

§ 240.15c3-1e

17 CFR Ch. II (4-1-03 Edition)

subordinated pursuant to 17 CFR 240.15c3-1 as in effect prior to December 20, 1978, shall continue to be deemed a satisfactory subordination agreement until the maturity of such agreement. *Provided*, That no renewal of an agreement which provides for automatic or optional renewal by the broker or dealer or lender shall be deemed to be a satisfactory subordination agreement unless such renewed agreement meets the requirements of this Appendix within 6 months from December 20, 1978. *Provided, further*, That all subordination agreements must meet the requirements of this Appendix within 5 years of December 20, 1978.

(Secs. 15(c)(3), 17(a) and 23(a), 15 U.S.C. 78o(c)(3), 78q(a), and 78w(a))

[40 FR 29808, July 16, 1975, as amended at 42 FR 31778, June 23, 1977; 44 FR 34887, June 15, 1979; 46 FR 35635, July 10, 1981; 47 FR 21775, May 20, 1982; 49 FR 31848, Aug. 9, 1984; 57 FR 56988, Dec. 2, 1992; 58 FR 37657, July 13, 1993; 59 FR 5945, Feb. 9, 1994]

§ 240.15c3-1e Temporary Minimum Requirements (Appendix E to 17 CFR 240.15c3-1e).

Brokers or Dealers That Carry Customer Accounts Aggregate Indebtedness Standard

(a) A broker or dealer that falls within the provisions of paragraph (a)(2)(i) of § 240.15c3-1 and computes its required net capital under § 240.15c3-1(a)(1)(i) shall maintain net capital not less than the greater of the amount computed under the paragraph (a)(1)(i) or:

- (1) \$25,000 until June 30, 1993;
- (2) \$100,000 on July 1, 1993, until December 31, 1993;
- (3) \$175,000 on January 1, 1994, until June 30, 1994; and
- (4) \$250,000 on July 1, 1994.

Brokers or Dealers That Elect the Alternative Standard

(b) A broker or dealer that elects the provisions of § 240.15c3-1(a)(1)(ii) shall maintain net capital of not less than the greater of the amount computed under the paragraph (a)(1)(ii) or:

- (1) \$100,000 until June 30, 1993;
- (2) \$150,000 on July 1, 1993, until December 31, 1993;
- (3) \$200,000 on January 1, 1994, until June 30, 1994; and

- (4) \$250,000 on July 1, 1994.

Broker or Dealers That are Exempt From Securities Exchange Act Rule 15c3-3 Under Paragraph (k)(2)(i) and Dealers

(c) A broker or dealer that falls within the provisions of § 240.15c3-1(a)(2) (ii) or (iii) and computes its required net capital under § 240.15c3-1(a)(1)(i) shall maintain net capital not less than the greater of the same computed under § 240.15c3-1(a)(1)(i) or:

- (1) \$25,000 until June 30, 1993;
- (2) \$50,000 on July 1, 1993, until December 31, 1993;
- (3) \$75,000 on January 1, 1994, until June 30, 1994; and
- (4) \$100,000 on July 1, 1994.

Brokers or Dealers That Introduce Customer Accounts and Receive Securities

(d) An introducing broker that falls within the provisions of § 240.15c3-1(a)(2)(iv) and computes its required net capital under § 240.15c3-1(a)(1)(i) shall maintain net capital of not less than the greater of the amount computed under § 240.15c3-1(a)(1)(i) or:

- (1) \$5,000 until June 30, 1993;
- (2) \$20,000 on July 1, 1993, until December 31, 1993;
- (3) \$35,000 on January 1, 1994, until June 30, 1994; and
- (4) \$50,000 on July 1, 1994.

