

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 26	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - 2021 - * 013 Amendment No. (req. for Amendments *)
----------------	--	--

Filing by Financial Industry Regulatory Authority  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
Pilot <input type="checkbox"/>			Rule		
Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
	Section 3C(b)(2) * <input type="checkbox"/>

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
---	---

**Description**  
Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).  
  
Proposed Rule Change to Amend the Supplemental Inventory Schedule Pursuant to FINRA Rule 4524 (Supplemental FOCUS Information)

**Contact Information**  
Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Adam Last Name \* Arkel  
Title \* Associate General Counsel  
E-mail \* adam.arkel@finra.org  
Telephone \* (202) 728-6961 Fax (202) 728-8264

**Signature**  
Pursuant to the requirements of the Securities Exchange Act of 1934,  
  
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.  
(Title \*)  
Senior Vice President and Deputy General Counsel

Date 05/26/2021  
By Patrice Gliniecki  
(Name \*)  
Patrice Gliniecki,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

**Form 19b-4 Information \***

Add Remove View

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

Add Remove View

Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

Add Remove View

Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**1. Text of the Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”),<sup>1</sup> the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend the Supplemental Inventory Schedule (“SIS”) pursuant to FINRA Rule 4524 (Supplemental FOCUS Information) so that members that are filers of FOCUS Report Part II will not be required to file the SIS. The proposed rule change does not make any other change to the SIS or the instructions thereto.

The proposed rule change does not make any changes to the text of FINRA rules. The SIS and instructions thereto, as revised by the proposed rule change, are attached as Exhibit 3.

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

The Chief Legal Officer of FINRA authorized the filing of the proposed rule change with the SEC pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. FINRA is proposing that the implementation date of the proposed rule change will be October 31, 2021, for SIS filings that report on the month ending October 31, 2021, and are due by November 30, 2021. Thus, SISs filed on or after October 31, 2021, would reflect the proposed rule change.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

**3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) Purpose

FINRA Rule 4524 provides in part that, as a supplement to filing FOCUS Reports required pursuant to SEA Rule 17a-5<sup>2</sup> 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. In general, members with a FOCUS filing requirement must either file a FOCUS Report Part II if they clear transactions or carry customer accounts<sup>3</sup> or file a FOCUS Report Part IIA if they do not.<sup>4</sup> Members that are government securities broker-dealers registered under SEA Section 15C<sup>5</sup> do not file a FOCUS Report and instead are required to file reports concerning their financial and operational status using the Report on Finances and Operations of Government Securities Brokers and Dealers (“FOGS

---

<sup>2</sup> 17 CFR 240.17a-5 (hereinafter cited as SEA “Rule 17a-5”). SEA Rule 17a-5 governs financial and operational reporting by brokers and dealers. Members are required to file with FINRA, through the eFOCUS System, reports concerning their financial and operational status using SEC Form X-17A-5 (the “FOCUS Report”). See, e.g., Information Notice, November 23, 2020 (2021 and First Quarter of 2022 Report Filing Due Dates); Regulatory Notice 18-38 (November 2018) (Amendments to the SEC’s Financial Reporting Requirements – eFOCUS System Updates and Annual Audit Requirements). “FOCUS” stands for Financial and Operational Combined Uniform Single.

<sup>3</sup> Currently, members that calculate net capital using Appendix E to SEA Rule 15c3-1 file FOCUS Report Part II CSE, rather than FOCUS Report Part II. Such members are referred to as “alternative net capital” or “ANC” broker-dealers.

<sup>4</sup> SEA Rule 17a-5.

<sup>5</sup> 15 U.S.C. 78o-5.

Report”).<sup>6</sup> FINRA established the SIS requirement pursuant to Rule 4524 in 2014.<sup>7</sup> Pursuant to this requirement, the SIS must be filed by a member that is required to file FOCUS Report Part II, FOCUS Report Part IIA or the FOGS Report Part I, with inventory positions as of the end of the FOCUS or FOGS reporting period, unless the member has (1) a minimum dollar net capital or liquid capital requirement of less than \$100,000; or (2) inventory positions consisting only of money market mutual funds. A member with inventory positions consisting only of money market mutual funds must affirmatively indicate through the eFOCUS system that no SIS filing is required for the reporting period. As FINRA noted in establishing the SIS, the purpose of the SIS requirement is to provide more detailed information of inventory positions held by members.<sup>8</sup>

The Commission, as part of its rulemakings pursuant to Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”)<sup>9</sup> to establish a regulatory framework for security-based swaps (“SBS”), has adopted among other things amendments to the FOCUS reporting requirements, including amendments to FOCUS Report Part II<sup>10</sup> designed to elicit additional information about the SBS

---

<sup>6</sup> Department of the Treasury Form G-405.

