



**SECURITIES AND
EXCHANGE COMMISSION**
Washington, D. C. 20549

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FOR IMMEDIATE RELEASE:

85-4

**COMMISSION TO CONSIDER UTILITY FINANCING,
AMENDMENTS TO INVESTMENT ADVISORS ACT ON
RECORD-KEEPING AND RELEASE ON NET CAPITAL RULES**

Washington, January 8 - The Commission will consider three items at an open meeting to be held on Thursday, January 10 at 2:30 p.m. in the Commission Meeting Room, (1C30), 450 Fifth St., N.W., Washington, D.C. The three items are a request for financing by a utility, a recommendation that investment companies be allowed to keep required records on computers and a release and report on a broad range of issues regarding the financial responsibility rules for broker-dealers regulated by the Commission.

Utility Financing

Middle South Energy, a wholly owned subsidiary of Middle South Utilities, headquartered in Arkansas, was organized in 1974 to finance and construct the Grand Gulf nuclear generating project.

Middle South Energy proposes to issue up to 160,000 shares of Common Stock at par (\$1,000), and sell the shares to Middle South Energy. Proceeds of the stock sale would be used to finance the Grand Gulf project, designed to supply power to several utilities in the Gulf states area, under various agreements.

The Arkansas Power Commission has asked that the sale not be allowed to take place, and has requested a hearing on the subject.

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The staff is recommending that the request be denied, and that the sale be allowed to proceed.

Investment Advisors Act

The Division of Investment Management is asking the Commission to consider issuance of a release that would permit investment companies to keep records required by the Commission on microfilm or computer tapes. Currently records must be kept in hard, or paper form. The release would adopt amendments to Rule 204-2 under the Investment Advisors Act of 1940 permitting microfilm storage to replace hard copies of required records and permit advisors to store required records on computer tapes rather than hard copy or microfilm, under certain conditions designed to ensure the integrity of the records and their availability to Commission examiners.

Financial Responsibility Rules

The Commission will be asked to consider issuing a release and a report on a broad range of issues regarding the Commission's financial responsibility rules for broker-dealers (regulated by the Commission under the Securities Exchange Act of 1934).

The release would seek comment on whether current rules are adequate, or whether fundamental changes are in order. The Commission is also being asked to release a report on the financial structure of the securities markets. This "Capital Study" describes the current rules, the reasons for their enactment and their evolution, and it examines the effect of trends in the industry's financial structure, and of regulatory changes, on capital needs.

The Commission's financial responsibility rules affect virtually all broker-dealers registered with the SEC. The most important of these, the net capital rule (Rule 15c3-1), requires broker-dealers to maintain sufficient liquid assets. Assets may be determined in two ways. One is the basic net capital rule, which requires broker-dealers to have, in essence, one dollar and six and two-thirds cents of liquid assets for each dollar of liabilities. An alternative method of computing net capital requires a broker or dealer to maintain minimum net capital equal to the greater of \$100,000 or 2% of aggregate debit items, computed in accordance with the formula for determination of reserve requirements for brokers and dealers under Rule 15c3-3. Debit items are, basically, monies owned the broker-dealer by its customers, aggregate debit items are the sum of all monies owed the broker-dealer by its customers.

The present net capital rule was first adopted by the Commission in 1975, and revised (after comments) in 1982.

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