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In no event shall the deduction provided by this paragraph be less than $250 for each option contract for 100 shares.

**Covered Calls**

(3) Where a broker or dealer is short a call and long equivalent units of the underlying security, deducting 15 percent (or such other percentage required by paragraphs (c)(2)(vi) (A) through (K) of §240.15c3–1) of the current market value of the underlying security reduced by any excess of the current market value of the underlying security over the exercise value of the call. No reduction under this paragraph shall have the effect of increasing net capital.

**Covered Puts**

(4) Where a broker or dealer is short a put and short equivalent units of the underlying security, deducting 15 percent (or such other percentage required by paragraphs (c)(2)(vi) (A) through (K) of §240.15c3–1) of the current market value of the underlying security reduced by any excess of the exercise value of the put over the market value of the underlying security. No such reduction shall have the effect of increasing net capital.

**Conversion Accounts**

(5) Where a broker or dealer is long equivalent units of the underlying security, long a put written or endorsed by a broker or dealer and short a call in its proprietary or other accounts, deducting 5 percent (or 50 percent of such other percentage required by paragraphs (c)(2)(vi) (A) through (K) of §240.15c3–1) of the current market value of the underlying security.

(6) Where a broker or dealer is short equivalent units of the underlying security, long a call written or endorsed by a broker or dealer and short a put in his proprietary or other accounts, deducting 5 percent (or 50 percent of such other percentage required by paragraphs (c)(2)(vi) (A) through (K) of §240.15c3–1) of the market value of the underlying security.
commodities sold by the broker or dealer; and

(iii) Equity balances in the accounts of general partners.

NET CAPITAL

(3) In computing net capital as defined in paragraph (c)(2) of this section, the net worth of a broker or dealer shall be adjusted as follows with respect to commodity-related transactions:

(i) Unrealized profit or loss for certain commodities transactions. (A) Unrealized profits shall be added and unrealized losses shall be deducted in the commodities accounts of the broker or dealer, including unrealized profits and losses on fixed price commitments and forward contracts; and

(B) The value attributed to any commodity option which is not traded on a contract market shall be the difference between the option’s strike price and the market value for the physical or futures contract which is the subject of the option. In the case of a long call commodity option, if the market value for the physical or futures contract which is the subject of the option is less than the strike price of the option, it shall be given no value. In the case of a long put commodity option, if the market value for the physical commodity or futures contract which is the subject of the option is more than the striking price of the option, it shall be given no value.

(ii) Deduct any unsecured commodity futures or option account containing a ledger balance and open trades, the combination of which liquidates to a deficit or containing a debit ledger balance only: Provided, however, Deficits or debit ledger balances in unsecured customers’, non-customers’ and proprietary accounts, which are the subject of calls for margin or other required deposits need not be deducted until the close of business on the business day following the date on which such deficit or debit ledger balance originated;

(iii) Deduct all unsecured receivables, advances and loans except for:

(A) Management fees receivable from commodity pools outstanding no longer than thirty (30) days from the date they are due;

(B) Receivables from foreign clearing organizations;

(C) Receivables from registered futures commission merchants or brokers, resulting from commodity futures or option transactions, except those specifically excluded under paragraph (3)(ii) of this Appendix B. In the case of an introducing broker or an applicant for registration as an introducing broker, include 50 percent of the value of a guarantee or security deposit with a futures commission merchant which carries or intends to carry accounts for the customers of the introducing broker.

(iv) Deduct all inventories (including work in process, finished goods, raw materials and inventories held for resale) except for readily marketable spot commodities; or spot commodities which adequately collateralize indebtedness under paragraph (c)(7) of 17 CFR 1.17;

(v) Guarantee deposits with commodities clearing organizations are not required to be deducted from net worth;

(vi) Stock in commodities clearing organizations to the extent of its margin value is not required to be deducted from net worth;

(vii) Deduct from net worth the amount by which any advances paid by the broker or dealer on cash commodity contracts and used in computing net capital exceeds 95 percent of the market value of the commodities covered by such contracts.

(viii) Do not include equity in the commodity accounts of partners in net worth.

(ix) In the case of all inventory, fixed price commitments and forward contracts, except for inventory and forward contracts in the inter-bank market in those foreign currencies which are purchased or sold for further delivery on or subject to the rules of a contract market and covered by an open futures contract for which there will be no charge, deduct the applicable percentage of the net position specified below:

(A) Inventory which is currently registered as deliverable on a contract market and covered by an open futures contract or by a commodity option on a physical—No charge.
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(B) Inventory which is covered by an open futures contract or commodity option—5% of the market value.

