



DIVISION OF
MARKET REGULATION

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

June 30, 2000

Mr. John M. Kramer
General Counsel
ABN AMRO Inc.
208 South LaSalle Street
Chicago, IL 60604-1003

Ms. Judith R. McDonald
Managing Director/Counsel
Rothschild Inc.
1251 Avenue of the Americas
New York, NY 10020

Dear Mr. Kramer & Ms. McDonald:

This responds to your letter of January 12, 2000, on behalf of ABN AMRO Inc. ("AAI"), Rothschild Inc. ("RINC"), and ABN AMRO Rothschild LLC ("AAR"). You request that the Division of Market Regulation ("Division") not recommend enforcement action to the Securities and Exchange Commission ("Commission") if AAR does not take the deductions for open contractual commitments when computing its net capital pursuant to Rule 15c3-1¹ (the "net capital rule" or "Rule 15c3-1") under the Securities Exchange Act of 1934 ("Exchange Act"), as amended.

I understand the following facts to be pertinent to your request. AAI and RINC are each registered as a broker-dealer with the Commission under Section 15 of the Exchange Act. Each is a member of the New York Stock Exchange Inc., and the National Association of Securities Dealers (the "NASD"). In addition, under Rule 15c3-1, both firms are subject to the \$250,000 minimum net capital requirement applicable to broker-dealers engaging in a general securities business. AAI and RINC are not affiliated companies, but each owns a fifty percent (50%) equity interest in

¹ 17 CFR 240.15c3-1.

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AAR, a limited liability company. AAR has registered with the Commission to operate as a broker-dealer, and has also applied to be a member of the NASD.

The parent and affiliated companies of AAI and RINC are parties to a global joint venture arrangement, and subsidiary local joint venture arrangements, through which they conduct certain equity capital markets activities in the United Kingdom, the Netherlands, France and elsewhere throughout the world. These parties intend to extend the venture to the United States by conducting joint venture operations through AAR. Specifically, AAR will enter into underwriting agreements and other agreements to purchase securities, including block purchases of securities in the secondary market. Prior to, or at the same time, that AAR enters into any such agreement with an issuer or other seller of securities, AAR will also enter into an agreement ("Securities Purchase Agreement") to resell those securities to AAI and RINC on the identical price, volume, and timing terms under which AAR will purchase the securities. The Securities Purchase Agreement will be absolute and unconditional, and AAI and RINC will be jointly and severally liable to issuers and other counter-parties for the obligations of AAR.

At the closing of a relevant underwriting or securities purchase, AAI and RINC will pay for, and take delivery of, all the securities AAR has committed to purchase. AAI and RINC will be solely responsible for distributing or selling such securities to their customers or other counter-parties. Beginning from the time that AAR enters into an agreement to purchase securities, AAI and RINC will take the appropriate haircuts under paragraph (c)(2)(viii) of the net capital rule, based on the quantity of securities each has agreed to purchase under the applicable Securities Purchase Agreement.

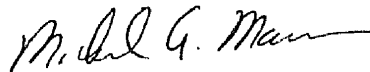
You contend that, as a consequence of these arrangements, AAR will bear no principal risk associated with any securities subject to a Securities Purchase Agreement. You also contend that no regulatory purpose would be served by having AAR take the required haircut on an open contractual commitment covered by a Securities Purchase Agreement because AAI and RINC will take these deductions as if they had entered into the commitment directly, and because they will be irrevocably bound to purchase all the securities subject to the commitment.

Based on the foregoing facts and representations in your letter, the Division will not recommend enforcement action to the Commission if AAR does not take the deductions required by paragraph (c)(2)(viii) of the net capital rule for securities subject to a Securities Purchase Agreement. Please note that AAR's minimum capital requirement under Rule 15c3-1 will depend on the nature of its business activities. You should be aware that this is a staff position with respect to enforcement only and does

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not purport to express any legal conclusions. Factual variations could warrant a different response, and any material change in the facts must be brought to the Division's attention. This position may be withdrawn or modified, if staff determines that such action is necessary for the protection of investors, in the public interest, or otherwise in furtherance of the purposes of the securities laws.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael A. Macchiaroli".

Michael A. Macchiaroli
Associate Director

Cc: Mr. Collin Punch, NASD Regulation, Inc., District No. 10