December 2022

The following table compiled by the AICPA Stockbrokerage and Investment Banking Expert Panel summarizes relevant SEC financial responsibility rules requirements and offers examples of related compliance risk considerations. This information will assist AICPA members in the broker-dealer industry in identifying and considering potential compliance risks in connection with the SEC financial responsibilities rules. This list is non inclusive.

| **ICOC Rule Requirement** | **Rule References** | **Illustrative compliance risk point[[1]](#footnote-1)** |
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| **Net Capital Requirements** |

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| A broker-dealer is required to establish a minimum net capital on the basis of the greater of either (*a*) the amount of the broker-dealer’s aggregate indebtedness (that is, the broker-dealer's obligations payable in cash, with limited exceptions) or (*b*) the level of customer-related receivables (aggregate debit items) computed pursuant to SEC Rule 15c3-3 (the alternative standard), and a minimum amount based on the broker-dealer’s business activities.The minimum level of capital needs to be sufficient for the payments of (a) its obligations to customers and other broker-dealers and (b) compensation to employees retained to wind up the firm’s affairs in an event of liquidation. | ***15c3-1 (a), Net Capital Requirements for Brokers or Dealers, and related interpretations****001 Moment to Moment Net Capital****(a)(1)(i) AGGREGATE INDEBTEDNESS STANDARD******(a)(1)(ii)/ALTERNATIVE STANDARD*** ***(a)(2) MINIMUM REQUIREMENTS*** ***(b) EXEMPTIONS******(c)(1), AGGREGATE INDEBTEDNESS)***  | * The method used by the broker-dealer to compute net capital is not appropriate in the broker-dealer’s circumstances.
* The minimum net capital is not appropriate in the broker-dealer’s circumstances
* Minimum net capital requirement is not appropriately determined because certain liabilities of the broker-dealer have been inappropriately excluded from the aggregate indebtedness calculation
* The broker-dealer does not maintain required net capital at all times *(including intraday)*.
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| **Net Capital, Subordinated and Discretionary Liabilities, and Certain Other Adjustments to Net Worth**  |
| The net capital of a broker-dealer is equal to its net worth that is to be computed in accordance with GAAP and adjusted by certain additions and deductions such as: *(1) Discretionary Liabilities; (2) Liabilities subordinated to claims of general creditors; (3) Deferred income tax liabilities; (4) Unrealized profit / losses.* The extent to which these liabilities may be included in capital is subject to limitations. | ***15c3-1****(****c)(2) Net Capital* *and related interpretations***(c)(2)*/01 Generally Accepted Accounting Principles (GAAP)*(c)(2)/*02 Discretionary Liabilities* (*c)(2)(i) ADJUSTMENTS TO NET WORTH RELATED TO UNREALIZED PROFIT OR LOSS, DEFERRED TAX PROVISIONS, AND CERTAIN LIABILITIES**(c)(2)(ii) Subordinated Liabilities* | * Net capital is not accurate and not complete because the equity balance is not reconcilable to the broker-dealer’s books and records, or it is not determined in accordance with GAAP as specified in the Rule
* Net capital balance is not accurate because non-discretionary bonus liabilities of the broker-dealer have been added back to its net worth computation
* The broker-dealer is not in compliance with the net capital rule because its subordinated liabilities were added to its net worth but have not been approved by the regulatory authority and do not meet other requirements of the subordinated agreement
* Net capital is not accurate and not complete because adjustments to the net worth related to unrealized profit or loss had not been applied in accordance with the Rule
* Net capital is not accurate because deferred income tax liability was inappropriately added back to the net worth computation.
