

SEC Financial Responsibility Rules

FINRA Announces Update of the Interpretations of Financial and Operational Rules

Summary

FINRA is updating the text of the Securities Exchange Act (SEA) financial responsibility rules in the Interpretations of Financial and Operational Rules to reflect the effectiveness of a rule change that the Securities and Exchange Commission (SEC) adopted.¹ The SEC's rule change, amending paragraph (e)(1)(i)(A) of SEA Rule 17a-5, relates to a specified exemption with regard to the annual reporting requirement for a broker-dealer whose securities business has been limited to acting as broker (agent) for a single issuer in soliciting subscriptions for securities of that issuer.

Questions concerning this *Notice* should be directed to:

- ▶ Yui Chan, Senior Director, Risk Oversight and Operational Regulation (ROOR), at (646) 315-8426 or Yui.Chan@finra.org;
- ▶ Ann Duguid, Senior Director, ROOR, at (646) 315-7260 or Ann.Duguid@finra.org; or
- ▶ Anthony Vinci, Director, ROOR, at (646) 315-8335 or Anthony.Vinci@finra.org.

Background & Discussion

In June 2019, the SEC amended paragraph (e)(1)(i)(A) of SEA Rule 17a-5, relating to a specified exemption with regard to the annual reporting requirement for a broker-dealer whose securities business has been limited to acting as broker (agent) for a single issuer in soliciting subscriptions for securities of that issuer. FINRA is updating the SEA rule text in the Interpretations of Financial and Operational Rules to reflect the SEC's amendment.²

The rule text update is available in portable digital format (pdf) on FINRA's [Interpretations of Financial and Operational Rules](#) page.

February 25, 2020

Notice Type

- ▶ Guidance

Suggested Routing

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

Key Topics

- ▶ Annual Reports
- ▶ Books and Records

Referenced Rules & Notices

- ▶ SEA Rule 17a-5

FINRA member firms and others that maintain the hardcopy version of the Interpretations of Financial and Operational Rules may refer to the accompanying [updated page](#), containing the update, which is 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 page(s) are as follows:

SEA Rule	Remove Old Page(s)	Add New Page(s)
17a-5	3241	3241

Further, the SEC staff continues to communicate and issue written and oral interpretations of the financial responsibility and reporting rules. FINRA will update the Interpretations of Financial and Operational Rules on its website as these written and oral interpretations are issued.

Endnotes

1. See Securities Exchange Act Release No. 86073 (June 10, 2019), 84 FR 27708 (June 14, 2019) (Final Rule: Amendment to Single Issuer Exemption for Broker-Dealers). The amendment became effective on August 13, 2019.
2. See note 1.