<sup>7</sup> See Securities Exchange Act Release No. 73192 (September 23, 2014), 79 FR 58390 (September 29, 2014) (Order Approving Proposed Rule Change; File No. SR-FINRA-2014-025); see also Regulatory Notice 14-43 (October 2014) (SEC Approves Supplemental Inventory Schedule).

<sup>8</sup> See note 7 supra.

<sup>9</sup> Pub. L. No. 111-203, 124 Stat. 1376 (2010).

<sup>10</sup> See Securities Exchange Act Release No. 87005 (September 19, 2019), 84 FR 68550 (December 16, 2019) (Final Rule: Recordkeeping and Reporting

activities of broker-dealers that file FOCUS Report Part II, including broker-dealers that will also be registered as SBS dealers and major SBS participants.<sup>11</sup>

FINRA believes that Schedule 1 – Aggregate Securities, Commodities, and Swaps Positions (“Schedule 1”) to FOCUS Report Part II, as amended, includes substantially all the information that is required by the SIS, including, among other things, information on the following types of positions:

- U.S. Treasury securities;
- U.S. government agency and U.S. government-sponsored enterprise securities;
- securities issued by states and political subdivisions in the U.S.;
- foreign securities;
- money market instruments;
- private label mortgage backed securities;
- other asset-backed securities;
- corporate obligations;
- stocks and warrants (other than arbitrage positions);
- arbitrage positions;
- spot commodities;
- other securities and commodities; and

---

Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers) (“Reporting Requirements Release”).

<sup>11</sup> See Reporting Requirements Release, 84 FR at 68573. Pursuant to the SEC’s rule change, ANC broker-dealers that currently file FOCUS Report Part II CSE will file new FOCUS Report Part II.

- securities with no ready market.

Further, line 11 of the SIS requires specified information on “derivatives including options,” based on whether the positions are centrally cleared or not. On Schedule 1 this information will be reported based on whether the position is a cleared or non-cleared SBS, mixed swap or swap, or will be reported under the category “other derivatives and options.”<sup>12</sup> Schedule 1 will also require information on counterparty netting and cash collateral netting.

Given that substantially all the information required by the SIS is covered by Schedule 1 of FOCUS Report Part II, as amended, FINRA believes that it would be an unnecessary duplication of reporting to require members that file FOCUS Report Part II to continue to submit the SIS after the compliance date<sup>13</sup> for certain of the SEC’s SBS rulemakings, including the new FOCUS reporting requirements pursuant to the Reporting

---

<sup>12</sup> Schedule 1 requires the information for cleared and non-cleared SBS, mixed swaps and swaps in separate categories on Lines, 15, 16 and 17 of Schedule 1, while the SIS requires that SBS and swaps be reported in aggregate under “centrally cleared” and “all other” under Line 11 of the SIS. Further, Schedule 1 requires that other derivatives or options be reported in aggregate on Line 18 of Schedule 1, while the SIS specifies separate categories for “centrally cleared” and “all other” options, “forward settling and delayed delivery transactions,” “futures” and “other” products under Line 11 of the SIS. Also, under Line 13 of the SIS (“securities with no ready market”), the category for “other (include limited partnership interests)” is reflected as “other” under Line 13 of Schedule 1.

<sup>13</sup> The Commission has broadly coordinated the compliance date for certain SBS rulemakings by setting October 6, 2021, as the compliance date (the “compliance date” or “SBS compliance date”) for the registration requirements that the Commission adopted for SBS dealers and major SBS participants. See Reporting Requirements Release, 84 FR at 68600; see also Key Dates for Registration of Security-Based Swap Dealers and Major Security-Based Swap Participants, available on the Commission website at: <https://www.sec.gov/page/key-dates-registration-security-based-swap-dealers-and-major-security-based-swap-participants>.

