

SEC Financial Responsibility Rules

FINRA Announces Updates of the Interpretations of Financial and Operational Rules

Executive Summary

FINRA is making available updates to interpretations in the Interpretations of Financial and Operational Rules that have been communicated to FINRA by the staff of the SEC's Division of Trading and Markets (SEC staff). The updated interpretations relate to the effectiveness of amendments that the SEC adopted to Securities Exchange Act (SEA) Rules 15c3-1 and 15c3-3.¹

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Background & Discussion

In July 2013, the SEC adopted rule amendments that became effective on March 3, 2014, pursuant to a temporary exemption granted by the SEC.² As previously announced in [Regulatory Notice 14-12](#), FINRA is updating interpretations in the Interpretations of Financial and Operational Rules related to the SEC's amendments to SEA Rules 15c3-1 and 15c3-3, as set forth below. Page references are to the hardcopy version. These interpretations are being updated with specific additions, revisions and rescissions.

The following interpretations have been **added**:

- ▶ SEA Rule 15c3-3(a)(1)/022 (Non-Conforming Subordination Agreements for PAB Account Exclusion) on page 2007.
- ▶ SEA Rule 15c3-3(a)(16)/01 (Non-Conforming Subordination Agreements for PAB Account Exclusion) on page 2043.

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Notice Type

- ▶ Guidance

Suggested Routing

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

Key Topics

- ▶ Customer Protection
- ▶ Net Capital

Referenced Rules & Notices

- ▶ Regulatory Notice 08-56
- ▶ Regulatory Notice 13-44
- ▶ Regulatory Notice 14-06
- ▶ Regulatory Notice 14-12
- ▶ Regulatory Notice 14-25
- ▶ Regulatory Notice 14-38
- ▶ SEA Rule 15c3-1
- ▶ SEA Rule 15c3-3

- ▶ SEA Rule 15c3-3(a)(16)/02 (Piggyback Carrying Arrangements) on page 2044.
- ▶ SEA Rule 15c3-3(d)(4)/01 (Extensions of Time) on page 2341.
- ▶ SEA Rule 15c3-3(e)(5)/01 (Cash Deposits in Reserve Bank Accounts – Aggregation of Deposits for Concentration Calculation) on page 2434.
- ▶ SEA Rule 15c3-3(Exhibit A – Item 5)/03 (Possession or Control Requirement vs. Non-Customer Short) on page 2695.

The following interpretations have been **revised**:

- ▶ SEA Rule 15c3-1(a)(2)(vi)/04 (Sole Proprietor Joint Securities Account With Spouse) on page 43.
- ▶ SEA Rule 15c3-1(a)(2)(vi)/05 (Sole Proprietor IRA, Keogh or ERISA Accounts) on page 44.
- ▶ SEA Rule 15c3-1(c)(2)(iv)(B)/111 (Customers' Unsecured/Partly Secured Deficits Offset by Correspondent's Deposits) on page 281.
- ▶ SEA Rule 15c3-1(c)(2)(iv)(E)/021 (Clearing Deposits of Introducing Brokers) on page 320.
- ▶ SEA Rule 15c3-1(c)(2)(iv)(E)/025 (U.S. Broker-Dealer's Deposit at Foreign Entity) on page 323.
- ▶ SEA Rule 15c3-1(c)(2)(iv)(E)/027 (Piggyback Carrying Arrangements) on page 324.
- ▶ SEA Rule 15c3-1(c)(2)(iv)(E)/028 (Aged Commissions Receivables) on page 325.
- ▶ SEA Rule 15c3-3(a)(1)/01 (Customer/Non-Customer Classification) on page 2002-2004.
- ▶ SEA Rule 15c3-3(a)(1)/021 (Non-Conforming Subordination Agreements for Customer Account Exclusion) on page 2006.
- ▶ SEA Rule 15c3-3(a)(1)/032 (Foreign Banks - Customer and Non-Customer Classification) on page 2008.
- ▶ SEA Rule 15c3-3(a)(1)/033 (Foreign Broker-Dealers - Customer and Non-Customer Classification) on page 2009.
- ▶ SEA Rule 15c3-3(a)(6)/012 (Certificates of Deposit in Reserve Bank Accounts) on page 2023.
- ▶ SEA Rule 15c3-3(a)(6)/0121 (Certificates of Deposit in Reserve Bank Accounts – Aggregation of Deposits for Concentration Calculation) on page 2024.
- ▶ SEA Rule 15c3-3(b)(1)/011 (Borrowing Required) on page 2101.
- ▶ SEA Rule 15c3-3(b)(2)/033 (Segregation Management Allocation System) on page 2104.
- ▶ SEA Rule 15c3-3(d)(1)/06 (Customer Long vs. Customer, Non-Customer or Proprietary Short) on page 2305.
- ▶ SEA Rule 15c3-3(e)(1)/01 (Money Market Deposits in Reserve Bank Accounts) on page 2401.

