



DIVISION OF
TRADING AND MARKETS

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

January 6, 2026

Mark M. Attar
Stradley Ronon Stevens & Young, LLP
2000 K Street, N.W. Suite 700
Washington, DC 20006

Re: Capital Balance Fund Reconciliations

Dear Mr. Attar:

This responds to your January 5, 2026 letter on behalf of Raymond James & Associates, Inc. (“RJA”) requesting that the staff of the Division of Trading and Markets (“Staff”) not recommend enforcement action to the Securities and Exchange Commission (“Commission”) pursuant to Rule 17a-13 (“Rule 17a-13”) under the Securities Exchange Act of 1934 (the “Exchange Act”) if RJA makes the counts, examinations, verifications, comparisons, and entries (collectively, the “securities counts”) required by Rule 17a-13 with respect to certain uncertificated alternative investments known as “capital balance funds”¹ in accordance with the conditions set forth below.

As you state in your letter, Rule 17a-13 requires each broker-dealer that maintains custody of securities on a quarterly basis to physically examine and count the securities it holds, account for the securities that are subject to its control or direction but are not in its physical possession (*e.g.*, securities held at a control location), verify the locations of securities, and compare the results of the count and verification with its records.² Furthermore, paragraph (b)(5) of the rule requires that a broker-dealer must reconcile the unresolved differences occurring in a

¹ You state that a capital balance fund is a type of alternative fund structure that reports a customer’s ownership of the capital balance fund in terms of the total dollar value of the investment, rather than identifying the price and number of shares owned by the customer. Although position statements from issuers of alternative investments typically report changes in value using a fluctuating net asset value price per share or unit of the fund, issuers of capital balance funds instead typically report changes in the value of a customer’s ending capital account balance during the reporting period. The position set forth in this letter is intended only to apply to uncertificated capital balance funds as described in your letter.

² See 17 CFR 240.17a-13(b).

particular securities count no later than seven business days after the date of each required securities examination, count, and verification.³ Under paragraph (c) of Rule 17a-13, the examination, count, verification, and comparison may be made either as of a date certain or on a cyclical basis.⁴ When performing such an examination, count, and verification, the broker-dealer will compare and verify the results of the count against its own books and records for the same time period, and in a prompt manner.⁵ Broker-dealers must record any differences on their books and records in a securities difference account under Rule 17a-3 of the Exchange Act (“Rule 17a-3”),⁶ and take operational capital charges under Rule 15c3-1 of the Exchange Act (“Rule 15c3-1”) for short securities differences (which include securities positions reflected on the broker-dealer’s securities records that are not susceptible to either count or confirmation) that are unresolved after discovery and certain long securities differences.⁷ Broker-dealers also must include the market value of short security count differences over 30 calendar days old as a credit item in their reserve formula computations under Rule 15c3-3 under the Exchange Act (“Rule 15c3-3”).⁸

Staff understands the facts to be as follows. RJA is a full-service brokerage firm registered with the Commission as a broker-dealer that offers a selection of investment and financial planning products, including a type of alternative investments known as capital balance funds.⁹ Capital balance funds carried by RJA are typically uncertificated, and if a customer chooses to maintain custody of a capital balance fund with RJA, RJA will carry the position “long” in the appropriate customer account and reflect the security separately in securities records or ledgers maintained pursuant to Rule 17a-3. The issuer will record the

³ See 17 CFR 240.17a-13(b)(5).

⁴ See 17 CFR 240.17a-13(c). The rule was adopted in part because the Commission understood that comparing books and records on a yearly basis was not sufficiently timely for investor protection purposes. See *Quarterly Securities Counts by Certain Exchange Members, Brokers and Dealers*, Exchange Act Release No. 9140 (Apr. 19, 1971), 36 FR 7974 (Apr. 28, 1971) (“That part of the broker-dealer’s operations dealing with the movement and location of securities has, in the past, been subject only to the once-a-year check of the X-17A-5 audit. The accounting record for the location and movement of securities is the stock record. The annual audit may disclose differences between positions reflected in the stock record and the results of a physical count of securities and verification of securities positions outside the firm. Many accountants have advised and urged their clients to make regular periodic box counts, but this advice has not always been followed. Furthermore, some firms have failed to research and resolve promptly stock record differences. [Rule 17a-13] would make a major contribution to investor protection by dealing with these shortcomings in the operations of brokerage firms.”).