Requirements Release. As such, in the interest of avoiding unnecessary duplication, FINRA believes it is appropriate to remove FOCUS Report Part II filers from the scope of members required to file the SIS.<sup>14</sup> Accordingly, the proposed rule change would revise the first paragraph under the General Instructions to the SIS so as to provide, in relevant part, that: “The Supplemental Inventory Schedule (SIS) is to be filed within 20 business days after the end of each firm’s FOCUS reporting period by all FOCUS Part IIA and FOGS Part I filers . . .”<sup>15</sup> FINRA believes it is appropriate to implement this revision in alignment with the reporting cycle that coincides with the SEC’s SBS compliance date. FINRA is not proposing any other change to the SIS.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. FINRA is proposing that the implementation date of the proposed rule change will be October 31, 2021, for SIS filings that report on the month ending October 31, 2021, and are due by November 30, 2021. Thus, SISs filed on or after October 31, 2021, would reflect the proposed rule change.

(b) Statutory Basis

---

<sup>14</sup> FINRA notes that members that have elected to be treated as capital acquisition brokers (“CABs”) would be subject to the proposed rule change to the extent that FINRA Rule 4524, pursuant to CAB Rule 452(b), applies to CABs. To the extent any CABs are FOCUS Report Part II filers, then, pursuant to the rule change, such firms would no longer need to file the SIS.

The proposed rule change would not impact funding portal members because such members are not subject to Rule 4524 and are not subject to the FOCUS reporting requirements.

<sup>15</sup> The SIS, as proposed to be revised pursuant to the rule change, is included as Exhibit 3 to this rule filing.



FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>16</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. Consistent with the provisions of the Act, FINRA believes that eliminating the SIS filing requirement for members that file FOCUS Report Part II, as amended by the Reporting Requirements Release, will avoid unnecessary duplication of reporting for such members while ensuring that regulators continue to receive the needed information reflected on these forms, given that Schedule 1 of FOCUS Report Part II, as amended, includes substantially all the information required by the SIS. The proposed rule change will thereby reduce unnecessary burdens while also helping to protect investors and serve the public interest.

**4. Self-Regulatory Organization's Statement on Burden on Competition**

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Schedule 1 of FOCUS Report Part II, as amended, requires substantially all the information required by the SIS. Eliminating the SIS filing requirement for members that file FOCUS Report Part II, as amended, would avoid unnecessary duplication of reporting, thereby reducing burdens for such members, while ensuring that regulators continue to receive the needed information reflected on these forms.

**5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

---

<sup>16</sup> 15 U.S.C. 78q-3(b)(6).

Written comments were neither solicited nor received.

**6. Extension of Time Period for Commission Action**

Not applicable.

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act<sup>17</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>18</sup> in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

In accordance with Rule 19b-4(f)(6),<sup>19</sup> FINRA submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.<sup>20</sup>

FINRA proposes to make the proposed rule change operative on October 31, 2021, for SIS filings that report on the month ending October 31, 2021, and are due by November 30, 2021. Thus, SISs filed on or after October 31, 2021, would reflect the proposed rule change.

---

<sup>17</sup> 15 U.S.C. 78s(b)(3).

<sup>18</sup> 17 CFR 240.19b-4(f)(6).

<sup>19</sup> 17 CFR 240.19b-4(f)(6).

<sup>20</sup> 17 CFR 240.19b-4(f)(6)(iii).