(C) Inventory which is not covered—20% of the market value.

(D) Fixed price commitments (open purchases and sales) and forward contracts which are covered by an open futures contract or commodity option—10% of the market value.

(E) Fixed price commitments (open purchases and sales) and forward contracts which are not covered by an open futures contract or commodity option—20% of the market value.

(x) Deduct 4% of the market value of commodity options granted (sold) by option customers on or subject to the rules of a contract market.

(xii) Deduct for undermargined customer commodity futures accounts the amount of funds required in each such account to meet maintenance margin requirements of the applicable board of trade or, if there are no such maintenance margin requirements, clearing organization margin requirements applicable to such positions, after application of calls for margin, or other required deposits which are outstanding two business days or less. If there are no such maintenance margin requirements or clearing organization margin requirements, then deduct the amount of funds required to provide margin equal to the amount necessary after application of calls for margin, or other required deposits outstanding two days or less to restore original margin when the original margin has been depleted by 50 percent or more. Provided, To the extent a deficit is deducted from net worth in accordance with paragraph (a)(3)(ii) of this Appendix B such amount shall not also be deducted under this paragraph (a)(3)(xii).

(xiv) In the case of open futures contracts and granted (sold) commodity options held in proprietary accounts carried by the broker or dealer which are not covered by a position held by the broker or dealer or which are not the result of a "changer trade made in accordance with the rules of a contract market, deduct:

(A) For a broker or dealer which is a clearing member of a contract market
for the positions on such contract mar-
ket cleared by such member, the appli-
cable margin requirement of the appli-
cable clearing organization;

(B) For a broker or dealer which is a
member of a self-regulatory organiza-
tion 150% of the applicable mainte-
nance margin requirement of the appli-
cable board of trade or clearing organi-
zation, whichever is greater; or

(C) For all other brokers or dealers,
200% of the applicable maintenance
margin requirement of the applicable
board of trade or clearing organization,
whichever is greater; or

(D) For open contracts or granted
(sold) commodity options for which
there are no applicable maintenance
margin requirements, 200% of the ap-
plicable initial margin requirement;

Provided, the equity in any such pro-
prietary account shall reduce the de-
duction required by this paragraph
(a)(3)(xiv) if such equity is not other-
wise includable in net capital.

(xv) In the case of a broker or dealer
which is a purchaser of a commodity
option which is traded on a contract
market the deduction shall be the same
safety factor as if the broker or dealer
were the grantor of such option in ac-
cordance with paragraph (a)(3)(xiv), but
in no event shall the safety factor be
greater than the market value attrib-
uted to such option.

(xvi) In the case of a broker or dealer
which is a purchaser of a commodity
option not traded on a contract market
which has value and such value is used
to increase net capital, the deduction
is ten percent of the market value of
the physical or futures contract which
is the subject of such option but in no
event more than the value attributed
to such option.

(xvii) Deduction 5% of all unsecured
receivables includable under paragraph
(a)(3)(iii)(C) of this Appendix B used by
the broker or dealer in computing “net
capital” and which are not receivable
from (A) a futures commission mer-
chant registered as such with the Com-
modity Futures Trading Commission,
or (B) a broker or dealer which is reg-
istered as such with the Securities and
Exchange Commission.

(xviii) A loan or advance or any other
form of receivable shall not be consid-
ered “secured” for the purposes of
paragraph (a)(3) of this Appendix B un-
less the following conditions exist:

(A) The receivable is secured by read-
ibly marketable collateral which is oth-
erwise unencumbered and which can be
readily converted into cash; Provided,
however, That the receivable will be
considered secured only to the extent
of the market value of such collateral
after application of the percentage de-
ductions specified in paragraph
(a)(3)(ix) of this Appendix B; and

(B)(1) The readily marketable collat-
eral is in the possession or control of
the broker or dealer; or

(2) The broker or dealer has a legally
enforceable, written security agree-
ment, signed by the debtor, and has a
perfected security interest in the read-
ily marketable collateral within the
meaning of the laws of the State in
which the readily marketable collat-
eral is located.

(xix) The term cover for purposes of
this Appendix B shall mean cover as
defined in 17 CFR 1.17(j).

(xx) The term customer for purposes
of this Appendix B shall mean cus-
tomer as defined in 17 CFR 1.17(b)(2).

The term “non-customer” for purposes
of this Appendix B shall mean non-cus-
tomer as defined in 17 CFR 1.17(b)(4).

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

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FR 37041, July 17, 1981; 49 FR 31848, Aug. 9,
1984)