Regulatory Notice

10-33

Supplemental FOCUS Information

FINRA Requests Comment on Proposed Rule Requiring the Filing of Supplemental FOCUS Information and Proposed Supplementary Schedule to the Statement of Income (Loss) Page of FOCUS Report Parts II and IIA

Comment Period Expires: August 18, 2010

Executive Summary

FINRA requests comment on a proposed rule to require each member firm to file certain additional financial or operational schedules or reports to supplement SEC FOCUS Reports. FINRA further requests comment on one such proposed schedule, a supplement to the Statement of Income (Loss) page of FOCUS Report Parts II and IIA.

The text of proposed FINRA Rule 4524 (Supplemental FOCUS Information) is set forth in Attachment A. The proposed supplementary schedule for the Statement of Income (Loss) page of the FOCUS Report Parts II and IIA, including the proposed Operational Page, is set forth in Attachment B.

Questions concerning this Notice should be directed to:

- ➤ Kris Dailey, Vice President, Risk Oversight & Operational Regulation, at (646) 315-8434; or
- ➤ Susan DeMando Scott, Associate Vice President, Financial Operations Department, at (202) 728-8411.

July 2010

Notice Type

➤ Request for Comment

Suggested Routing

- ➤ Compliance
- Finance
- Legal
- Operations
- Regulatory Reporting
- > Senior Management

Key Topics

➤ FOCUS Reporting

Referenced Rules & Notices

- ➤ SFA Rule 17a-5
- ➤ FINRA Rule 2010



Action Requested

FINRA encourages all interested parties to comment on the proposal. Comments must be received by August 18, 2010.

Member firms and other interested parties can submit their comments using the following methods:

- Emailing comments to pubcom@finra.org; or
- Mailing comments in hard copy to:

Marcia E. Asquith Office of the Corporate Secretary **FINRA** 1735 K Street, NW Washington, DC 20006-1506

To help FINRA process and review comments more efficiently, persons should use only one method to comment on the proposal.

Important Notes: The only comments that FINRA will consider are those submitted pursuant to the methods described above. All comments received in response to this Notice will be made available to the public on the FINRA Web site. Generally, FINRA will post comments on its site one week after the end of the comment period.¹

Before becoming effective, a proposed rule change must be authorized for filing with the SEC by the FINRA Board of Governors, and then must be approved by the SEC, following publication for public comment in the Federal Register.²

Background & Discussion

SEA Rule 17a-5 requires member firms to file with FINRA monthly and quarterly reports concerning their financial and operational status (FOCUS Reports). FOCUS Reports provide FINRA with valuable information regarding a member firm's business; however, FINRA believes that it can better discharge its regulatory obligations with the benefit of additional information that gives FINRA a more complete and detailed view of a member firm's business operations. FINRA, therefore, is requesting comment on a proposed rule that requires firms 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. The content of any future proposed schedules and reports, their formats and the frequency of such supplemental filings, would be specified in a future Regulatory Notice (or similar communication) to be filed with the SFC.

In connection with the proposed rule, FINRA is proposing a supplementary schedule to capture with more specificity information from the Statement of Income (Loss) page of the FOCUS Report Parts II and IIA. The forms currently in use do not contain sufficient detail of revenues earned or expenses incurred by product or other more specific categories, thereby driving firms to report much of their revenue and expense as "other" (miscellaneous). FINRA believes the expanded revenue and expense information on the proposed supplementary schedule would provide FINRA greater transparency into a member firm's business activities and would better illuminate industry trends, allowing for more focused examinations. Many line items are not applicable to firms with limited product offerings, thereby reducing the burden of completing the form.

As part of the proposed supplementary schedule, FINRA would require additional information with respect to a member firm's underwriting and/or selling group activities when revenue from unregistered offerings exceeds 10 percent of total revenue. Member firms that exceed the 10 percent threshold would need to complete the corresponding section of a new Operational Page that is referenced in the proposed supplementary schedule.

Endnotes

- 1 FINRA will not edit personal identifying information, such as names or email addresses, from submissions. Persons should submit only information that they wish to make publicly available. See NASD Notice to Members 03-73 (November 2003) (NASD Announces Online Availability of Comments) for more information.
- Section 19 of the Securities Exchange Act of 1934 (SEA or Exchange Act) permits certain limited types of proposed rule changes to take effect upon filing with the SEC. The SEC has the authority to summarily abrogate these types of rule changes within 60 days of filing. See Exchange Act Section 19 and rules thereunder.