**8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

**9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**11. Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3. Supplemental Inventory Schedule.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2021-013)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend the Supplemental Inventory Schedule Pursuant to FINRA Rule 4524 (Supplemental FOCUS Information)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on , the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend the Supplemental Inventory Schedule (“SIS”) pursuant to FINRA Rule 4524 (Supplemental FOCUS Information) so that members that are filers of FOCUS Report Part II will not be required to file the SIS. The proposed rule change does not make any other change to the SIS or the instructions thereto.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

FINRA Rule 4524 provides in part that, as a supplement to filing FOCUS Reports required pursuant to SEA Rule 17a-5<sup>4</sup> 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. In general, members with a FOCUS filing requirement must either file a

---

<sup>4</sup> 17 CFR 240.17a-5 (hereinafter cited as SEA "Rule 17a-5"). SEA Rule 17a-5 governs financial and operational reporting by brokers and dealers. Members are required to file with FINRA, through the eFOCUS System, reports concerning their financial and operational status using SEC Form X-17A-5 (the "FOCUS Report"). *See, e.g.*, Information Notice, November 23, 2020 (2021 and First Quarter of 2022 Report Filing Due Dates); Regulatory Notice 18-38 (November 2018) (Amendments to the SEC's Financial Reporting Requirements – eFOCUS System Updates and Annual Audit Requirements). "FOCUS" stands for Financial and Operational Combined Uniform Single.

FOCUS Report Part II if they clear transactions or carry customer accounts<sup>5</sup> or file a FOCUS Report Part IIA if they do not.<sup>6</sup> Members that are government securities broker-dealers registered under SEA Section 15C<sup>7</sup> do not file a FOCUS Report and instead are required to file reports concerning their financial and operational status using the Report on Finances and Operations of Government Securities Brokers and Dealers (“FOGS Report”).<sup>8</sup> FINRA established the SIS requirement pursuant to Rule 4524 in 2014.<sup>9</sup> Pursuant to this requirement, the SIS must be filed by a member that is required to file FOCUS Report Part II, FOCUS Report Part IIA or the FOGS Report Part I, with inventory positions as of the end of the FOCUS or FOGS reporting period, unless the member has (1) a minimum dollar net capital or liquid capital requirement of less than \$100,000; or (2) inventory positions consisting only of money market mutual funds. A member with inventory positions consisting only of money market mutual funds must affirmatively indicate through the eFOCUS system that no SIS filing is required for the reporting period. As FINRA noted in establishing the SIS, the purpose of the SIS

---

<sup>5</sup> Currently, members that calculate net capital using Appendix E to SEA Rule 15c3-1 file FOCUS Report Part II CSE, rather than FOCUS Report Part II. Such members are referred to as “alternative net capital” or “ANC” broker-dealers.

<sup>6</sup> SEA Rule 17a-5.

<sup>7</sup> 15 U.S.C. 78o-5.

<sup>8</sup> Department of the Treasury Form G-405.

<sup>9</sup> See Securities Exchange Act Release No. 73192 (September 23, 2014), 79 FR 58390 (September 29, 2014) (Order Approving Proposed Rule Change; File No. SR-FINRA-2014-025); see also Regulatory Notice 14-43 (October 2014) (SEC Approves Supplemental Inventory Schedule).

requirement is to provide more detailed information of inventory positions held by members.<sup>10</sup>

The Commission, as part of its rulemakings pursuant to Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”)<sup>11</sup> to establish a regulatory framework for security-based swaps (“SBS”), has adopted among other things amendments to the FOCUS reporting requirements, including amendments to FOCUS Report Part II<sup>12</sup> designed to elicit additional information about the SBS activities of broker-dealers that file FOCUS Report Part II, including broker-dealers that will also be registered as SBS dealers and major SBS participants.<sup>13</sup>

FINRA believes that Schedule 1 – Aggregate Securities, Commodities, and Swaps Positions (“Schedule 1”) to FOCUS Report Part II, as amended, includes substantially all the information that is required by the SIS, including, among other things, information on the following types of positions:

- U.S. Treasury securities;
- U.S. government agency and U.S. government-sponsored enterprise securities;

---

<sup>10</sup> See note 9 supra.

<sup>11</sup> Pub. L. No. 111-203, 124 Stat. 1376 (2010).

<sup>12</sup> See Securities Exchange Act Release No. 87005 (September 19, 2019), 84 FR 68550 (December 16, 2019) (Final Rule: Recordkeeping and Reporting Requirements for Security-Based Swap Dealers, Major Security-Based Swap Participants, and Broker-Dealers) (“Reporting Requirements Release”).

<sup>13</sup> See Reporting Requirements Release, 84 FR at 68573. Pursuant to the SEC’s rule change, ANC broker-dealers that currently file FOCUS Report Part II CSE will file new FOCUS Report Part II.

