

Supplemental FOCUS Information

SEC Approves Supplemental Schedule for Derivatives and Other Off-Balance Sheet Items

Implementation Date: The initial supplemental schedule disclosing off-balance sheet information as of June 30, 2013, must be filed with FINRA on or before July 31, 2013.

Executive Summary

FINRA Rule 4524 (Supplemental FOCUS Information) requires each firm, as FINRA shall designate, to file additional financial or operational schedules or reports. The SEC has approved the adoption of a supplemental schedule for derivatives and other off-balance sheet items (OBS) that applies to carrying or clearing firms.¹ The initial OBS disclosing a carrying or clearing firm's off-balance sheet information as of June 30, 2013, must be filed with FINRA on or before July 31, 2013.

The OBS can be found at www.finra.org/notices/13-10.

Questions concerning this *Notice* should be directed to:

- ▶ Kris Dailey, Vice President, Risk Oversight & Operational Regulation (ROOR), at (646) 315-8434;
- ▶ Marshall Levinson, Vice President, ROOR, at (646) 315-8453; or
- ▶ Matthew E. Vitek, Assistant General Counsel, Office of General Counsel, at (202) 728-8156.

Background & Discussion

FINRA Rule 4524 requires each firm, as FINRA shall designate, 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 as a supplement to the FOCUS Report. The SEC has approved the OBS for carrying or clearing firms. The OBS will enable FINRA to examine on an ongoing basis the potential impact off-balance sheet activities may have on carrying and clearing firms' net capital, leverage and liquidity, and ability to fulfill their customer protection obligations.

March 2013

Notice Type

- ▶ New Supplemental Schedule

Suggested Routing

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

Key Topics

- ▶ FOCUS Reporting

Referenced Rules & Notices

- ▶ FINRA Rule 4524

The OBS will allow FINRA to obtain more comprehensive and consistent information regarding carrying and clearing firms' off-balance sheet assets, liabilities and other commitments. The OBS requires firms to report their gross exposures in financing transactions (*e.g.*, reverse repos, repos and other transactions that are otherwise netted under generally accepted accounting principles, reverse repos and repos to maturity and collateral swap transactions), interests in and exposure to variable interest entities, non-regular way settlement transactions (including to be announced or TBA securities and delayed delivery/settlement transactions), underwriting and other financing commitments, and gross notional amounts in centrally cleared and non-centrally cleared derivative transactions. The OBS also includes instructions that provide definitions and guidance with respect to the information required to be reported.

The OBS contains a *de minimis* exception for each reporting period. If the aggregate of all gross amounts of off-balance sheet items is less than 10 percent of the firm's excess net capital on the last day of the reporting period, the firm will not be required to file the OBS for the reporting period. A firm that claims the *de minimis* exception must affirmatively indicate through the eFOCUS system that no filing is required for the reporting period.

Unless a carrying or clearing firm meets the *de minimis* exception as described above, it is required to file the OBS disclosing off-balance sheet information as of the last day of a reporting period within 22 business days of the end of each calendar quarter using the eFOCUS system available through FINRA's Firm Gateway. Firms must use their current FINRA entitlement user ID and password to access the Firm Gateway. Questions regarding access to the Firm Gateway should be directed to the firm's Super Account Administrator (SAA).²

The initial OBS disclosing off-balance sheet information as of June 30, 2013, must be filed with FINRA on or before July 31, 2013.

Endnotes

1. See Securities Exchange Act Release No. 68832 (February 5, 2013), 78 FR 9754 (February 11, 2013) (Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment No. 1; File No. SR-FINRA-2012-050).
2. For more information about system entitlement and SAA, please visit FINRA's [Entitlement Program page](#).