⁵ For example, a broker-dealer could not compare the results of a securities count from the first quarter of its fiscal year with its books and records from the second quarter of its fiscal year. Doing so would undermine the purpose of Rule 17a-13, which is to ensure the broker-dealer’s books and records account for the *current* whereabouts of the securities that it owes to customers in order to avoid customer losses and subsequent failure of the broker-dealer. See *Quarterly Securities Counts by Certain Exchange Members, Brokers and Dealers*, 36 FR at 7974.

⁶ See 17 CFR 240.17a-3(a)(4)(vi).

⁷ See 17 CFR 240.15c3-1(c)(2)(v).

⁸ See 17 CFR 240.15c3-3a, Item 7.

⁹ See *supra* note 1.

transaction on its ownership registry in the name of RJA or its nominee as held solely for RJA's customers and will provide position statements to RJA with respect to the investment, which RJA will reconcile with its books and records.

You state that a customer's ownership of a capital balance fund reflects an ownership interest in an issuer, expressed as the dollar value of the investment, and that the issuer reports the value of that interest to RJA on a periodic basis. You also state that issuers of capital balance funds report changes in the value of a customer's investment based on a customer's ending capital account balance during the reported period, while issuers of non-capital balance fund alternative investments typically report changes in value using a fluctuating net asset value price per share or unit. In addition, you state that RJA receives position statements from issuers for some funds in arrears, usually by a month or a quarter, leaving RJA unable to perform the necessary reconciliations within the time period set forth in Rule 17a-13.¹⁰

Given these attributes of capital balance funds, the Staff understands that complying with the required seven business day timeframe described in Rule 17a-13(b)(5) presents challenges for RJA because issuers are generally unable to provide current position statements to RJA to enable reconciliations within that timeframe.¹¹ The Staff further understands that RJA would be able to operate in a manner consistent with the circumstances set forth below, thereby providing a more workable securities count framework with respect to its capital balance fund business. Based upon these representations, the Staff will not recommend enforcement action to the Commission under Rule 17a-13 if RJA does not record on its books and records all unresolved differences within seven business days after the date of each required quarterly securities count and verification as long as it performs the securities count, verification, and comparison with respect to capital balance funds under the following circumstances:

1. RJA will create and maintain a record identifying the position statement reporting schedule for each capital balance fund issuer carried on its books and records;
2. RJA will promptly transmit to any capital balance fund issuer that does not adhere to the issuer's position statement reporting schedule a request for an explanation as to the delay and maintain copies of any such requests and responses for the period of time and accessibility specified in paragraph (b) of Rule 17a-4 under the Exchange Act;
3. RJA will compare and reconcile each position statement received from a capital balance fund issuer with RJA's books and records for purposes of Rule 17a-13 within five business days of receipt of the position statement¹² and will update and balance customer

¹⁰ You also state that the reconciliation requirement in Rule 17a-13 is impractical for capital balance funds because the position statements received by RJA typically do not provide current position information to enable reconciliations on a contemporaneous basis and that RJA understands from issuers of capital balance funds that the delay in providing current position information results from the time it takes to perform the valuation function with respect to issuer assets, obtain independent valuation reviews, and calculate and report net asset values.

¹¹ See *supra* note 5.

¹² You state that RJA would consider the date of the securities count for a particular capital balance fund to

account records;

4. RJA will identify on customer statements the last known value reported to RJA with respect to each capital balance fund issuer as well as the date as of which such value was reported to RJA; and

5. RJA will include a disclosure on customer statements that the value attributed to an issuer of a capital balance fund is based on information from the issuer, may not be currently priced, and may not be realized if the customer seeks to liquidate the investment.

