

## Financial Reporting and Month-End Holidays

### Optional One-Day Extension for Customer and PAB Reserve Formula Computations and Required Deposits Around the December 2018 Month-End Holidays

#### Summary

FINRA is notifying member firms of an optional one-day extension for making the deposit of amounts required to be reserved pursuant to SEA Rule 15c3-3, based on the customer and PAB reserve formula computations required under SEA Rule 15c3-3(e)(3) and computed by firms as of Friday, December 21 and Friday, December 28, 2018.<sup>1</sup> The extension is based upon discussions with staff of the SEC Division of Trading and Markets and is similar to extensions previously announced in 2007 and 2012.<sup>2</sup>

Questions regarding this *Notice* should be directed to:

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#### Background and Discussion

##### Weekly Reserve Formula Computation Deposit Requirement

Because the 2018 Christmas Day and 2019 New Year's Day holidays both occur on a Tuesday, member firms will have an optional one-day extension for making the requisite SEA Rule 15c3-3 Reserve Bank Account deposits that may be required based on the Friday, December 21 and Friday, December 28 weekly customer and PAB reserve formula computations. This one-day extension recognizes that many firm employees may not be working on Monday, December 24 and Monday, December 31 and may need an additional day to complete their customer and PAB reserve formula computations.

December 17, 2018

#### Notice Type

- ▶ Guidance

#### Suggested Routing

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

#### Key Topics

- ▶ Customer Reserve Formula Computation
- ▶ FOCUS Filing
- ▶ PAB Reserve Formula Computation
- ▶ Reserve Bank Account Deposit

#### Referenced Rules & Notices

- ▶ Regulatory Notice 07-60
- ▶ Regulatory Notice 12-54
- ▶ SEA Rule 15c3-3

The revised reserve bank account deposit due dates are noted below:

**Revised Weekly Reserve Formula Computation Deposit Requirement**

<b>Week Ending</b>	<b>Original Deposit Due Date</b>	<b>Extension Date</b>
Friday, December 21	Wednesday, December 26	Thursday, December 27
Friday, December 28	Wednesday, January 2	Thursday, January 3

**Month-End Reserve Formula Computation Deposit Requirement**

Ordinarily, member firms that file a FOCUS report as of the last business day of the month would compute their month-end customer and PAB reserve formula computations as of Monday, December 31, 2018, and would make any requisite SEA Rule 15c3-3 Reserve Bank Account deposit on Thursday, January 3, 2019.<sup>3</sup> Such member firms would also compute their weekly customer and PAB reserve formula computation as of Friday, December 28, 2018, and make any required SEA Rule 15c3-3 Reserve Bank Account deposit on Wednesday, January 2, 2019. However, if a member firm elects to use the above one-day extension to make the required deposit for the weekly computations as of Friday, December 28, they may be subject to a “double reserve bank account deposit” on Thursday, January 3.<sup>4</sup> To avoid this potential double reserve bank account deposit, member firms may compute their month-end customer and PAB reserve formula computations as of Monday, December 31, 2018, and elect to prepare a weekly customer and PAB reserve formula computation as of Friday, January 4, in lieu of their Friday, December 28 weekly computations. This option is only available for December 2018 for those member firms that file their FOCUS report as of the last business day of the month and elect to avail themselves of the one-day extension.

## Endnotes

- 1 Paragraph (e)(3) of SEA Rule 15c3-3 requires a broker-dealer to prepare the reserve formula computations, necessary to determine the amount required to be deposited as specified in paragraph (e)(1) of SEA Rule 15c3-3, to be made weekly, as of the close of the last business day of the week, and the deposit so computed to be made no later than one hour after the opening of banking business on the second following business day.
- 2 See FINRA [Regulatory Notice 12-54](#) (December 2012) and FINRA [Regulatory Notice 07-60](#) (December 2007).
- 3 For firms that elect to file their month-end FOCUS report on a day that is other than the last business day of the month, the required month-end customer and PAB reserve formula computations would be as of the same date as the last required weekly computations for that month. For such firms, no additional computations would be required to be prepared as of the last business day of that month. Alternatively, pursuant to SEC Rule Interpretation 15c3-3(e)(3)/01 (Weekly Computation), firms that elect to file their month-end FOCUS report as of the last business day of the month would be required to prepare the month-end customer and PAB reserve formula computations as of such date and would not be required to also prepare weekly customer and PAB reserve formula computations as of the last business day of the week that includes the month-end date (unless the two computation dates happen to fall on the same day).
- 4 A “double reserve bank account deposit” may occur for firms that opt to avail themselves of the one-day extension because, in such cases, the Reserve Bank Account deposit would be due on January 3, 2019, for both the December 28, 2018, weekly customer and PAB reserve formula computations and the December 31, 2018, month-end customer and PAB reserve formula computations.