

SEC Financial Responsibility Rules

FINRA Announces Updates of the Interpretations of Financial and Operational Rules

Executive Summary

FINRA is updating the imbedded text of Securities Exchange Act (SEA) financial responsibility rules for broker-dealers in the Interpretations of Financial and Operational Rules to reflect the effectiveness of amendments the SEC adopted.¹ The updated imbedded text relates to SEA Rules 15c3-1, 15c3-1a, 15c3-1e, 15c3-1f, 15c3-1g, 15c3-3a and 17a-4. FINRA is also making available related updates of 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 SEA Rule 15c3-1.

Questions concerning this *Notice* should be directed to:

- ▶ Yui Chan, Managing Director, Risk Oversight and Operational Regulation (ROOR), at (646) 315-8426; or
- ▶ Susan DeMando Scott, Associate Vice President, ROOR, at (240) 386-4620.

Background & Discussion

In December 2013, the SEC adopted rule amendments that became effective on July 7, 2014.² FINRA is updating the imbedded SEC rule text in the Interpretations of Financial and Operational Rules to reflect the amendments that relate to SEA Rules 15c3-1, 15c3-1a, 15c3-1e, 15c3-1f, 15c3-1g, 15c3-3a and 17a-4. The interpretation updates resulting from the SEC's December 2013 amendments to SEA Rule 15c3-1 are set forth below. Page references are to the hardcopy version. These interpretations are being updated with specific additions, revisions and rescissions.

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Notice Type

- ▶ Guidance

Suggested Routing

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

Key Topics

- ▶ Books and Records
- ▶ 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
- ▶ SEA Rule 15c3-1
- ▶ SEA Rule 15c3-1a
- ▶ SEA Rule 15c3-1e
- ▶ SEA Rule 15c3-1f
- ▶ SEA Rule 15c3-1g
- ▶ SEA Rule 15c3-3a
- ▶ SEA Rule 17a-4

The following interpretations have been revised:

- ▶ SEA Rule 15c3-1(c)(2)(vi)(E)/03 (Federally Chartered Savings and Loan Association Short-Term Promissory Notes) on page 462.
- ▶ SEA Rule 15c3-1(c)(2)(vi)(F)/01 (Zero Coupon Bonds-Application) on page 473.
- ▶ SEA Rule 15c3-1(c)(2)(vi)(F)/09 (Corporate Put Bond Haircuts) on page 475.
- ▶ SEA Rule 15c3-1(c)(2)(vi)(F)/11 (Government Stripped Bonds and Coupons) on page 475.
- ▶ SEA Rule 15c3-1(c)(2)(vi)(F)/12 (Nonconvertible Debt Securities with Variable Interest Rate) on page 476.
- ▶ SEA Rule 15c3-1(c)(2)(vi)(H)/02 (Municipal Auction Rate Cumulative Preferred Stock) on page 492.

The following interpretations have been rescinded:

- ▶ SEA Rule 15c3-1(c)(2)(vi)/041 (Nationally Recognized Statistical Rating Organizations (“NRSROs”)) on page 404.
- ▶ SEA Rule 15c3-1(c)(2)(vi)(E)/01 (Commercial Paper Rating) on page 461.

These rule text and 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 including the newly amended sections of such 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](#) and [14-25](#).

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 rule text 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	404	404
15c3-1	461-462	461-462
15c3-1	471	471
15c3-1	473	473
15c3-1	475-476	475-476
15c3-1	492	492
15c3-1a	1001-1034	1001-1033
15c3-1e	1433-1434	1433-1434
15c3-1f	1501-1534	1501-1533
15c3-1g	1606	1606
15c3-3a	2608	2608
17a-4	3101-3132	3101-3132

Endnotes

1. See Securities Exchange Act Release No. 71194 (December 27, 2013), 79 FR 1522 (January 8, 2014) (Final Rule: Removal of Certain References to Credit Ratings Under the Securities Exchange Act of 1934).
2. See note 1.