This letter only applies to capital balance funds (i) that RJA offers to and carries for customers, (ii) that are issued by issuers who commit to providing RJA with position statements setting forth the value of each customer's investment on at least a quarterly basis, and (iii) for which a customer's ownership reflects an ownership interest in an issuer expressed as the dollar value of the investment, (*i.e.*, for capital balance funds that are denominated in dollars rather than shares or units).

Any different facts or representations from those set forth in your request may require a different conclusion. Furthermore, this response expresses the Staff's position on enforcement action under Rule 17a-13 only and does not purport to express any legal conclusions regarding the applicability of Rule 17a-13 or any other federal or state laws or the applicability of self-regulatory organization rule. This position is subject to modification or revocation if at any time the Commission or Division determines that such action is necessary or appropriate in furtherance of the purposes of the Exchange Act.

Sincerely,

RAYMOND
LOMBARDO

Digitally signed by
RAYMOND LOMBARDO
Date: 2026.01.06
10:18:59 -05'00'

Raymond A. Lombardo
Assistant Director

occur – and its books and records to be current – as of the date of the securities reconciliation for purposes of other broker-dealer financial responsibility rules that impose obligations on broker-dealers based on the timing of the securities count (*e.g.*, Rules 17a-3, 15c3-1, and 15c3-3), notwithstanding the fact that, as described above, issuers of capital balance funds typically provide information to RJA that is in arrears. Any unresolved differences identified during the reconciliation process described in these circumstances would be subject to the requirements of paragraph (b)(5) of Rule 17a-13.

Mark Attar
Partner
mattar@stradley.com
202.419.8406

January 5, 2026

VIA E-MAIL

Michael A. Macchiaroli
Associate Director
Division of Trading and Markets
United States Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Capital Balance Fund Reconciliations

Dear Mr. Macchiaroli:

I am submitting this letter on behalf of Raymond James & Associates, Inc. (“RJA”), a broker-dealer registered with the Securities and Exchange Commission (“Commission”) and member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), to request that the Commission staff (“Staff”) not recommend enforcement action against RJA pursuant to Rule 17a-13 (“Rule 17a-13”) under the Securities Exchange Act of 1934 (“Exchange Act”) if RJA makes the counts, examinations, verifications, comparisons, and entries (collectively, the “securities count”) required by Rule 17a-13 with respect to certain uncertificated alternative investments known as “capital balance funds” in accordance with the conditions set forth below.

Background

Rule 17a-13 was adopted in 1971 to improve broker-dealers’ books and records with respect to the movement of funds and securities.¹ The rule requires each broker-dealer that maintains custody of securities on a quarterly basis, to physically examine and count the securities it holds, account for the securities that are subject to its control or direction but are not in its physical possession (*e.g.*, securities held at a control location), verify the locations of securities, and compare the results of the count and verification with its records.² Furthermore, paragraph (b)(5) of Rule 17a-13 requires that a broker-dealer must reconcile unresolved

¹ See *Quarterly Securities Counts by Certain Exchange Members, Brokers and Dealers*, Exchange Act Release No. 9376 (Oct. 29, 1971), 36 FR 21178 (Nov. 4, 1971). See also *Quarterly Securities Counts by Certain Exchange Members, Brokers and Dealers*, Exchange Act Release No. 9140 (Apr. 19, 1971), 36 FR 7974 (Apr. 28, 1971).

