

## Supplemental FOCUS Information

### SEC Approves New FINRA Rule 4524 Requiring the Filing of Supplemental FOCUS Information and a Supplementary Schedule to the Statement of Income (Loss) Page of the FOCUS Report

Implementation Date: FINRA Rule 4524 will be implemented on February 28, 2012. The due date of the initial supplementary schedule, covering the quarter ending September 30, 2012, is October 26, 2012.

#### Executive Summary

The SEC approved the adoption of new FINRA Rule 4524 (Supplemental FOCUS Information), which requires each firm, as FINRA shall designate, to file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest as a supplement to the FOCUS Report.<sup>1</sup> The SEC also approved the adoption of one such schedule, the Supplemental Statement of Income (SSOI), as a supplement to the Statement of Income (Loss) page of the FOCUS Report.<sup>2</sup>

The implementation date of FINRA Rule 4524 is February 28, 2012. The due date of the initial SSOI, covering the quarter ending September 30, 2012, is October 26, 2012.

The text of FINRA Rule 4524 is set forth in Attachment A. The SSOI, including the Operational Page, can be found at [www.finra.org/notices/12-11](http://www.finra.org/notices/12-11).

Questions concerning this *Notice* should be directed to:

- ▶ Kris Dailey, Vice President, Risk Oversight & Operational Regulation, at (646) 315-8434;
- ▶ Susan DeMando Scott, Associate Vice President, Financial Operations Department, at (202) 728-8411; or
- ▶ Matthew E. Vitek, Assistant General Counsel, Office of General Counsel, at (202) 728-8156.

### February 2012

#### Notice Type

- ▶ New Rule

#### Suggested Routing

- ▶ Compliance
- ▶ Finance
- ▶ Legal
- ▶ Operations
- ▶ Regulatory Reporting
- ▶ Senior Management

#### Key Topics

- ▶ FOCUS Reporting

#### Referenced Rules & Notices

- ▶ FINRA Rule 2010
- ▶ FINRA Rule 4524
- ▶ SEA Rule 17a-5

## Background & Discussion

Pursuant to Rule 17a-5 under the Securities Exchange Act of 1934 (SEA), firms are required to file with FINRA reports concerning their financial and operational status using SEC Form X-17A-5, Financial and Operational Combined Uniform Single (FOCUS) Report.<sup>3</sup> The SEC has approved the adoption of a new rule that provides a mechanism by which FINRA can obtain from firms more detailed financial information to augment the FOCUS Report.

### Supplemental FOCUS Information

New FINRA Rule 4524 requires each firm, as FINRA shall designate, to file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest as a supplement to the FOCUS Report. The content of such supplemental schedules or reports, their format, and the timing and frequency of such filings will be specified in a *Regulatory Notice* (or similar communication) issued pursuant to FINRA Rule 4524. FINRA will file with the SEC pursuant to Section 19(b) of the SEA the content of any such *Regulatory Notice* (or similar communication) issued pursuant to FINRA Rule 4524.

### Supplemental Statement of Income (SSOI)

The SEC has approved the adoption of a new supplementary schedule under FINRA Rule 4524. The SSOI contains additional line items that seek a more detailed categorization of the revenue and expense line items that are on the Statement of Income (Loss) page of the FOCUS Report Part II, Part IIA and Part II CSE. The SSOI will help FINRA better understand a firm's revenue sources and expense composition on an ongoing basis. The SSOI also includes instructions that provide definitions and guidance with respect to certain line items.

The SSOI contains a *de minimis* exception for providing details of revenue and expenses for certain designated sections. If the aggregate amount for the designated section is less than the greater of \$5,000 or 5 percent of the firm's total revenue or total expense, as applicable, for the reporting period, a firm is only required to enter the aggregate amount to complete the section. Further, FINRA notes that, just as is the case with the Statement of Income (Loss) page of the FOCUS Report, not every line item on the SSOI will apply to every firm, especially those with limited business lines or product offerings.

As part of the SSOI, FINRA will require additional information from firms that derived more than 10 percent of their total revenues during a reporting period from participation in unregistered offerings. These firms must complete an Operational Page that requires certain specific information about each unregistered offering.<sup>4</sup>

Each firm is required to file the SSOI within 20 business days of the end of each calendar quarter using the eFOCUS system available through FINRA's Firm Gateway. Firms must use their current FINRA entitlement user ID and password to access the Firm Gateway. Questions regarding access to the Firm Gateway should be directed to the firm's Super Account Administrator (SAA).

The due date of the initial SSOI, covering the quarter ending September 30, 2012, is October 26, 2012.

## Endnotes

1. See Exchange Act Release No. 66364 (February 9, 2012), 77 FR 8938 (February 15, 2012) (Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 2; File No. SR-FINRA-2011-064).
2. See *id.*
3. See 17 CFR 240.17a-5.
4. If a firm engaged in more than five unregistered offerings during the reporting period, the firm will be required to provide information in each section of the Operational Page with respect to its five largest offerings in terms of the aggregated dollar amount of the securities sold during the reporting period.

## Attachment A

The following is the text of new Rule 4524.

\* \* \* \* \*

### **4000. FINANCIAL AND OPERATIONAL RULES**

### **4500. BOOKS, RECORDS AND REPORTS**

\* \* \* \* \*

### **4524. Supplemental FOCUS Information**

As a supplement to filing FOCUS reports required pursuant to SEA Rule 17a-5 and FINRA Rule 2010, each member, as FINRA shall designate, shall file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest. The content of such schedules or reports, their format, and the timing and the frequency of such supplemental filings shall be specified in a Regulatory Notice (or similar communication) issued pursuant to this Rule. FINRA shall file with the SEC pursuant to Section 19(b) of the Exchange Act the content of any such Regulatory Notice (or similar communication) issued pursuant to this Rule.