- securities issued by states and political subdivisions in the U.S.;
- foreign securities;
- money market instruments;
- private label mortgage backed securities;
- other asset-backed securities;
- corporate obligations;
- stocks and warrants (other than arbitrage positions);
- arbitrage positions;
- spot commodities;
- other securities and commodities; and
- securities with no ready market.

Further, line 11 of the SIS requires specified information on “derivatives including options,” based on whether the positions are centrally cleared or not. On Schedule 1 this information will be reported based on whether the position is a cleared or non-cleared SBS, mixed swap or swap, or will be reported under the category “other derivatives and options.”<sup>14</sup> Schedule 1 will also require information on counterparty netting and cash collateral netting.

---

<sup>14</sup> Schedule 1 requires the information for cleared and non-cleared SBS, mixed swaps and swaps in separate categories on Lines, 15, 16 and 17 of Schedule 1, while the SIS requires that SBS and swaps be reported in aggregate under “centrally cleared” and “all other” under Line 11 of the SIS. Further, Schedule 1 requires that other derivatives or options be reported in aggregate on Line 18 of Schedule 1, while the SIS specifies separate categories for “centrally cleared” and “all other” options, “forward settling and delayed delivery transactions,” “futures” and “other” products under Line 11 of the SIS. Also, under Line 13 of the SIS (“securities with no ready market”), the category for “other (include limited partnership interests)” is reflected as “other” under Line 13 of Schedule 1.



Given that substantially all the information required by the SIS is covered by Schedule 1 of FOCUS Report Part II, as amended, FINRA believes that it would be an unnecessary duplication of reporting to require members that file FOCUS Report Part II to continue to submit the SIS after the compliance date<sup>15</sup> for certain of the SEC's SBS rulemakings, including the new FOCUS reporting requirements pursuant to the Reporting Requirements Release. As such, in the interest of avoiding unnecessary duplication, FINRA believes it is appropriate to remove FOCUS Report Part II filers from the scope of members required to file the SIS.<sup>16</sup> Accordingly, the proposed rule change would revise the first paragraph under the General Instructions to the SIS so as to provide, in relevant part, that: "The Supplemental Inventory Schedule (SIS) is to be filed within 20 business days after the end of each firm's FOCUS reporting period by all FOCUS Part

---

<sup>15</sup> The Commission has broadly coordinated the compliance date for certain SBS rulemakings by setting October 6, 2021, as the compliance date (the "compliance date" or "SBS compliance date") for the registration requirements that the Commission adopted for SBS dealers and major SBS participants. See Reporting Requirements Release, 84 FR at 68600; see also Key Dates for Registration of Security-Based Swap Dealers and Major Security-Based Swap Participants, available on the Commission website at: <<https://www.sec.gov/page/key-dates-registration-security-based-swap-dealers-and-major-security-based-swap-participants>>.

<sup>16</sup> FINRA notes that members that have elected to be treated as capital acquisition brokers ("CABs") would be subject to the proposed rule change to the extent that FINRA Rule 4524, pursuant to CAB Rule 452(b), applies to CABs. To the extent any CABs are FOCUS Report Part II filers, then, pursuant to the rule change, such firms would no longer need to file the SIS.

The proposed rule change would not impact funding portal members because such members are not subject to Rule 4524 and are not subject to the FOCUS reporting requirements.

IIA and FOGS Part I filers . . .”<sup>17</sup> FINRA believes it is appropriate to implement this revision in alignment with the reporting cycle that coincides with the SEC’s SBS compliance date. FINRA is not proposing any other change to the SIS.

FINRA has filed the proposed rule change for immediate effectiveness. FINRA is proposing that the implementation date of the proposed rule change will be October 31, 2021, for SIS filings that report on the month ending October 31, 2021, and are due by November 30, 2021. Thus, SISs filed on or after October 31, 2021, would reflect the proposed rule change.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>18</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. Consistent with the provisions of the Act, FINRA believes that eliminating the SIS filing requirement for members that file FOCUS Report Part II, as amended by the Reporting Requirements Release, will avoid unnecessary duplication of reporting for such members while ensuring that regulators continue to receive the needed information reflected on these forms, given that Schedule 1 of FOCUS Report Part II, as amended, includes substantially all the information required by the SIS. The proposed rule change

---

<sup>17</sup> The SIS, as proposed to be revised pursuant to the rule change, is included as Exhibit 3 to this rule filing.