² See 17 CFR 240.17a-13(b).

differences occurring in a particular securities count no later than seven business days after the date of each required securities examination, count, and verification.³ Under paragraph (c) of Rule 17a-13, the examination, count, verification, and comparison may be made either as of a date certain or on a cyclical basis.⁴ When performing such an examination, count, and verification, the broker-dealer will compare and verify the results of the count against its own books and records for the same time period, and in a prompt manner.⁵ Broker-dealers must record any differences on their books and records in a securities difference account under Rule 17a-3 of the Exchange Act (“Rule 17a-3”),⁶ and take operational capital charges under Rule 15c3-1 of the Exchange Act (“Rule 15c3-1”) for short securities differences (which include securities positions reflected on the broker-dealer’s securities records that are not susceptible to either count or confirmation) that are unresolved after discovery and certain long securities differences.⁷ Broker-dealers also must include the market value of short security count differences over 30 calendar days old as a credit item in their reserve formula computations under Rule 15c3-3 under the Exchange Act (“Rule 15c3-3”).⁸

Capital Balance Funds

RJA is a full-service brokerage firm that offers a broad selection of investment and financial planning products, including alternative investments known as capital balance funds. Capital balance funds carried by RJA are typically uncertificated, and if a customer chooses to maintain custody of a capital balance fund with RJA, RJA will carry the position “long” in the appropriate customer account and reflect the security separately in securities records or ledgers

³ See 17 CFR 240.17a-13(b)(5).

⁴ See 17 CFR 240.17a-13(c). The rule was adopted in part because the Commission understood that comparing books and records on a yearly basis was not sufficiently timely for investor protection purposes. See *Quarterly Securities Counts by Certain Exchange Members, Brokers and Dealers*, 36 FR at 7974 (“That part of the broker-dealer’s operations dealing with the movement and location of securities has, in the past, been subject only to the once-a-year check of the X-17A-5 audit. The accounting record for the location and movement of securities is the stock record. The annual audit may disclose differences between positions reflected in the stock record and the results of a physical count of securities and verification of securities positions outside the firm. Many accountants have advised and urged their clients to make regular periodic box counts, but this advice has not always been followed. Furthermore some firms have failed to research and resolve promptly stock record differences. [Rule 17a-13] would make a major contribution to investor protection by dealing with these shortcomings in the operations of brokerage firms.”).

⁵ For example, a broker-dealer could not compare the results of a securities count from the first quarter of its fiscal year with its books and records from the second quarter of its fiscal year. Doing so would undermine the purpose of Rule 17a-13, which is to ensure the broker-dealer’s books and records account for the *current* whereabouts of the securities that it owes to customers in order to avoid customer losses and subsequent failure of the broker-dealer. See *Quarterly Securities Counts by Certain Exchange Members, Brokers and Dealers*, 36 FR at 7974.

⁶ See 17 CFR 240.17a-3(a)(4)(vi).

⁷ See 17 CFR 240.15c3-1(c)(2)(v).

⁸ See 17 CFR 240.15c3-3a, Item 7.

maintained pursuant to Rule 17a-3. The issuer will record the transaction on its ownership registry in the name of RJA or its nominee as held solely for RJA's customers and will provide position statements to RJA with respect to the investment, which RJA will reconcile with its books and records.

There are two unique attributes to the quarterly reporting provided by issuers of capital balance funds that present significant challenges to complying with the securities count framework under Rule 17a-13. First, issuers of capital balance funds report a customer's ownership of the capital balance fund in terms of the total dollar value of the investment, rather than identifying the price and number of shares owned by the customer. Although position statements from issuers of alternative investments typically report changes in value using a fluctuating net asset value price per share or unit of the fund, issuers of capital balance funds instead typically report changes in the value of a customer's investment based on a customer's ending capital account balance during the reported period. This kind of reporting may not expressly be contemplated by the language in Rule 17a-13, which specifically refers to the broker-dealer's obligation to *count* securities in order to determine customer positions.⁹

