

Information Notice

Redesigned eFOCUS System and SEC Security-Based Swap Reporting Requirements; Revised Supplemental Inventory Schedule

Summary

In 2019, the Securities and Exchange Commission (SEC) adopted amendments¹ that revise certain of the Financial and Operational Combined Uniform Single (FOCUS) reporting and annual report requirements that apply to brokers and dealers pursuant to SEA Rule 17a-5² to take account of security-based swap (SBS) activity. Further, as a result of these changes, to avoid duplication with the SEC's new requirements, FINRA has revised³ the Supplemental Inventory Schedule (SIS) so that members that file the new FOCUS Report Part II, pursuant to the SEC's amendments, will no longer need to file the SIS. The SEC's new FOCUS reporting requirements, and the revised SIS, will apply beginning with FOCUS reports and SIS filings that report on the period ending October 31, 2021 and are required to be filed in November 2021. This *Notice* provides highlights of the upcoming changes.

Additionally, FINRA has redesigned its eFOCUS filing system to add certain enhancements and features to improve members' filing experience. Members that are quarterly filers may access the new system on FINRA Gateway beginning June 24, 2021. The new system will be made available to monthly filers beginning in July 2021.

Questions concerning this *Notice* may be directed to:

- ▶ Ann Duguid, Senior Director, Office of Financial and Operational Risk Policy, at (646) 315-8434 or Ann.Duguid@finra.org; or
- ▶ Jay Koutros, Senior Director, Member Supervision, at (646) 315-8509 or Demetrios.Koutros@finra.org.

June 3, 2021

Suggested Routing

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

Key Topic(s)

- ▶ Annual Report Filings
- ▶ FOCUS Report Filings
- ▶ Supplemental Inventory Schedule

Referenced Rules and Notices

- ▶ SEA Rule 17a-5
- ▶ Information Notice 11/23/20
- ▶ Regulatory Notice 18-38

Background

In 2019, the SEC, as part of its rulemakings pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act⁴ to establish a regulatory framework for SBS, has adopted amendments to the FOCUS reporting and annual report requirements that apply to brokers and dealers. The amendments are designed, among other things, to elicit more detailed information about derivatives positions and exposures. Below are some highlights of how the SEC's amendments impact financial reporting:

- ▶ The SEC has amended FOCUS Report Part II. Members that currently file FOCUS Report Part II will file the amended FOCUS Report Part II;
- ▶ FOCUS Report Part II CSE will be discontinued. Firms that currently file FOCUS Report Part II CSE will instead file FOCUS Report Part II, as amended;⁵
- ▶ Schedule 1 (Aggregate Securities, Commodities and Swaps Positions) of FOCUS Report Part II, as amended, elicits substantially all the information that the current SIS requires. To avoid duplication with Schedule 1 of the SEC's amended FOCUS Report Part II, FINRA has revised the SIS so that members that file FOCUS Report Part II, as amended, will not need to file the SIS;
- ▶ The SEC has updated the Facing Page and Oath or Affirmation (Part III of Form X-17A-5), which members submit with their annual reports pursuant to Rule 17a-5. All members will use the amended Facing Page and Oath or Affirmation;
- ▶ FOCUS Report Part IIA is unchanged.

The SEC's new FOCUS reporting requirements, and the revised SIS, will apply beginning with FOCUS reports and SIS filings that report on the period ending October 31, 2021 and are required to be filed in November 2021.⁶

Additionally, to improve members' filing experience, FINRA is making available a redesigned eFOCUS system. Members that are quarterly filers may access the new system on FINRA Gateway beginning June 24, 2021. The new system will be made available to monthly filers beginning in July 2021. Members may visit FINRA's [eFOCUS page](#) for further information about user support and logging in to the redesigned eFOCUS system. Members with questions about the eFOCUS system may contact the Help Desk at (800) 321-6273.

Endnotes

1. 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) (referred to as the “Reporting Requirements Release”).
2. 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 11/23/20](#) (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).
3. See [SR-FINRA-2021-013](#).
4. Pub. L. No. 111-203, 124 Stat. 1376 (2010).
5. Pursuant to the SEC’s rulemaking, stand-alone security-based swap dealers (SBSDs) and stand-alone major security-based swap participants (MSBSPs) (that is, SBSBs and MSBSPs that are not broker-dealers and that do not have a prudential regulator) will also file FOCUS Report Part II, as amended. Separately, bank SBSBs and bank MSBSPs (that is, SBSBs and MSBSPs for which there is a prudential regulator) will file new FOCUS Report Part IIC. The SEC, by Order, has designated FINRA as the organization with which stand-alone SBSBs and stand-alone MSBSPs, and bank SBSBs and bank MSBSPs, must file FOCUS Report Part II, as amended, and FOCUS Report Part IIC, respectively. See [Securities Exchange Act Release No. 88866](#) (May 14, 2020) (Order Designating Financial Industry Regulatory Authority, Inc., to Receive Form X-17A-5 (FOCUS Report) from Certain Security-Based Swap Dealers and Major Security-Based Swap Participants).
6. This broadly aligns with the October 6, 2021, “compliance date” that the SEC has set for many of its key SBS-related requirements. See the Reporting Requirements Release, note 1; see also Key Dates for Registration of Security-Based Swap Dealers and Major Security-Based Swap Participants, available on the Commission [website](#).