



Securities Industry Association

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February 13, 2001

Michael A. Macchiaroli, Esq.
Associate Director
Division of Market Regulation
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549

Re: Rule 17a-5(c) - Delivery of Balance Sheets

Dear Mr. Macchiaroli:

On behalf of the Capital Committee (“the Committee”) of the Securities Industry Association (“SIA”)¹ we are pleased to submit the following proposal regarding the transmission of certain financial information by a broker/dealer to its customers. In Release No. 42222 (the “Release”), dated December 10, 1999, the Securities and Exchange Commission (“SEC”) granted certain exemptive relief regarding the delivery of financial information to customers of a broker/dealer. This relief allowed broker/dealers, if they complied with certain conditions as described in the Release, to meet its financial reporting requirements by publishing its balance sheet on the Internet.

Currently, many broker/dealers only mail customer statements to all customers with a position, money balance or other activity on a quarterly basis. This timeframe could extend past the reporting deadlines under Rule 17a-5(c). As a result, broker/dealers have often requested relief from the SEC in order to mail the balance sheets with the next quarterly customer mailing, provided certain net capital information was disclosed in those balance sheets. Such requests have been routinely granted by the SEC.

Broker/dealers are now beginning to publish the financial information on the Internet and are providing the requisite disclosures on the customer statements. Certain broker/dealers have the ability to publish the statements on the Internet within the requisite timeframes. However, the ability to provide the necessary information on the customer statements, as required by the Release is, as before, not possible within the reporting deadlines. As a result, even broker/dealers who utilize the Internet to provide the financial statements within the requisite time would still need to request relief as to the information required on the customer statements.

¹ The Securities Industry Association is the trade association representing approximately 700 securities firms throughout North America. Its members include securities organizations of all types—investment banks, brokers, dealers, specialists, and mutual fund companies. SIA members are active in all markets, and in all phases of corporate and public finance. Collectively, they provide investors with a full spectrum of investment services and account for approximately 90% of the securities business conducted in the U.S.

We are requesting that broker/dealers who publish their financial information on the Internet in the prescribed timeframes and who provide the requisite information on the next quarterly customer statement to be deemed to have met the requirements of 17a-5(c). This would eliminate the need for those broker/dealers to request the same relief from the SEC.

The Committee wishes to thank you for your prompt consideration of our proposal. If you or your colleagues have any questions about our proposal, please feel free to contact either the undersigned at 212-272-8746, or George Kramer of the SIA staff at 202-296-9410.

Sincerely,

Cheryl M. Kallem /s/ GKramer

Cheryl M. Kallem
Chair
Capital Committee