<sup>18</sup> 15 U.S.C. 78q-3(b)(6).

will thereby reduce unnecessary burdens while also helping to protect investors and serve the public interest.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. Schedule 1 of FOCUS Report Part II, as amended, requires substantially all the information required by the SIS. Eliminating the SIS filing requirement for members that file FOCUS Report Part II, as amended, would avoid unnecessary duplication of reporting, thereby reducing burdens for such members, while ensuring that regulators continue to receive the needed information reflected on these forms.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>19</sup> and Rule 19b-4(f)(6) thereunder.<sup>20</sup>

---

<sup>19</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>20</sup> 17 CFR 240.19b-4(f)(6).

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2021-013 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2021-013. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent

amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2021-013 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>21</sup>

Jill M. Peterson  
Assistant Secretary

---

<sup>21</sup> 17 CFR 200.30-3(a)(12).

Exhibit 3

Below is the Supplemental Inventory Schedule. Proposed deletions are in brackets.

**SUPPLEMENTAL SCHEDULE TO FOCUS REPORT OR FOGS REPORT, AS APPLICABLE**

**SUPPLEMENTAL INVENTORY SCHEDULE**

**GENERAL INSTRUCTIONS**

The Supplemental Inventory Schedule (SIS) is to be filed within 20 business days after the end of each firm's FOCUS reporting period by all [FOCUS Part II,] FOCUS Part IIA[,] and FOGS Part I filers with inventory positions (i.e., securities or commodities positions (long, short or both) which are required to be reported on the balance sheet pursuant to GAAP) as of the end of the reporting period, except for firms that:

- (1) have a minimum dollar net capital or liquid capital requirement, as applicable, of less than \$100,000; or
- (2) have inventory positions consisting only of money market mutual funds.

A firm with inventory positions consisting only of money market mutual funds must affirmatively indicate through functionality on the eFOCUS system that no filing is required for the reporting period.

**Note:** Report the gross long and short market values of all inventory positions as defined for each line item.

**Note:** Securities defined within the categories specified in lines 3 through 11 that are deemed to be "non-marketable," "not readily convertible to cash" or where "a ready market" is deemed not to exist with respect to such securities under SEA Rule 15c3-1 and the respective interpretations thereunder, are to be reported on line 13.a., b. or c. (Securities with No Ready Market).

**SPECIFIC INSTRUCTIONS**

**Aggregate Securities and Commodities Positions**

**1. U.S. Treasury Securities**

Report the market value of all securities issued by and guaranteed as to principal or interest by the United States government (i.e., direct obligations of the U.S. Treasury) including but not limited to bills, notes, bonds, Treasury Inflation-Protected Securities (TIPS), U.S. Treasury STRIPS (IO) or (PO), and Treasury floating rate notes.

**2. U.S. Government Agency and U.S. Government-Sponsored Enterprises**

**a. Mortgage-Backed Securities issued by U.S. Government Agency and U.S. Government-Sponsored Enterprises**

Report the market value of all securities that include, but are not limited to, mortgage-backed securities issued or guaranteed by, or which are the obligation of a United States federal agency, or a United States government-sponsored enterprise, including participation certificates, pass-through securities, CMOs, REMICS, and IOs or POs. For examples of securities issued by U.S. government agency and U.S. government-sponsored enterprises, see /01 and /011 of SEA Rule 15c3-1(c)(2)(vi)(A) in the *FINRA Interpretations of Financial and Operational Rules*.

**b. Debt Securities issued by U.S. Government Agency and U.S. Government-Sponsored Enterprises**

Report the market value of all debt securities issued or guaranteed as to principal or interest by any agency of the United States government including securities that are issued by, guaranteed by, or are the direct obligation of a United States federal agency or a United States government-sponsored enterprise except mortgage-backed securities issued by such entities. For examples of securities issued by U.S. government agency and U.S. government-sponsored enterprises, see /01 and /011 of SEA Rule 15c3-1(c)(2)(vi)(A) in the *FINRA Interpretations of Financial and Operational Rules*.

