

# Regulatory Notice

15-12

## GASB Accounting Support Fee

### 2015 GASB Accounting Support Fee to Fund the Governmental Accounting Standards Board

#### Executive Summary

In February 2012, pursuant to an SEC order, FINRA established an accounting support fee (GASB Accounting Support Fee) to adequately fund the annual budget of the Governmental Accounting Standards Board (GASB). The GASB Accounting Support Fee is collected on a quarterly basis from member firms that report trades to the Municipal Securities Rulemaking Board (MSRB). Each member firm's assessment is based on the firm's portion of the total par value of municipal securities transactions reported by all FINRA member firms to the MSRB during the previous quarter. FINRA will assess and collect a total of \$7,357,300 to adequately fund the GASB's annual budget by collecting \$1,839,325 from its member firms each calendar quarter beginning in May 2015.

Questions concerning this *Notice* should be directed to:

- ▶ Finance Department at (240) 386-5399; or
- ▶ Office of General Counsel at (202) 728-8071.

#### Background & Discussion

Pursuant to Section 14 of Schedule A to FINRA's By-Laws, which was adopted in response to the SEC's 2011 order under Section 19(g) of the Securities Act of 1933 (Securities Act),<sup>1</sup> FINRA assesses a reasonable annual accounting support fee to adequately fund the annual budget of the GASB.<sup>2</sup> The GASB Accounting Support Fee is assessed on a quarterly basis and is based on member firms' municipal securities trading volume reported to the MSRB during the previous calendar quarter. Each quarter, FINRA collects one-fourth of the annual GASB Accounting Support Fee from its members. A member firm's quarterly assessment reflects its portion of the total par value of municipal securities transactions reported to the MSRB by all FINRA members in the previous calendar quarter. To exclude firms with *de minimis* transactions in municipal securities in a given quarter from being assessed the fee, members with a quarterly assessment of less than \$25 are not charged the fee for that quarter,

April 2015

#### Notice Type

- ▶ Guidance

#### Suggested Routing

- ▶ Compliance
- ▶ Government Securities
- ▶ Institutional
- ▶ Legal
- ▶ Municipal
- ▶ Operations
- ▶ Senior Management
- ▶ Systems
- ▶ Trading

#### Key Topics

- ▶ Financial Accounting Foundation
- ▶ GASB Accounting Support Fee
- ▶ Governmental Accounting Standards Board
- ▶ Municipal Securities Transactions

#### Referenced Rules & Notices

- ▶ Dodd-Frank Act Section 978
- ▶ FINRA By-Laws, Schedule A
- ▶ MSRB Rule G-14(b)
- ▶ Regulatory Notice 12-15
- ▶ Regulatory Notice 13-17
- ▶ Regulatory Notice 14-17
- ▶ Securities Act Section 19(g)

and any amounts originally assessed to those firms are reallocated among the firms with an assessment that quarter of \$25 or more. Firms that do not engage in reportable municipal securities transactions during a particular calendar quarter are not subject to the GASB Accounting Support Fee for that quarter.

For 2015, GASB's annual budget expenses of \$9,857,400 will be partially funded from \$2,500,100 of excess reserves of the Financial Accounting Foundation. As a result, the recoverable annual budgeted expense for purposes of the GASB Accounting Support Fee is \$7,357,300;<sup>3</sup> therefore, FINRA will collect \$1,839,325 from its members each quarter beginning in May 2015.<sup>4</sup>

Because some firms may seek to pass the GASB Accounting Support Fee onto customers engaged in municipal securities transactions, FINRA will continue to provide firms with an estimated fee rate (per \$1,000 par value) based on the GASB recoverable annual budgeted expenses reported to FINRA for that year and historical municipal security trade reporting volumes so that firms will have a basis on which to establish a fee. Based on reported municipal trading activity by FINRA member firms in 2014 and the 2015 GASB budget, FINRA estimates that the GASB Accounting Support Fee for 2015 will be between \$0.0025 and \$0.0029 per \$1,000 par value. Member firms are reminded that, if they choose to pass along the fee, they must ensure that any such fees are properly disclosed, including, if applicable, the fact that the fee is an estimate and that the firm ultimately may pay more or less than the fee charged to the customer. In addition, any disclosure used by a member firm cannot be misleading and must conform to FINRA rules, including just and equitable principles of trade, as well as any applicable MSRB rules.

## Endnotes

1. Securities Exchange Act Release No. 64462 (May 11, 2011), 76 FR 28247 (May 16, 2011). Section 19(g) of the Securities Act, as added by Section 978 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), gave the SEC the authority to require a national securities association to establish a reasonable annual accounting support fee to adequately fund the annual budget of the GASB and to draft the rules and procedures necessary to equitably assess the fee on the association's members. *See* 15 U.S.C. 77s(g); Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).
2. *See* Securities Exchange Act Release No. 66454 (February 23, 2012), 77 FR 12340 (February 29, 2012); *see also* [Regulatory Notice 14-17](#) (April 2014); [Regulatory Notice 13-17](#) (April 2013); [Regulatory Notice 12-15](#) (February 2012). In accordance with Section 19(g)(5)(B) of the Securities Act, collection of the GASB Accounting Support Fee shall not be construed to provide the SEC or FINRA direct or indirect oversight of the budget or technical agenda of the GASB or to affect the setting of generally accepted accounting principles by the GASB. *See* 15 U.S.C. 77s(g)(5)(B).
3. For purposes of the GASB Accounting Support Fee, the annual budget of the GASB is the annual budget reviewed and approved according to the internal procedures of the Financial Accounting Foundation (FAF). *See* 15 U.S.C. 77s(g)(2). GASB's 2015 budget includes an administrative fee to FINRA of \$30,000 that is intended to cover FINRA's costs associated with calculating, assessing, and collecting the GASB Accounting Support Fee. The amount of the administrative fee is reviewed and evaluated each year by FINRA and the FAF in light of FINRA's experience in assessing and collecting the GASB Accounting Support Fee and the actual costs incurred by FINRA.
4. The invoice firms received in January 2015 covers the fourth quarter of GASB's 2014 budget and is based on the amounts set forth in *Regulatory Notice 14-17*. As required by Section 19(g) of the Securities Act, any GASB Accounting Support Fees collected by FINRA are remitted to the FAF and used to support the efforts of the GASB to establish standards of financial accounting and reporting applicable to state and local governments. *See* 15 U.S.C. 77s(g)(1), (3). Section 19(g)(4) of the Securities Act prohibits FINRA from collecting GASB Accounting Support Fees for a fiscal year in excess of GASB's recoverable annual budgeted expenses. *See* 15 U.S.C. 77s(g)(4).