

Supplemental Liquidity Schedule

FINRA Establishes New Supplemental Liquidity Schedule (SLS)

Effective Date: March 1, 2022. The first SLS must be completed as of the end of March 2022 and will be due by May 4, 2022.

Summary

FINRA has established a new Supplemental Liquidity Schedule (SLS).¹ The new SLS, which members subject to the requirement will need to file as a supplement to the FOCUS Report, is designed to improve FINRA's ability to monitor for events that signal an adverse change in the liquidity risk of the members with the largest customer and counterparty exposures. FINRA is issuing this *Notice* to provide further information on the new requirement, which will become effective on March 1, 2022. For members subject to the requirement, the first SLS must be completed as of the end of March 2022 and will be due by May 4, 2022.

The SLS, and instructions thereto, is available in [Attachment A](#). FINRA will make the SLS available through FINRA Gateway.

Questions concerning this *Notice* may be directed to:

- ▶ Kris Dailey, Vice President, Office of Financial and Operational Risk Policy (OFORP), at (646) 315-8434 or kris.dailey@finra.org;
- ▶ Kathryn Mahoney, Senior Director, OFORP, at (646) 315-8428 or kathryn.mahoney@finra.org; or
- ▶ Adam Arkel, Associate General Counsel, Office of General Counsel, at (202) 728-6961 or adam.arkel@finra.org.

Background

FINRA Rule 4524 provides that, as a supplement to filing FOCUS Reports required pursuant to SEA Rule 17a-5² and FINRA Rule 2010, each member shall 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. FINRA has adopted the SLS pursuant to Rule 4524.

September 3, 2021

Notice Type

- ▶ Supplemental Liquidity Schedule

Suggested Routing

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

Key Topics

- ▶ FOCUS Report Filings
- ▶ Supplemental Liquidity Schedule

Referenced Rules and Notices

- ▶ FINRA Rule 2010
- ▶ FINRA Rule 4524
- ▶ SEA Rule 15c3-1
- ▶ SEA Rule 15c3-3
- ▶ SEA Rule 17a-5

Effective monitoring of liquidity and funding risks is an essential element of members' financial responsibility and is an ongoing focus for FINRA's financial supervision programs. The new SLS is tailored to apply only to members with the largest customer and counterparty exposures. The SLS is designed to improve FINRA's ability to monitor for potential adverse changes in the liquidity risk of the members that will be subject to the requirement. Members subject to the SLS filing requirement will be required to provide detailed reporting as to their:

- ▶ reverse repurchase and repurchase agreements;
- ▶ securities borrowed and securities loaned;
- ▶ non-cash reverse repurchase and securities borrowed transactions;
- ▶ non-cash repurchase and securities loaned transactions;
- ▶ bank loan and other committed and uncommitted credit facilities;
- ▶ total available collateral in the member's custody;
- ▶ margin and non-purpose loans;
- ▶ collateral securing margin loans;
- ▶ deposits at clearing organizations; and
- ▶ cash and securities received and delivered on derivative transactions not cleared through a central clearing counterparty (CCP).

The SLS must be filed by each carrying member with \$25 million or more in free credit balances, as defined under SEA Rule 15c3-3(a)(8),³ and by each member whose aggregate amount outstanding under repurchase agreements, securities loan contracts and bank loans is equal to or greater than \$1 billion, as reported on the member's most recently filed FOCUS report, unless otherwise permitted by FINRA in writing. The SLS must be completed as of the last business day of each month and filed within 24 business days after the end of the month. A member need not file the SLS for any period where the member does not meet the \$25 million or \$1 billion thresholds.

The effective date for the new SLS requirement is March 1, 2022. The first SLS must be completed as of the end of March 2022 and will be due by May 4, 2022.

FINRA will make the SLS available through FINRA Gateway. Members subject to the requirement must file the SLS using the eFOCUS system. Members may visit FINRA's [eFOCUS page](#) for further information about user support and logging in to the eFOCUS system. Members with questions about the eFOCUS system may contact the Help Desk at (800) 321-6273.

Endnotes

1. See Securities Exchange Act Release No. 92561 (August 4, 2021), 86 FR 43698 (August 10, 2021) (Order Approving a Proposed Rule Change to Adopt a Supplemental Liquidity Schedule, and Instructions Thereto, Pursuant to FINRA Rule 4524 (Supplemental FOCUS Information); [File No. SR-FINRA-2021-009](#)).
2. Rule 17a-5 governs financial and operational reporting by brokers and dealers. Members are required to file with FINRA, through the eFOCUS system, reports concerning their financial and operational status using SEC Form X-17A-5 (the “FOCUS Report”). See, e.g., *Information Notice 11/23/20* (2021 and First Quarter of 2022 Report Filing Due Dates); *Regulatory Notice 18-38* (November 2018) (Amendments to the SEC’s Financial Reporting Requirements – eFOCUS system Updates and Annual Audit Requirements). “FOCUS” stands for Financial and Operational Combined Uniform Single.
3. Under Rule 15c3-3(a)(8), the term “free credit balances” means “liabilities of a broker or dealer to customers which are subject to immediate cash payment to customers on demand, whether resulting from sales of securities, dividends, interest, deposits or otherwise, excluding, however, funds in commodity accounts which are segregated in accordance with the Commodity Exchange Act or in a similar manner, or which are funds carried in a proprietary account as that term is defined in regulations under the Commodity Exchange Act.” The term also includes, if subject to immediate cash payment to customers on demand, funds carried in a securities account pursuant to a self-regulatory organization portfolio margining rule approved by the Commission under SEA Section 19(b) (“SRO portfolio margining rule”), including variation margin or initial margin, marks to market and proceeds resulting from margin paid or released in connection with closing out, settling or exercising futures contracts and options thereon.