

Financial Reporting Relief

FINRA Announces Relief Relating to Customer and PAIB Reserve Formula Computations and Required Deposits around the December 2007 Month-End Holidays

Executive Summary

Because the 2007 Christmas and 2008 New Year's Day holidays occur on Tuesdays, many employees of member firms may take off the preceding Mondays. This may impair firms' ability to prepare accurate computations of the amounts required to be reserved pursuant to SEC Rule 15c3-3. As such, FINRA is notifying member firms that staff of the Division of Trading and Markets of the SEC is granting an optional one-day extension to firms for making the deposit of amounts required to be reserved pursuant to SEC Rule 15c3-3. These reserved amounts are based on the Customer and PAIB reserve formula computations prescribed by SEC Rule 15c3-3(e)(3) and computed as of Friday, December 21 and Friday December 28, 2007.¹

Questions regarding this *Notice* should be directed to:

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December 2007

Notice Type

- Guidance

Suggested Routing

- Capital and Accounting Staff
- Compliance
- Chief Financial Officer
- Executive Representative
- Legal
- Senior Management

Key Topic(s)

- Customer Reserve Formula Computation
- FOCUS Filing
- PAIB Reserve Formula Computation
- Reserve Bank Account Deposit

Referenced Rules & Notices

- SEC Rule 15c3-3

Background and Discussion

Weekly Reserve Formula Computation Deposit Requirement

Because the 2007 Christmas and 2008 New Year's Day holidays occur on Tuesdays, SEC staff is granting an optional one-day extension to member firms for making the requisite SEC Rule 15c3-3 Reserve Bank Account deposit(s) based on the Friday, December 21 and Friday, December 28, weekly Customer and PAIB reserve formula computations. This extension recognizes the fact that many employees of firms may take off on Monday, December 24 and Monday, December 31.

The revised deadlines are noted below:

Revised Weekly Reserve Formula Computation Deposit Requirement

Week Ending	Original Deadline	Extension Date
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

Member firms that report their financials and file a FOCUS report as of the last business day of each month would be required to compute their month-end Customer and PAIB reserve formula calculations as of Monday, December 31, 2007, and to make any requisite SEC Rule 15c3-3 Reserve Bank Account deposit(s) on Thursday, January 3, 2008. Further, pursuant to SEC Rule 15c3-3(e)(3)/01 (Weekly Computation), firms that prepare such month-end Customer and PAIB reserve formula computations as of Monday, December 31, would not be required to prepare the weekly Customer and PAIB reserve formula computations as of the following Friday, January 4, 2008.

As a result of the optional one-day extension on the weekly computations, member firms that report their financials as of the last business day of the month and also elect to use the one-day extension, may be subject to a double deposit(s) on Thursday, January 3, 2008. The double deposit(s) would result from the weekly and month-end Customer and PAIB reserve formula computations required to be computed as of Friday, December 28 and Monday, December 31, respectively. To avoid this duplication, firms may elect to prepare their Friday, January 4, weekly Customer and PAIB reserve formula computation in lieu of the Friday, December 28, weekly computations. This option is only available for December 2007 for firms that report their financials as of the last **business day** of the month.

Endnotes

- 1 Paragraph (e)(3) of SEC 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 SEC 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.