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| **Assets Not Readily Convertible into Cash** **Nonallowable assets/ Other deductions and charges** |
| A broker-dealer is required to deduct items in the net capital computation to take into account market and liquidity risks. In general:*Nonallowable assets* are assets not readily convertible into cash (e.g., fixed assets, intercompany receivables, securities not readily marketable, unsecured receivables (certain receivables are allowable for the first 30 days)). *Other deductions and charges* are operational in nature and may involve off-balance sheet risk (e.g., aged fails to deliver, over- or under-collateralized secured lending positions, and security count differences). | ***(c)(2)(iv) Assets Not Readily Convertible into Cash and related interpretations****(c)(2)(iv) (A) FIXED ASSETS AND PREPAID ITEMS**(c)(2)(iv) (B) CERTAIN UNSECURED AND PARTLY SECURED RECEIVABLES**(c)(2)(iv) (C) ASSETS NOT READILY CONVERTIBLE INTO CASH**(c)(2)(iv) (D)OTHER DEDUCTIONS**(c)(2)(iv)(F) ASSETS NOT READILY CONVERTIBLE INTO CASH**(c)(2)(*v*) SECURITIES DIFFERENCES* | * Nonallowable assets population has not been reconcilable to the underlying accounting records.
* The broker-dealer is not in compliance with the net capital rule because management misapplied the rule and have failed to identify certain material nonallowable assets.
* Securities borrowed deficit has not been deducted from the net worth because it was inappropriately offset against another securities lending position with a different counterparty
* Rebates and/or interest receivable balance aged over 30 days has not been classified as a nonallowable asset as specified in the rule
* A nonallowable assets population is not complete and inaccurate because “securities” accounts with an affiliate have been inappropriately netted with accounts of other affiliates.
* A nonallowable assets population is not complete and inaccurate because the mutual fund concessions receivable balance outstanding over 30 days has not been classified as nonallowable.
* A nonallowable assets population is not complete and inaccurate because the stock loaned positions collateralized by a letter of credit have not been deducted from the broker’s net worth.
* A nonallowable assets population is not complete and inaccurate because the introducing broker has treated commissions receivables from a clearing broker aged over 30 days as allowable assets without receiving a written notification from the clearing broker.
* A broker-dealer’s net worth is overstated because the firm doesn’t have processes and controls in place that enable it to monitor and identify the collateral deficit on reverse repurchase transactions.
* A broker-dealer’s net capital is not accurate because the firm has not deducted securities differences from its net worth calculation as required by the Rule.
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| **Securities Haircuts** |
| **Securities Haircuts**A broker-dealer's net capital computation is reduced by haircuts on its marketable securities and futures contracts. These haircuts provide a margin of safety against losses incurred by a broker or dealer as a result of market fluctuations in the prices of such securities and future contracts. | ***15c3-1 (c)(2)(vi) and related interp.****Related Rules**(c)(2)(vii) Non-Marketable Securities**(c)(2)(viii) Open Contractual Commitments**(c)(2)(ix) Aged Fail to Deliver Charges* *15c3-1a (Appendix A) Options**15c3-1b (Appendix B) Adjustments to Net Worth and Aggregate Indebtedness for Certain Commodities Transactions* | * The population of proprietary positions to which haircut charges are applied does not reconcile to the financial statements or underlying accounting records.
* Calculation of haircut charges is not accurate based on security or contract type.
* Haircut charges are not determined in accordance with the rule.
* Significant positions are not appropriately identified for undue concentration charge calculation.
* Lack of marketability of certain securities is not identified in accordance with the Rule, therefore, deductions to net capital are not complete and inaccurate.
* All open contractual commitments are not identified for calculation of required haircut charges.
* All fail-to-deliver positions outstanding for five or more business days are not appropriately identified.
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| **Aggregated Indebtedness** |
| A broker-dealer is required to classify its money liabilities as aggregated indebtedness or non-aggregated indebtedness for purposes of calculating minimum net capital under the aggregated indebtedness standard. Aggregate indebtedness consists of the total money liabilities of a broker-dealer arising in connection with any transaction whatsoever. There is a number of specific exceptions, primarily related to circumstances in which the liability is collateralized or offset by a related proprietary position. | (c)(1) DEFINITIONS; AGGREGATE INDEBTEDNESS and related interpretations*c)(1)(i through xv) DEFINITIONS; EXCLUSIONS FROM AGGREGATE INDEBTEDNESS and related interpretations* | * The population of liabilities from which aggregated indebtedness is determined does not reconcile to the financial statements or underlying accounting records.