**3. Securities issued by States and Political Subdivisions in the U.S.**

Report the market value of all securities issued by states (and political subdivisions thereof) of the United States including the District of Columbia, as well as counties, municipalities, school districts, irrigation, drainage and sewer districts. Also include securities issued by the government of Puerto Rico and of the U.S. territories and possessions and their political subdivisions. Include general obligations, revenue obligations, industrial development and similar obligations.

**4. Foreign securities**

Report the market value of all debt (line 4.a.) and equity (line 4.b.) securities issued or guaranteed as to principal or interest by a foreign sovereign government. In addition, report the market value of all securities issued by entities established under the laws of a foreign country (i.e., legally incorporated in a foreign country or issued by international organizations, even if these organizations are located in the United States) including ADRs, Eurodollar bonds as well as any structured products such as ETNs and ETFs that are issued by foreign entities as well as ETNs and ETFs whose underlying holdings are predominantly securities issued by foreign entities.

**5. Money Market Instruments**

Report the market value of all money market securities issued by entities established in the United States, which include but are not limited to banker's acceptances, bank certificates of deposit, commercial paper and money market mutual funds.

**6. Private-Label Mortgage-Backed Securities**

Report the market value of all mortgage-backed securities including residential and commercial mortgage-backed securities issued by any private issuer (i.e., any entity that is not a U.S. government agency or U.S. government-sponsored enterprise).

**7. Other Asset-Backed Securities**

Report the market value of all asset-backed securities issued by any private issuer (i.e., any entity that is not a U.S. government agency or U.S. government-sponsored enterprise) other than mortgage-backed securities reported on line 6 (Private-Label Mortgage-Backed Securities). Asset-backed securities include but are not limited to securities backed by credit card receivables, automobile loans and leases.

**8. Corporate Obligations**

Report the market value of all U.S. dollar-denominated debt securities issued by any corporations incorporated in the 50 states of the United States and the District of Columbia. Corporate obligations include but are not limited to non-convertible, convertible, floating rate debt securities and ETNs that are issued by a domestic issuer, as well as ETNs that are predominantly composed of

debt securities issued by a domestic issuer.

**9. Stocks and Warrants (other than arbitrage positions)**

Report the market value of preferred and common stocks, warrants and ETFs issued by any domestic issuer and that are not traded on the firm's arbitrage trading desk.

**10. Arbitrage**

Report the market value of securities that are considered part of a "bona fide arbitrage." For purposes of the SIS, a security is considered part of a "bona fide arbitrage" if a security is convertible into or exchangeable for another security within a period of 90 days, subject to no conditions other than the payment of money, and the other securities into which such security is convertible or for which it is exchangeable, are short in the accounts of such broker or dealer.

**11. Derivatives including Options**

Reporting on lines 11.a.1.-5. and 11.b.1.-4. is required when either the total long or total short of all items under line 11 is greater than 10% of the total long or total short amounts reported on line 15 (Total) after excluding long and short amounts reported on line 1 (U.S. Treasury Securities) and line 2. (U.S. Government Agency and U.S. Government – Sponsored Enterprises). Otherwise, firms need only report the total of all long and short amounts of Derivatives including Options on line 11.

*Note:* Firms should net offsetting intracompany securities or swaps transactions between desks. No other netting should be done for purposes of reporting in this section, even if transactions are subject to bilateral netting agreements. When reporting mark-to-market receivables and payables, receivables should be reported in the long column and payables in the short column.

**a. Centrally Cleared**

1. Report the market value of all centrally cleared options.
2. Report the gross mark-to-market receivables and payables on all centrally cleared forward settling and delayed delivery transactions (including TBAs).
3. Report the gross mark-to-market receivables and payables on all centrally cleared security-based swaps and swaps transactions.
4. Report the gross mark-to-market receivables and payables on all futures transactions.
5. Report the gross mark-to-market receivables and payables on all other centrally cleared derivatives.

