

Pt. 190, App. B

17 CFR Ch. I (4-1-02 Edition)

full. Each customer will receive his or her pro rata share of the funds available, or 50% of the \$250 available, or \$125.

3. Shortfall in Link Only:

	Non-link	Link	Total
Funds in segregation	150	100	250
Segregation Requirement	150	150	300
Shortfall (dollars)	0	50	
Shortfall (percent)	0	50/150=33.3	
Pro Rata (percent)	150/300=50	150/300=50	
Pro Rata (dollars)	125	125	
Distribution	150	100	250

Due to the Link account, there are insufficient funds available to meet both the non-Link and Link Customer claims in full. Accordingly, the Link funds and non-Link funds are treated as separate pools, and the non-Link customer will be paid in full, receiving \$150, while the Link customer would receive the remaining \$100.

4. Shortfall in Both, Link Shortfall Exceeding Non-Link Shortfall:

	Non-link	Link	Total
Funds in segregation	125	100	225
Segregation Requirement	150	150	300
Shortfall (dollars)	25	50	
Shortfall (percent)	25/150=16.7	50/150=33.3	
Pro Rata (percent)	150/300=50	150/300=50	
Pro Rata (dollars)	112.50	112.50	
Distribution	125	100	225

There are insufficient funds available to meet both the non-Link and Link customer claims in full, and the Link shortfall exceeds the non-Link shortfall. The non-Link customer will receive \$125 available with respect to non-Link claims while the Link customer will receive the \$100 available with respect to the Link claims.

5. Shortfall in Both, With Non-Link Shortfall Exceeding Link Shortfall:

	Non-link	Link	Total
Funds in segregation	100	125	225
Segregation Requirement	150	150	300
Shortfall (dollars)	50	25	
Shortfall (percent)	50/150=33.3	25/150=16.7	
Pro Rata (percent)	150/300=50	150/300=50	
Pro Rata (dollars)	112.50	112.50	
Distribution	112.50	112.50	225

There are insufficient funds available to meet both the non-Link and Link customer claims in full, and the non-Link shortfall exceeds the Link shortfall. Each customer would receive 50% of the \$225 available, or \$112.50.

6. Shortfall in Both, Non-Link Shortfall=Link Shortfall:

	Non-link	Link	Total
Funds in segregation	100	100	200
Segregation Requirement	150	150	300
Shortfall (dollars)	50	50	
Shortfall (percent)	50/150=33.3	50/150=33.3	
Pro Rata (percent)	150/300=50	150/300=50	
Pro Rata (dollars)	100	100	
Distribution	100	100	200

There are insufficient funds available to meet both the non-Link and the Link customer claims in full, and the non-Link shortfall equals the Link shortfall. Each customer will receive 50% of the \$200 available, or \$100.

7. Shortfall in Link Account Caused by Freeze That is Subsequently Lifted, Where Non-Link Account Had Actual Shortfall But Link Account Did Not Subsequent to Lifting of Freeze Order:

	Non-link	Link	Total
Funds in segregation	100	Frozen	100
Segregation Requirement	150	150	300
Shortfall (dollars)	50	150	
Shortfall (percent)	50/150=33.3	150/100=150	
Pro Rata (percent)	150/300=50	150/300=50	
Pro Rata (dollars)	50	50	
Initial Distribution	100	0	100
Freeze Lifted: Funds Previously Frozen	0	150	150
Subsequent Distribution	25	125	
Total Distribution	125	125	250

Through the time of the initial distribution, this situation would follow the pattern of Example 4 because the shortfall in the Link account was larger. After the freeze was lifted, it would follow the pattern of Example 2 because the shortfall in the non-Link account was larger.

These examples illustrate the principle that Pro rata distribution across both accounts is the preferable approach except when a shortfall in the Link account could harm non-Link customers. Thus, pro rata distribution occurs in Examples 1, 2, 5 and 6. Separate treatment of the Link and non-Link accounts occurs in Examples 3 and 4. In Example 7, separate treatment occurs where the funds are frozen. It is adjusted to become pro rata treatment after the freeze is lifted.

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PARTS 191-199 [RESERVED]