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Attachment A

4524. Supplemental FOCUS Information

As a supplement to filing FOCUS reports required pursuant to SEA Rule 17a-5 and FINRA Rule 2010, each member 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 and reports, their formats, 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 any Regulatory Notice (or similar communication) issued pursuant to this Rule.

Attachment B

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Operational Page

Firm Underwriting and Selling Group Participation

SECTION 1 RE: unregistered equity offerings, other than self or affiliate offerings

For each offering in which the firm participated in the Reporting Period, provide the following information.

If Firm engaged in more than five such offerings during the Reporting Period, list the five largest offerings in terms of total securities sold.

Per Offering Memorandum, name of BD Total Amount Total Number Amount of (other than one of Securities of Customers Revenue filing this Sold to whom Earned by FOCUS Report) Maximum During the Firm, if any, in Scheduled Registration Minimum securities Offering Full Name of Reporting Maturity Date Name of to which issuer Exemption Date of Offering Type of were sold conjunction Offering Issuer/Sponsor is affiliated. Relied Upon Offering Period with offering. of Offering Issue Amount Amount

Per Offering
Memorandum, % of
Proceeds to be used by
BD affiliated with issuer
or its associated
persons (APs) as either
working capital, debt
reduction or retirement,
or credit facility
extension, or otherwise
directed to the BD or its
APs.

Per Offering Memorandum, % of Proceeds to be used by BD affiliated with issuer or its associated persons (APs) as either working capital, debt reduction or retirement, or credit facility extension, or otherwise directed to the BD or its

APs.

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- (2)
- (3)
- (4)
- (5)

SECTION 2 RE: unregistered debt offerings, other than self or affiliate offerings

For each offering in which the firm participated in the Reporting Period, provide the following information.

If Firm engaged in more than five such offerings during the Reporting Period, list the five largest offerings in terms of total securities sold.

		Per Offering Memorandum, name of BD (other than one filing this FOCUS Report) to which issuer is affiliated.	Registration Exemption Relied Upon	Date of Issue	Minimum Offering Amount	Maximum Offering Amount	Type of Offering	Total Amount of Securities Sold During the Reporting Period	Total Number of Customers to whom securities were sold	Amount of Revenue Earned by Firm, if any, in conjunction with offering.	Scheduled Maturity Date of Offering
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SECTION 3 RE: unregistered equity offerings, self or affiliate offerings For each offering in which the firm participated in the Reporting Period, provide the following information.

If Firm engaged in more than five such offerings during the Reporting Period, list the five largest offerings in terms of total securities sold.

If Firm engaged in more than five such offerings during the Reporting Period, list the five largest offerings in terms of total securities sold.

	Full Name of Offering	Name of Issuer/Sponsor	Issuer's Affiliation to Broker/Dealer Filing this FOCUS Report	Registration Exemption Relied Upon	Date of Issue	Minimum Offering Amount	Maximum Offering Amount	Type of Offering	Total Amount of Securities Sold During the Reporting Period	Total Number of Customers to whom securities were sold	Amount of Revenue Earned by Firm, if any, in conjunction with offering.	Scheduled Maturity Date of Offering
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_	SECTION 4 RE: unregistered debt offerings, self or affiliate offerings For each offering in which the firm participated in the Reporting Period, provide the following information.											

% of Proceeds to be used by BD filing this FOCUS Report or its associated persons (APs) as either working capital, debt reduction or retirement, or credit facility extension, or otherwise directed to the BD or its APs.

% of Proceeds to be used by BD filing this

Full Name of Name of Offering Issuer/Sponsor	Issuer's Affiliation to Broker/Dealer Filing this FOCUS Report	Registration Exemption Relied Upon	Date of Issue	Minimum Offering Amount	Maximum Offering Amount	Type of Offering	Total Amount of Securities Sold During the Reporting Period	Total Number of Customers to whom securities were sold	Amount of Revenue Earned by Firm, if any, in conjunction with offering.	Scheduled Maturity Date of Offering	FOCUS Report or its associated persons (APs) as either working capital, debt reduction or retirement, or credit facility extension, or otherwise directed to the BD or its APs.
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