May 15, 2020

Via Electronic Mail

Michael A. Macchiaroli
Associate Director
Division of Trading and Markets
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Request for no-action relief regarding certain bank sweep receivables under Rule 15c3-1

Dear Mr. Macchiaroli,

The Capital Steering Committee of the Securities Industry and Financial Markets Association ("SIFMA")[1] is writing to request that the staff of the Division of Trading and Markets ("Staff") of the Securities and Exchange Commission ("Commission") not recommend enforcement action to the Commission regarding Rule 15c3-1 under the Securities Exchange Act of 1934 ("Exchange Act") if broker-dealers treat certain receivables resulting from bank sweep programs as allowable assets as set forth below.

Background

Under a "Sweep Program," as defined in paragraph (a)(17) of Rule 15c3-3 under the Exchange Act, a broker-dealer may offer its customer the option to automatically transfer free credit balances in a securities account to a bank account insured by the Federal Deposit Insurance Corporation ("FDIC") on a "pass-through" basis for the benefit of the broker-dealer's customers. A bank sweep account may be held at an affiliate bank of the broker-dealer or a third-party bank. When a customer wishes to withdraw or otherwise transact using those funds, the broker-dealer instructs the bank to transfer money to the broker-dealer who then deposits the funds into the customer's securities account. There may be an operational lag between the timing of the

[1] SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

customer's request and when the funds are available for use by the customer. However, in order to provide a seamless customer experience, certain broker-dealers elect to fund the customer's account before the bank transfers the money to the broker-dealer so that the customer has immediate use of the money. Prefunding of the customer's account creates a receivable owed to the broker-dealer, which must be evaluated for net capital treatment pursuant to Rule 15c3-1.

Discussion

Generally speaking, paragraph (c)(2)(iv) of Rule 15c3-1 provides that a broker-dealer must deduct unsecured receivables from its net worth when measuring net capital. When a broker-dealer has instructed a bank to transfer funds from an FDIC-insured sweep account to the broker-dealer's account, the broker-dealer has created a bank deposit receivable with cash delivery generally expected within one business day. There is no ability for the customer to access the FDIC-insured bank sweep account directly and/or without going through the broker-dealer. Given that the nature of the receivable is cash held on deposit in a bank account that can reasonably be expected to settle within one business day, this receivable should be considered readily convertible to cash in the same manner as if the funds were coming from a bank account of the broker-dealer. This conclusion should not be affected if the bank is considered a parent or an affiliate of the broker-dealer.

Request for Relief

Based on the foregoing, SIFMA requests that the Staff not recommend enforcement action to the Commission if a broker-dealer calculating net capital pursuant to Rule 15c3-1 treats a receivable from a bank account established as part of a Sweep Program as an allowable asset that is not deducted from net worth for net capital purposes under Rule 15c3-1 for one business day from the date the receivable is created, provided that:

1) A receivable is created through pre-funding of a customer's brokerage account as part of an FDIC-insured bank Sweep Program transaction, as defined above;

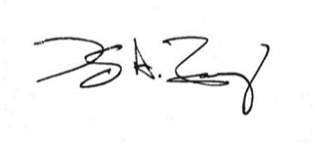
2) The receivable arises from a receivable from an FDIC-insured bank for which a Sweep Program deposit account has been established;

3) The broker-dealer has a legally enforceable right to demand and receive payment of the receivable from that bank; and

4) There is no ability for the customer to access the FDIC-insured bank sweep account directly and/or without going through the broker-dealer.[2]

We thank you for the opportunity to submit this no-action request. Please contact the undersigned at 202.962.7386, or our counsel on this issue, Mark Attar from Murphy & McGonigle, at 202.661.7021, if you have any questions or require further information.

Respectfully submitted,



Kevin Zambrowicz
Managing Director and Associate General Counsel
Securities Industry Financial Markets Association

cc: Brett Redfearn, Director, Division of Trading and Markets, SEC
Tom McGowan, Associate Director, Division of Trading and Markets, SEC
Randall Roy, Deputy Associate Director, Division of Trading and Markets, SEC
Raymond Lombardo, Assistant Director, Division of Trading and Markets, SEC
Mark Attar, Murphy & McGonigle, P.C.

[2] For purposes of the Rule 15c3-3 Reserve Formula, a broker-dealer utilizing this Staff no-action position would not include as a debit in the Reserve Formula the debit balances in customers' accounts arising from prepayments made by the broker-dealer on behalf of customers.