



Securities Industry Association

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March 29, 2001

CC:M&SP:RU (REG-105801-00)
Room 5226, Internal Revenue Service
PO Box 7604
Ben Franklin Station
Washington, DC 20044

Dear Sir or Madam:

The attached is a submission of the Securities Industry Association in response to a request for comments on recently proposed regulations under Section 263(g) of the Internal Revenue Code.

As we explain in the submission, we believe that the proposed regulations would give rise to unintended results in a broad array of cases. This is because the proposed regulations effectively depart from the statutory framework of Section 263(g), which only capitalizes expenses incurred to carry a long position in a straddle, and effectively disallow all net deductions arising from payments on financial instruments that are part of a straddle.

Because of this overbreadth, we urge the Treasury to change the relevant effective date, which would apply (once the regulations are finalized) to transactions entered into after January 17, 2001.

If you have any questions, please do not hesitate to call David Hariton (212-558-4248).

Very truly yours,

Saul M. Rosen
Chair, SIA's Committee on the Federal
Taxation of the Securities Industry

Cc: Mark Weinberger
Lon Smith

Mike Novey
Kenneth Christman