Certain liabilities of the broker- dealer (e.g., funds on deposit in a “Special Bank Account For The Exclusive Benefit Of Customers”) have been inappropriately excluded from the aggregate indebtedness calculation. |
| **Notification Requirements** |
| Notice Provisions Relating to the Limitations on the Withdrawal of Equity Capital:A broker-dealer is subject to notification of, or limitations on, capital withdrawals that reduce the excess net capital by various percentages, or are deemed by the SEC or its designated examining authority, to inhibit the ability to sustain the current business activities or meet the financial obligations of the broker-dealer.  | ***15c3-1(e)******FINRA Rule 4110(c)*** | * Withdrawal of equity capital is made without making proper notifications to the broker-dealer’s designated examining authority as required by the rule.
* Equity capital, which was contributed within the preceding 12 months, is withdrawn without written approval of the FINRA.
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| **ICOC Rule Requirement** | **Rule References** | **Illustrative compliance risk point** |
| **Possession or control**The SEC requires broker-dealers carrying accounts of Customers and PAB to promptly obtain and thereafter maintain the physical possession or control of fully paid-for securities and excess-margin securities carried for the account of Customers and PAB, as applicable | ***15c3-3 (b) Physical possession or control of securities,******15c3-3 (c) Control of securities,*** ***15c3-3 (d) Requirement to reduce securities to possession or control******15c3-3 (l) Delivery of securities******15c3-3 (m) Completion of sell orders on behalf of customers******15c3-3 (n) Extension of time******15c3-3 (o) Security futures products*** ***and related interpretations****Related Rules**15c3-3(a)(3), (4), (5), and (5)/01 Margin account definitions and Amount in Excess of 140% of customer debit**15c3-3(c)(1)/04 Mutual Fund Shares – Uncertificated**15c3-3(c)(1)/041 Acknowledgement Letters 15c3-3(c)(4)/01 Custody of Foreign Securities* | * Customer cash and margin accounts are not appropriately designated by type or appropriately associated in the back-office system upon new account set-up or when changes are made to existing accounts.

Good control locations:* Approval is not maintained for “good” control locations.
* Control locations are designated as a “good” control location, but do not meet the requirements.

Instructed segregation:* Instructions for segregation lockups/releases are not issued accurately or in a timely manner.
* Instruction for security loaned recalls or buy-ins are not issued within the prescribed timeframe or do not qualify for no-action relief.
* Segregation instructions given to omnibus carrying broker by introducing firm are not accurately applied.
* Segregation priority is inaccurate resulting in a concentrated security supporting a margin debit.
* The segregation system creates an excess of securities for which there are delivery needs, eliminates a deficit or creates an excess in a given security by the reselection of securities designated for segregation in a customer’s margin account which creates or increases a deficit in another security in violation of the rule.

Accomplished segregation:* Fully paid and excess margin securities in customer cash accounts are not segregated in a "good" control location.
* Excess margin calculation for each account is incorrect (including aggregation of accounts, when appropriate for accounts subject to netting debits and credits).
* The excess/deficit report is incomplete or inaccurate.
* A broker-dealer does not obtain and thereafter maintain the physical possession or control of securities carried for a PAB account (broker-dealer has not provided written notice to the account holder that the securities may be used in the ordinary course of its securities business, and has not provided an opportunity for the account holder to object).
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| **ICOC Rule Requirement** | **Rule References** | **Illustrative compliance risk point** |
| **General reserve calculation and other risks**A broker-dealer's calculation of its customer reserve requirement requires accurate and complete data, sufficient documentation, and oversight. | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3 (a) (1) Definitions - Customer**15c3-3(Exhibit A – Allocation Chart)* | * Stock record allocation is not performed in compliance with regulatory rules and interpretations.
	+ Accounts are not accurately categorized based on their nature and/or use.
	+ Accounts do not accurately get classified as "customer" by default when there is not a clear identification of their nature and/or use.
* Amounts used in the customer reserve calculation are not accurately and completely supported by information in the firm's books and records.
* Customer reserve calculations are not performed timely, accurately, and completely.
* Customer reserve calculations are not supervised by appropriately registered individuals.
* Accurate and complete records of customer reserve requirements, calculations, and transactions are not maintained by the broker-dealer.