Second, the intent of the securities count under Rule 17a-13 is to ensure that the broker-dealer's books and records accurately reflect its customers' *current* positions (*i.e.*, for the same time period).¹⁰ However, position statements that RJA receives from issuers typically do not provide *current* position information to enable reconciliations on a contemporaneous basis. Timing for receipt of position statements varies by issuer and can be particularly extensive for issuers that invest in illiquid and hard to value assets. When RJA receives position statements from issuers of capital balance funds, they are produced in arrears, usually one month or one quarter in arrears depending on the type of issuer, although it can be two months or two quarters in arrears for certain funds.¹¹ RJA estimates that, on average, it typically receives position statements from issuers on a monthly or quarterly basis in arrears, dependent upon the issuer's reporting schedule. RJA understands from issuers of capital balance funds that the delay in providing current position information results from the time it takes to perform the valuation function with respect to issuer assets, obtain independent valuation reviews, and calculate and report net asset values.

Requested Relief

RJA requests that the Staff not recommend enforcement action against RJA if it performs securities counts with respect to capital balance funds under the circumstances set forth below, which are intended to ensure that broker-dealers' books and records, and information provided to customers, accurately reflect the most recent available information with respect to such investments. For purposes of this request, the relevant alternative investments would be

⁹ See, e.g., paragraphs (b)(1), (b)(4), (b)(5), (c), and (d) of Rule 17a-13.

¹⁰ See *supra* note 5.

¹¹ For example, certain issuers investing through feeder funds, hedge fund of funds, or private equity fund of funds require more time to value the assets underlying the fund.

restricted to capital balance funds that RJA offers to and carries for customers and that are issued by issuers who commit to providing RJA with position statements setting forth the value of each customer's investment on at least a quarterly basis.

Circumstances:

- (1) RJA will create and maintain a record identifying the position statement reporting schedule for each capital balance fund issuer carried on its books and records;
- (2) RJA will promptly transmit to any capital balance fund issuer that does not adhere to the issuer's position statement reporting schedule a request for an explanation as to the delay and maintain copies of any such requests and responses for the period of time and accessibility specified in paragraph (b) of Rule 17a-4 under the Exchange Act;
- (3) RJA will compare and reconcile each position statement received from a capital balance fund issuer with RJA's books and records for purposes of Rule 17a-13 within five business days of receipt of the position statement¹² and will update and balance customer account records;
- (4) RJA will identify on customer statements the last known value reported to RJA with respect to each capital balance fund issuer as well as the date as of which such value was reported to RJA; and
- (5) RJA will include a disclosure on customer statements that the value attributed to an issuer of a capital balance fund is based on information from the issuer, may not be currently priced, and may not be realized if the customer seeks to liquidate the investment.

The requested no-action position would only apply to capital balance funds (i) that RJA offers to and carries for customers, (ii) that are issued by issuers who commit to providing RJA with position statements setting forth the value of each customer's investment on at least a quarterly basis, and (iii) for which a customer's ownership reflects an ownership interest in an issuer expressed as the dollar value of the investment (*i.e.*, for capital balance funds that are denominated in dollars rather than shares or units).

¹² RJA would consider the date of the securities count for a particular capital balance fund to occur – and its books and records to be current – as of the date of the securities reconciliation for purposes of other broker-dealer financial responsibility rules that impose obligations on broker-dealers based on the timing of the securities count (*e.g.*, Rules 17a-3, 15c3-1, and 15c3-3), notwithstanding the fact that, as described above, issuers of capital balance funds typically provide information to RJA that is in arrears. Any unresolved differences identified during the reconciliation process described in these circumstances would be subject to the requirements of paragraph (b)(5) of Rule 17a-13.

Michael A. Macchiaroli
January 5, 2026
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If you have any questions regarding this request, please contact me at 202-419-8406 or mattar@stradley.com. On behalf of RJA, we appreciate your consideration of this request.

Sincerely,



Mark M. Attar

cc: Raymond Lombardo, Assistant Director, SEC
Nina Kostyukovsky, Special Counsel, SEC
Allyssa N. DeLeon, RJA, Principal Financial Officer
Kyle C. Wooten, RJA, General Counsel - Broker-Dealer Finance, Operations & Technology