer.<sup>1</sup>

Prior to the final rule amendments, the term "fully paid securities" was defined in paragraph (a)(3) to Rule 15c3-3 to "include all securities carried for the account of a customer in a special cash account as defined in Regulation T promulgated by the Board of Governors of the Federal Reserve System, as well as margin equity securities within the meaning of Regulation T which are carried for the account of a customer in a general account or any special account under Regulation T during any period when section 8 of Regulation T (12 CFR 220.8) specifies that margin equity securities shall have no loan value in a general account or special convertible debt security account, and all such margin equity securities in such account if they are fully paid; *Provided, however, [t]hat the term 'fully paid securities' shall not apply to any securities which are purchased in transactions for which the customer has not made full payment.*"<sup>2</sup>

<sup>1</sup> See Financial Responsibility Rules for Broker-Dealers, Exchange Act Release No. 70072 (July 30, 2013), 78 FR 51824 (Aug. 21, 2013).

<sup>2</sup> Broker-Dealers; Maintenance of Certain Basic Reserves, Exchange Act Release No. 9856 (Nov. 10, 1972), 37 FR 25224, 25226 (Nov. 29, 1972).

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As part of the final rule amendments, the term “fully paid securities” was amended to “mean[] all securities carried for the account of a customer in a cash account as defined in Regulation T (12 CFR 220.1 *et seq.*), as well as securities carried for the account of a customer in a margin account or any special account under Regulation T that have no loan value for margin purposes, and all margin equity securities in such accounts if they are fully paid: *Provided, however,* that the term *fully paid securities* does not apply to any securities purchased in transactions for which the customer has not made full payment.”<sup>3</sup>

The amendment to the definition of “fully paid securities” in paragraph (a)(3) to Rule 15c3-3 pursuant to the final rule amendments was not designed to substantively change the meaning of this defined term.<sup>4</sup> Rather, the amendment to the definition of “fully paid securities” was designed to amend out-of-date citations and remove text that the Commission believed to be superfluous or redundant.<sup>5</sup>

If you have any questions regarding this letter, please call me at (202) 551-5525.

Sincerely,



Michael A. Macchiaroli  
Associate Director  
Division of Trading and Markets

cc: Susan DeMando Scott, FINRA  
Yui Chan, FINRA

<sup>3</sup> Financial Responsibility Rules for Broker-Dealers, 78 FR at 51902.

<sup>4</sup> See id. at 51858.

<sup>5</sup> See id. (“[T]he Commission has modified the text of paragraph (a)(3) to Rule 15c3-3 to more closely follow the original definition, while still adopting the updated references and terminology to reflect changes made to Regulation T since 1972.”).