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| **Credits in the formula**A broker-dealer's customer reserve calculation must include free credit balances and other credit balances in customers’ security accounts | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 1)**15c3-3(Exhibit A – Note A)* | * Item 1 of the broker-dealer’s customer reserve computation does not include all free credit balances and other credit balances contained in customers’ security accounts (lack of completeness).
* Free credit balances and other credit balances contained in customers’ security accounts are not accurately included in Item 1 of the broker-dealer’s customer reserve computation.
* Item 1 (in the customer reserve computation) does not include all outstanding drafts payable to customers which have been applied against free credit balances or other credit balances and does not also include checks drawn in excess of bank balances per the records of the broker or dealer (lack of completeness).
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| **Credits in the formula**A broker-dealer's customer reserve calculation must include monies borrowed collateralized by securities carried for the account of customers | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 2)**15c3-3(Exhibit A – Note B)**15c3-3(Exhibit A – Item 2)/02**15c3-3(Exhibit A – Item 2)/12**15c3-3(Exhibit A – Item 2)/05**15c3-3(Exhibit A – Item 2)/051**15c3-3(Exhibit A – Item 2)/03* | * Item 2 of the broker-dealer’s customer reserve computation does not include all monies borrowed which are collateralized by securities carried for accounts of customers (lack of completeness).
* Credits included in Item 2 of the broker-dealer’s customer reserve computation for monies borrowed which are collateralized by securities carried for the accounts of customers at inaccurate amounts.
* Item 2 of the broker-dealer’s customer reserve computation does not include the amount of letters of credit obtained by a member of the Options Clearing Corporation (OCC) that are collateralized by customers’ securities, to the extent of the members’ margin requirement at OCC, completely and accurately.
* Item 2 of the broker-dealer’s customer reserve computation does not include the amount of options related or security futures product-related letters of credit obtained by a member of a registered clearing agency or derivatives clearing organization, which are collateralized by customers’ securities, to the extent of the member’s margin requirements at the registered clearing organization or derivatives clearing organization, completely and accurately.
* Item 2 of the broker-dealer’s customer reserve computation does not include the lessor of either the market value of securities lodged in firm bank loans, for which the broker-dealer does not have a corresponding proprietary long position, or the total amount of firm bank loans at the particular bank
* Item 2 of the broker-dealer’s customer reserve computation does not include the actual amount of OCC Margin Requirement in the customer reserve formula as both a debit and a credit completely and accurately when customer available collateral is deposited with the OCC to satisfy the broker-dealer's margin requirements
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| **Credits in the formula**A broker-dealer's customer reserve calculation must include monies payable against customers’ securities loaned | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 3)**15c3-3(Exhibit A – Note C)* | * Item 3 of the broker-dealer’s customer reserve computation does not include the complete and accurate amount of monies payable against customers’ securities loaned.
* Item 3 of the broker-dealer’s customer reserve computation does not include the complete and accurate amount by which the market value of securities loaned exceeds the collateral value received from the lending of such securities.
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| **Credits in the formula**A broker-dealer's customer reserve calculation must include customers’ securities failed-to-receive | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 4)**15c3-3(Exhibit A – Note D)* | * Item 4 of the broker-dealer’s customer reserve computation does not include the complete and accurate amount of customers’ securities failed-to-receive.
* Item 4 of the broker-dealer’s customer reserve computation does not completely and accurately include the amount by which the market value of customers’ securities failed-to-receive and outstanding more than thirty (30) calendar days exceeds their contract value.
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| **Credits in the formula**A broker-dealer's customer reserve calculation must include credit balances in firm accounts which are attributable to principal sales to customers | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 5)**15c3-3(Exhibit A – Item 5)/01**15c3-3(Exhibit A – Item 5)/02**15c3-3(Exhibit A – Item 5)/03* | * Item 5 of the broker-dealer’s customer reserve computation does not completely and accurately include credit balances in firm accounts which are attributable to principal sales to customers.
* Item 5 of the broker-dealer’s customer reserve computation does not completely and accurately include the market value of uncovered or partially covered short sales which are attributable to principal sales to customers.
* When the broker-dealer uses an allocation method to determine proprietary vs. customer securities, Item 5 of the broker-dealer’s customer reserve computation does not completely and accurately include the short market value of proprietary securities which are allocated to customer longs.
