

SECURITIES AND EXCHANGE COMMISSION

Release No. 34-85843

May 10, 2019

MERRIL LYNCH, PIERCE, FENNER & SMITH INCORPORATED; ORDER GRANTING ACCELERATED EFFECTIVENESS OF NOTICE REGARDING CHANGE OF METHOD FOR COMPUTING DEDUCTIONS FOR MARKET AND CREDIT RISK

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”) is a broker-dealer registered with the Securities and Exchange Commission (“Commission”). On December 23, 2004, the Commission issued an order¹ permitting MLPF&S to calculate net capital using the market risk standards of Appendix E to Rule 15c3-1 (“Appendix E”)² to compute a deduction for market risk on some or all of its positions, instead of the provisions of paragraphs (c)(2)(vi) and (c)(2)(vii) of Rule 15c3-1,³ and using the credit risk standards of Appendix E to compute a deduction for credit risk on certain exposures arising from transactions in derivatives instruments, instead of the provision of paragraph (c)(2)(iv) of Rule 15c3-1.⁴

MLPF&S has notified the Commission that it intends to cease computing deductions for market and credit risk under Appendix E and will compute deductions for market and credit risk pursuant to paragraph (c)(2) of Rule 15c3-1. MLPF&S requested that this change become effective on May 13, 2019.

As a condition for a broker or dealer to compute deductions for market and credit risk under Appendix E, a broker or dealer agrees, among other things, that it will notify the Commission 45 days before it ceases to compute such deductions under Appendix E.⁵ The Commission may determine by order that the notice become effective within a shorter or longer period of time if the broker or dealer consents or if the Commission determines that a shorter or longer period is necessary or appropriate in the public interest or for the protection of investors.⁶ MLPF&S has consented to a shorter period of time.

¹ See Securities Exchange Act Release No. 50925 (Dec. 23, 2004).

² See 17 CFR 240.15c3-1e.

³ See 17 CFR 240.15c3-1(c)(2)(vi)-(vii).

⁴ See 17 CFR 240.15c3-1(c)(2)(iv).

⁵ See 17 CFR 240.15c3-1e(a)(10)(i).

⁶ See 17 CFR 240.15c3-1e(a)(10)(ii).

Accordingly,

IT IS THEREFORE ORDERED, pursuant to 17 CFR 240.15c3-1e(a)(10)(ii), that MLPF&S's notification regarding its cessation of computing deductions for market and credit risk pursuant to Appendix E is effective on May 13, 2019.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁷

Eduardo A. Aleman
Deputy Secretary

⁷ See 17 CFR 200.30-3(a)(7)(E).