



Introduction to Net Capital Rule 15c3-1

This one day program focuses on both the Standard Method and the Alternate Method of computing Net Capital as required by Rule 15c3-1 of the Securities Exchange Act of 1934. The program begins with an explanation of the processes and flows that feed into the capital computation. In the discussion of the Standard Method, the more complex of the two component parts such as: minimum capital requirements, allowable and non-allowable assets, haircuts, aggregate indebtedness, subordinated loans and tentative net capital are explained as to purpose and process. This section of the program concludes with the participants performing a capital ratio computation using the Standard Method. The Alternate Method part of the program includes an overview of the Customer Protection Rule, 15c3-3, (which is used as the basis for the Alternate Method), the different application of charges vs. the Standard Method and the regulatory capital requirement. The participants will perform a capital computation using the Alternative Method at the end of this portion of the program.

Targeted Audience

Individuals responsible for the 15c3-1 computation; Individuals whose firms use the alternate method and need to understand the complexities of the standard method; Brokerage firm's accounting, finance and regulatory personnel; Regulatory personnel wanting to understand the origin of the component parts to the computation; Personnel from industry service organizations responsible for monitoring broker dealer's capital

Special Offer

Clients who register for this course will receive a complimentary 4-month subscription to FT.com. The Financial Times is the world's most respected financial newspaper, providing a broad assessment on finance, business and the industrial sector. The move to the electronic version follows an ongoing review of our environmental responsibilities as a global business and as part of the Pearson group. FT.com also has features that are not available in hard copy, such as: Special Reports, Alphaville, editor blogs, education sections and much more! Subscriptions will start within 6-8 weeks of the start of class and are limited to one subscription per client. (Please note: as of May 1, 2011, the electronic subscription replaces the hard-copy 3-month Financial Times subscription.)

Advance Preparation

No advance preparation required.

Prerequisites

Participants should have an understanding of cash and security accounting; Completed the NYIF Brokerage Operations course or equivalent experience.

Learning Objectives

Students will be able to:

- . Be conversant in the terminologies germane to these regulatory requirements
- . Demonstrate an understanding of the different component subject matter covered by this rule by performing computation exercises at the end of each section
- . Display comprehension of processes through interaction with the instructor and other participants
- . Appreciate the importance of timely and accurate processing of these federally mandated requirements

Follow-Up Courses

Compliance for the Securities Industry - Day

Customer Protection Rule 15c3-3

Level: Basic

CPE Credits: 7.0

Instructional Method: Group-Live

Detailed Outline

What is the 1934 Act

- . Brief history
- . 1934 Securities and Exchange Act

Quick Review of Brokerage Processing

- . Order management
- . Trade processing
- . Client service
- . Settlement
- . Books and records

Preliminary Definitions for Net Capital 15c3-1

- . Purpose
- . Aggregate indebtedness
- . Net capital
- . Subordinated lending
- . Fails
- . Securities borrowed
- . Haircuts
- . Debt securities
- . Equity shares
- . Limited market value
- . Undue concentration
- . Non-marketable securities
- . Exempted securities

Allowable Assets

- . Which items constitute liquid assets
- . What are haircuts?

Non Allowable Assets

- . Fixed assets
- . Exchange and other memberships
- . Intangibles
- . Others

Net Capital Computation

- . Concept of net capital
- . Available capital

Haircuts

- . Common stock or convertible debt
- . Preferred stock
- . Non-convertible debt
- . Government securities

- . Municipal
- . Money market securities
- . Money market funds
- . Options

Aggregate Indebtedness

- . Accounts payable

Exercise

Net capital (Alternative Method)

- . Genesis of concept
- . Overview of 15c3-3 customer protection
- . Computation of 15c3-1 using the alternate method

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