* Item 5 of the broker-dealer’s customer reserve computation does not completely and accurately include the short market value of customers’ fully-paid or excess margin securities attributable or allocable to short positions in non-customer accounts.
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| **Credits in the formula**A broker-dealer's customer reserve calculation must include market value of stock dividends, stock splits and similar distributions receivable outstanding over 30 calendar days | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 6)* | * Item 6 of the broker-dealer’s customer reserve computation does not completely and accurately include the market value of stock dividends, stock splits, and similar distributions receivable which are outstanding for over 30 calendar days.
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| **Credits in the formula**A broker-dealer's customer reserve calculation must include market value of short security count differences over 30 calendar days old | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 7)* | * Item 7 of the broker-dealer’s customer reserve computation does not completely and accurately include the market value of short security count differences which are over 30 calendar days old (or over 7 business days old when using the alternative method in computing net capital).
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| **Credits in the formula**A broker-dealer's customer reserve calculation must include market value of short securities and credits (not to be offset by longs or by debits) in all suspense accounts over 30 calendar days | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 8)* | * Item 8 of the broker-dealer’s customer reserve computation does not completely and accurately include the market value of short securities and credits (not to be offset by longs or by debits) in all suspense, difference, DK, and similar accounts used to record “Suspense” items, including all suspense credits and unclaimed dividend credits, regardless of whether they have been identified as non-customer credits, which are over 30 calendar days old (or over 7 business days old when using the alternative method in computing net capital).
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| **Credits in the formula**A broker-dealer's customer reserve calculation must include market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 9)* | * Item 9 of the broker-dealer’s customer reserve computation does not completely and accurately include the market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days.
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| **Debits in the formula**A broker-dealer's customer reserve calculation must include debit balances in customers’ cash and margin accounts excluding unsecured accounts and accounts doubtful of collection | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 10)**15c3-3(Exhibit A – Note E)**15c3-3(Exhibit A – Item 10)/01-0120**15c3-3(Exhibit A – Item 10)/017**15c3-3(Exhibit A – Item 10)/032**15c3-3(Exhibit A – Item 10)/09* | * Item 10 inaccurately includes margin loans that are not fully secured by salable securities within regulatory requirements.
* Item 10 inaccurately includes debits in excess of 25% of the broker-dealer's tentative net capital.
* Item 10 inaccurately includes non-purpose loan amounts.
* Item 10 includes loans extended on stock option exercises that do not meet regulatory requirements.
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| **Debits in the formula**A broker-dealer's customer reserve calculation must include securities borrowed to effectuate short sales by customers and securities borrowed to make delivery on customers’ securities failed-to-deliver | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 11)**15c3-3(Exhibit A – Item 11)/01**15c3-3(Exhibit A – Item 11)/03* | * Item 11 includes securities borrowed that are not collateralized within regulatory requirements by cash, securities, or a secured letter of credit.
* Item 11 includes securities borrowed that are not allocated to customer accounts or transactions in accordance with regulatory requirements.
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| **Debits in the formula**A broker-dealer's customer reserve calculation must include failed-to-deliver of customers’ securities not older than 30 calendar days | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 12)**15c3-3(Exhibit A – Item 12)/08* | * Item 12 includes fail-to-deliver amounts that are not allocated to customer accounts or transactions in accordance with regulatory requirements.
* Item 12 includes fail-to-deliver amounts that are not accurately and completely aged in accordance with regulatory requirements.
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| **Debits in the formula**A broker-dealer's customer reserve calculation must include margin required and on deposit with the Options Clearing Corporation (OCC) for all option contracts written or purchased in customer accounts | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(Exhibit A – Item 13)**15c3-3(Exhibit A – Note E)**15c3-3(Exhibit A – Item 13)/01**15c3-3(Exhibit A – Item 13)/011* | * Item 13 includes amounts on deposit at the OCC that do not meet regulatory requirements.
* Item 13 and Item 2 do not accurately and completely include customer cash and securities used to meet margin requirements at the OCC.