**b. All Other**

1. Report the market value of all options not otherwise reported on line 11.a.1, including the mark-to-market receivables or payables on swaptions contracts.
2. Report the gross mark-to-market receivables and payables on forward settling and delayed delivery transactions not otherwise reported on line 11.a.2 (including TBAs).
3. Report the gross mark-to-market receivables and payables on security-based swaps and swaps transactions not otherwise reported on line 11.a.3.
4. Report the gross mark-to-market receivables and payables on all other non-centrally cleared derivatives.

**12. Spot Commodities**

Report the market value of spot commodities.



**13. Securities with no ready market**

Report the value of securities for which there is no “ready market,” as defined in SEA Rule 15c3-1 and the respective interpretations thereunder. Include securities that are subject to marketplace blockage, and securities that cannot be publicly offered or sold because of statutory, regulatory, or contractual arrangements, or because of other restrictions.

**14. Other Securities or Commodities**

Report the market value of all other marketable securities not reported in lines 1 through 13.

FINRA  
FORM  
SIS

SUPPLEMENTAL SCHEDULE TO FOCUS REPORT OR FOGS REPORT, AS APPLICABLE

Supplemental Inventory Schedule  
(Please read instructions before completing Form)

NAME OF BROKER-DEALER			13	SEC FILE NO.	14
ADDRESS OF PRINCIPAL PLACE OF BUSINESS				FIRM ID NO.	15
(No. and Street)	21	22	23	FOR PERIOD ENDING (MM/DD/YY)	25
(City)		(State)	(Zip Code)		

NAME OF PERSON COMPLETING THIS REPORT	11290
TELEPHONE NO. OF PERSON COMPLETING THIS REPORT	11291

Aggregate Securities and Commodities Positions

	LONG		SHORT	
<b>1. U.S. Treasury Securities</b>		\$ 8200		\$ 8201
<b>2. U.S. Government Agency and U.S. Government-Sponsored Enterprises</b>		\$ 8210		\$ 8211
	<b>LONG</b>		<b>SHORT</b>	
a. Mortgage-Backed Securities issued by U.S. Government Agency and U.S. Government-Sponsored Enterprises	\$ 18001		\$ 18002	
b. Debt Securities issued by U.S. Government Agency and U.S. Government-Sponsored Enterprises	\$ 18003		\$ 18004	
<b>3. Securities issued by States and Political Subdivisions in the U.S.</b>		\$ 8220		\$ 8221
<b>4. Foreign securities:</b>				
a. Debt securities		\$ 8230		\$ 8231
b. Equity securities		\$ 8235		\$ 8236
<b>5. Money Market Instruments</b>		\$ 8240		\$ 8241
<b>6. Private-Label Mortgage-Backed Securities</b>		\$ 8250		\$ 8251
<b>7. Other Asset-Backed Securities</b>		\$ 8260		\$ 8261
<b>8. Corporate Obligations</b>		\$ 8270		\$ 8271
<b>9. Stocks and Warrants (other than arbitrage positions)</b>		\$ 8280		\$ 8281
<b>10. Arbitrage</b>		\$ 8290		\$ 8291
<b>11. Derivatives including Options:</b>		\$ 8295		\$ 8296
a. Centrally Cleared (See instructions)				
1. Options	\$ 18005		\$ 18006	
2. Forward Settling and Delayed Delivery Transactions	\$ 18007		\$ 18008	
3. Security-Based Swaps and Swaps	\$ 18009		\$ 18010	
4. Futures	\$ 18011		\$ 18012	
5. Other	\$ 18013		\$ 18014	
b. All Other (See instructions)				
1. Options	\$ 18100		\$ 18101	
2. Forward Settling and Delayed Delivery Transactions	\$ 18102		\$ 18103	
3. Security-Based Swaps and Swaps	\$ 18104		\$ 18105	
4. Other	\$ 18106		\$ 18107	
<b>12. Spot Commodities</b>		\$ 8330		\$ 8331
<b>13. Securities with no ready market:</b>				
a. Equity		\$ 8340		\$ 8341
b. Debt		\$ 8345		\$ 8346
c. Other (include limited partnership interests)		\$ 8350		\$ 8351
<b>14. Other Securities or Commodities</b>		\$ 8360		\$ 8361
<b>15. Total</b>		\$ 8370		\$ 8371