Brokers or Dealers Engaged in the Sale of Redeemable Shares of Registered Investment Companies and Certain Other Share Accounts

(e) A broker or dealer that falls within the provisions of § 240.15c3-1(a)(2)(v) and computes its required net capital under § 240.15c3-1(a)(1)(i) shall maintain net capital of not less than the greater of the amount computed under § 240.15c3-1(a)(1)(i) or:

- (1) \$2,500 until June 30, 1993;
- (2) \$10,000 on July 1, 1993, until December 31, 1993;
- (3) \$17,500 on January 1, 1994, until June 30, 1994; and
- (4) \$25,000 on July 1, 1994.

Other Brokers or Dealers

(f) A broker or dealer that falls within the provisions of § 240.15c3-1(a)(2)(vi), computes its required net capital under § 240.15c3-1(a)(1)(i) and is not otherwise

subject to a \$5,000 minimum net capital requirement shall maintain net capital of not less than the greater of the amount computed under §240.15c3-1(a)(1)(i) or:

- (1) \$2,500 until June 30, 1993;
- (2) \$3,300 on July 1, 1993, until December 31, 1993;
- (3) \$4,100 on January 1, 1994, until June 30, 1994; and
- (4) \$5,000 on July 1, 1994.

[57 FR 56990, Dec. 2, 1992]

§ 240.15c3-1f Optional market and credit risk requirements for OTC derivatives dealers (Appendix F to 17 CFR 240.15c3-1).

Application Requirements

(a) An OTC derivatives dealer may apply to the Commission for authorization to compute capital charges for market and credit risk pursuant to this Appendix F in lieu of computing securities haircuts pursuant to §240.15c3-1(c)(2)(vi).

(1) An OTC derivatives dealer's application shall contain the following information:

(i) *Executive summary.* An OTC derivatives dealer shall include in its application an Executive Summary of information provided to the Commission.

(ii) *Description of methods for computing market risk charges.* An OTC derivatives dealer shall provide a description of all statistical models used for pricing OTC derivative instruments and for computing value-at-risk ("VAR"), a description of the applicant's controls over those models, and a statement regarding whether the firm has developed its own internal VAR models. If the OTC derivatives dealer's VAR model incorporates empirical correlations across risk categories, the dealer shall describe its process for measuring correlations and describe the qualitative and quantitative aspects of the model which at a minimum must adhere to the criteria set forth in paragraph (e) of this Appendix F. The application shall further state whether the OTC derivatives dealer intends to use an alternative method for computing its market risk charge for equity instruments and, if applicable, a description of how its own theoretical pricing model contains the

minimum pricing factors set forth in Appendix A (§240.15c3-1a). The application shall also describe any category of securities having no ready market or any category of debt securities which are below investment grade for which the OTC derivatives dealer wishes to use its VAR model to calculate its market risk charge or for which it wishes to use an alternative method for computing this charge and a description of how those charges would be determined.

(iii) *Internal risk management control systems.* An OTC derivatives dealer shall provide a comprehensive description of its internal risk management control systems and how those systems adhere to the requirements set forth in §240.15c3-4(a) through (d).

(2) The Commission may approve the application after reviewing the application to determine whether the OTC derivatives dealer:

(i) Has adopted internal risk management control systems that meet the requirements set forth in §240.15c3-4; and

(ii) Has adopted a VAR model that meets the requirements set forth in paragraphs (e)(1) and (e)(2) of this Appendix F.

(3) If the OTC derivatives dealer materially amends its VAR model or internal risk management control systems as described in its application, including any material change in the categories of non-marketable securities that it wishes to include in its VAR model, the dealer shall file an application describing the changes which must be approved by the Commission before the changes may be implemented. After reviewing the application for changes to the dealer's VAR model or internal risk management control systems to determine whether, with the changes, the OTC derivatives dealer's VAR model and internal risk management control systems would meet the requirements set forth in this Appendix F and §240.15c3-4, the Commission may approve the application.

(4) The applications provided for in this paragraph (a) shall be considered filed when received at the Commission's principal office in Washington, DC. All applications filed pursuant to this paragraph (a) shall be deemed to be confidential.