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| **Reserve account establishment**A broker-dealer must establish accounts to hold cash and qualified securities that are appropriately titled and free of encumbrances | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(f) Notification of banks* *15c3-3(e)(4) Special reserve bank account for the exclusive benefit of customers and PAB accounts* | * Accounts that hold cash and/or qualified securities are not established in accordance with regulatory requirements to ensure that
	+ All cash and/or qualified securities deposited therein are being held by the bank for the exclusive benefit of the customers and account holders of the broker or dealer, and
	+ Are being kept separate from any other accounts maintained by the broker or dealer with the bank, and
	+ The broker or dealer has a written contract with the bank which provides that the cash and/or qualified securities will at no time be used directly or indirectly as security for a loan to the broker or dealer by the bank and will not be subject to any right, charge, security interest, lien, or claim of any kind in favor of the bank or any person claiming through the bank.
* Separate special reserve accounts for customers and PAB are not established within regulatory requirements
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| **Qualified reserve account deposits**Cash and/or securities used to meet a broker-dealer's customer reserve deposit requirement are in accordance with regulatory requirements.  | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3 (a) (6) Definitions – Qualified Security**15c3-3 15c3-3(e)(1) Special reserve bank account for the exclusive benefit of customers and PAB accounts**15c3-3(e)(5) Special reserve bank account for the exclusive benefit of customers and PAB accounts* | * Cash used to meet deposit requirements is not deposited at banks that meet the regulatory requirements for a valid reserve deposit.
* Certificates of Deposit (CDs) used to meet reserve deposit requirements are not issued by banks that meet the regulatory requirements for a valid reserve deposit.
* Amounts of cash and CDs on deposit at and/or issued by a single bank are in excess of regulatory requirements of the bank's equity, as reported in the bank's most recent call report.
* Borrowed securities (resale agreements) used to meet deposit requirements are not collateralized by qualified securities within regulatory requirements.
* Resale agreements are not accurately collateralized and timely collection of additional collateral does not occur in compliance with regulatory requirements.
* Investments used to meet deposit requirements are not considered qualified in compliance with regulatory requirements.
* Investments are not accurately valued to support reserve requirement and additional amounts are not timely deposited within regulatory requirements.
* Inadequate reserve deposit excess (cushion) is not maintained to ensure deposit deficits are avoided.
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| **Reserve account movements**A broker-dealer's deposits and withdrawals from its customer reserve accounts are done within prescribed timelines and are supported by a valid customer reserve calculation  | ***SEC Rule 15c3-3 (Customer Reserve Rule)****15c3-3(g) Withdrawals from the reserve bank accounts**15c3-3(e)(1) Special reserve bank account for the exclusive benefit of customers and PAB accounts**15c3-3(e)(3) Reserve bank account computations**15c3-3(i) Notification in the event of failure to make a required deposit* | * Reserve withdrawals are made without a record of the computation on the basis of which the broker-dealer makes such withdrawal.
* Reserve movements are not executed and completed by 10am on the second business day after the date of the reserve calculation.
* Investments and collateral substituted in reserve accounts are withdrawn before and/or at a value greater than amounts deposited.
* Broker-dealer does not make a required deposit and does not notify the SEC and DEA promptly.
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| **ICOC Rule Requirement** | **Rule References** | **Illustrative compliance risk point** |
| **Quarterly Security Counts – Scope of Count**At least once in each calendar quarter-year, any member, broker, or dealer who is subject to 17a-13 must:* Physically examine and count all securities held;
* Account for all securities subject to its control or direction, but not in its physical possession;
* Verify all securities subject to its control or direction but not in its physical possession where securities have been in said status for longer than thirty (30) days;
* Compare the results of the count and verification with its securities records; and
* Record all unresolved difference accounts no later than 7 business days after each required quarterly security count.
 | ***17a-13 (b)* – Scope of Count***17a-13(b)(1)* – Physical Securities*17a-13(b)(2)* – Securities subject to broker-dealers control*17a-13(b)(3)* – Aged securities subject to broker-dealers control*17a-13(b)(4)* – Comparison to securities record*17a-13(b)(5)* – Recording security count differences | * A required quarterly security count is not performed in the appropriate time period.
* The population of security locations subject to the broker-dealer’s possession or control is incomplete.
* Security positions are not reconciled completely and accurately with custodians and depositories.