- ▶ SEA Rule 15c3-3(e)(1)/010 (Money Market Deposits in Reserve Bank Accounts – Aggregation of Deposits for Concentration Calculation) on page 2402.
- ▶ SEA Rule 15c3-3(e)(1)/011 (Time Deposits in Reserve Bank Accounts) on page 2403.
- ▶ SEA Rule 15c3-3(e)(1)/012 (Time Deposits in Reserve Bank Accounts – Aggregation of Deposits for Concentration Calculation) on page 2404.
- ▶ SEA Rule 15c3-3(f)/02 (Amendment to Reserve Account Notification Letter) on page 2452.
- ▶ SEA Rule 15c3-3(Exhibit A – Note E(4))/01 (Determination of the Includible Amount of an Affiliated Account’s Debit Balance in the Reserve Formula) on page 2604.
- ▶ SEA Rule 15c3-3(Exhibit A – Note E(5))/01 (Determination of the Includible Amount of a Customer’s Concentrated Margin Debit Balance in the Reserve Formula) on page 2605.
- ▶ SEA Rule 15c3-3(Exhibit A – Note E(6))/02 (Determination of the Includible Amount of a Non-Customer’s Debit Balance Portion in a Joint Account with a Customer in the Reserve Formula) on page 2607.
- ▶ SEA Rule 15c3-3(Exhibit A – General)/08 (Customer Reserve Formula Allocation Chart) on page 2625.
- ▶ SEA Rule 15c3-3(Exhibit A – General)/09 (PAB Reserve Formula Allocation Chart) on page 2637.
- ▶ SEA Rule 15c3-3(Exhibit A – Item 10)/0120 (Customers’ Unsecured/Partly Secured Deficit Offset by Correspondent’s Deposits) on page 2722.

The following interpretations have been **rescinded**:

- ▶ SEA Rule 15c3-1(c)(2)(iv)(E)/022 (Introducing Firms with No Proprietary Trading Accounts) on page 323.
- ▶ SEA Rule 15c3-1(c)(2)(iv)(E)/023 (Introducing Firm’s Net Equity) on page 323.
- ▶ SEA Rule 15c3-1(c)(2)(iv)(E)/024 (Proprietary Accounts of Other Broker-Dealers) on page 323.
- ▶ SEA Rule 15c3-1(c)(2)(iv)(E)/026 (DVP/RVP Accounts) on page 323.
- ▶ SEA Rule 15c3-3(a)(1)/012 (Proprietary Accounts of Foreign Broker-Dealer) on page 2005.
- ▶ SEA Rule 15c3-3(e)(3)/051 (Reserve Bank Account Cash Deposits with Parent and/or Affiliated Bank) on page 2433.
- ▶ SEA Rule 15c3-3(Exhibit A – Item 4)/03 (Possession or Control Requirement vs. Non-Customer Short Treated as Fail to Receive) on page 2691.

These interpretation updates are available in portable digital format (pdf) on FINRA’s [Interpretations of Financial and Operational Rules](#) page.

Further, SEC staff continues to communicate and issue written and oral interpretations of the financial responsibility and reporting rules. FINRA has previously updated the Interpretations of Financial and Operational Rules on its website in [Regulatory Notices 08-56, 13-44, 14-06, 14-12, 14-25](#) and [14-38](#).

FINRA member firms and others that maintain the hardcopy version of the Interpretations of Financial and Operational Rules may refer to the accompanying [updated pages](#), containing the aforementioned interpretation updates, which are being made available to enable the replacement of existing pages in the hardcopy version of the Interpretations of Financial and Operational Rules. The filing instructions for the new pages are as follows:

SEA Rule	Remove Old Pages	Add New Pages
15c3-1	43-44	43-44
15c3-1	281	281
15c3-1	320-321	320-321
15c3-1	323	323
15c3-1	324	324
15c3-1	325	325
15c3-3	2002-2010	2002-2011
15c3-3	2023-2024	2023-2024
15c3-3	2042	2042-2044
15c3-3	2101	2101
15c3-3	2104	2104
15c3-3	2305	2305
15c3-3	2341-2342	2341
15c3-3	2401-2408	2401-2410
15c3-3	2433-2434	2433-2434
15c3-3	2452	2452
15c3-3	2604-2605	2604-2605
15c3-3	2607	2607
15c3-3	2625-2634	2625-2634
15c3-3	NA	2637-2648
15c3-3	2691	2691
15c3-3	2695	2695
15c3-3	2722	2722
15c3-3	2774	2774
15c3-3	2801-2812	NA

Endnotes

1. See Securities Exchange Act Release No. 70072 (July 30, 2013), 78 FR 51824 (August 21, 2013) (Financial Responsibility Rules for Broker-Dealers). The SEC subsequently modified the effective date of specified amendments to these rules pursuant to an Exemptive Order. See Securities Exchange Act Release No. 70701 (October 17, 2013), 78 FR 62930 (October 22, 2013) (Order Providing Broker-Dealers a Temporary Exemption from the Requirements of Certain New Amendments to the Financial Responsibility Rules for Broker-Dealers under the Securities Exchange Act of 1934) (granting temporary exemption, until March 3, 2014, from the amendments to: SEA Rule 15c3-3, except paragraph (j)(1); SEA Rule 15c3-3a; SEA Rule 17a-3; SEA Rule 17a-4; and paragraph (c)(2)(iv)(E) (2) of SEA Rule 15c3-1).
2. See note 1.