* Aged securities subject to the broker-dealer’s control or direction are not appropriately identified and verified.
* Security records are not complete and inaccurate.
* Unresolved differences are not recorded in a timely manner.

Other ConsiderationsBroker-dealers should ensure that they have appropriate operational controls designed and implemented around the setup and reconciliation of securities in their possession or control. |
| **Quarterly Security Counts – Count Date**The security count may be performed on either a certain date each calendar quarter or on a cyclical basis. If the count is performed on a cyclical basis, it may not extend more than 1 calendar quarter-year and must be performed no less than 2 months or no more than 4 months since the previous examination. | ***17a-13(c) –* Count Date** | * A required quarterly security count is not performed in the appropriate time period.
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| **Quarterly Security Counts – Segregation of Duties**The quarterly security count must be made or supervised by individuals whose regular duties do not include direct responsibility, due care, or the making and preserving of securities records. | ***17a-13(d) –* Segregation of Duties** | * The performance or supervision of the quarterly security count is not performed by an appropriate individual.
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| **ICOC Rule Requirement** | ***Rule References*** | Illustrative compliance risk point |

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| **Account Statement Rule**A broker-dealer shall send account statements to its customers at least once a quarter containing security positions, money balances or account activity to each customer whose account had a security position, money balance or account activity since the last statement | *FINRA Rule 2231 Customer Account Statements para (a) General* | * Account statements are not sent to customers on at least a quarterly basis as required by the Rule.
* The population of customers to whom account statements are sent is incomplete.
* Descriptions of all securities positions, money balances, or account activity for each customer account that had a security position, money balance, or account activity during the period since the last statement was sent to the customer are inaccurate and/or incomplete.
* Pricing information for positions does not reflect the values on the stock record resulting in inaccurate customer statements.
* Account statements omit a statement that advises the customer to report promptly any inaccuracy or discrepancy in that person's account to their brokerage firm as required by the Rule.
* Accounts statements omit a statement that advises the customer that any oral communications should be re-confirmed in writing to further protect the customer's rights, including rights under the Securities Investor Protection Act (SIPA) as required by the Rule.
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| **Account Statement Rule**A broker-dealer may not send quarterly statements to DVP/RVP accounts if certain conditions are met | *FINRA Rule 2231 Customer Account Statements para (b)* *Delivery Versus Payment/Receive Versus Payment (DVP/RVP) Accounts* | * The broker-dealer does not send customer account statements for DVP/RVP customers, whose accounts have not met the six suppression criteria in the Rule.
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| **Account Statement Rule**A broker-dealer shall include in customer statements a per share estimated value of a direct participation program (DPP) or unlisted real estate investment trust (REIT) that are reliable | *FINRA Rule 2231 Customer Account Statements para (c) DPP and Unlisted REIT Securities* | * Required elements of account statement information related to direct participation program (DPP) or unlisted real estate investment trust (REIT) securities are omitted, inaccurate, unreliable, or inappropriately disclosed as opposed to what’s required by the Rule.
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| **Account Statement Rule**A broker-dealer may be exempted by FINRA from the provisions of this Rule for good cause shown | *FINRA Rule 2231 Customer Account Statements para (e) Exemptions* | * Risk that FINRA approvals were not received for exemptions of certain provisions.
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| **Account Statement Rule**A broker-dealer must have evidence to show delivery when customer statements are electronically delivered | *NASD Notice to Members 98-3* | * The broker-dealer does not physically send customer statements without appropriately maintaining the customer’s consent to deliver through electronic medium.
* Account statement availability notifications are not sent to customers with the frequency required by the Account Statement Rule when account statements are delivered to customers via online access to a website or portal.
* Customers are unable to access account statements via online access to a website or portal because the customer does not have access to the website or portal.
* Customers are unable to access account statements via online access to a website or portal because the broker-dealer's website or portal is inappropriately configured to electronically deliver account statements as requested by the customer.
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1. The compliance risk points included in this section are illustrative only. There are numerous compliance risks not listed in this section and a firm should not rely on the risk points described here as comprehensive when [preparing or] examining a broker-dealer’s statements regarding its internal control over compliance. [↑](#footnote-ref-1)