

Corporate & Financial Weekly Digest

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SEC Seeks Public Comment on Proposed Amendments to Broker-Dealer Financial Reporting Rule 17a-5

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On June 15, the Securities and Exchange Commission proposed amendments to the broker-dealer financial reporting rule in order to strengthen the audits of broker-dealers as well as the SEC's oversight of the way broker-dealers handle their customers' securities and cash.

The first set of amendments relates to the requirement that a broker-dealer file annual financial reports with the SEC, and is designed to, among other things: (1) update the existing requirements of Rule 17a-5; (2) facilitate the ability of the Public Company Accounting Oversight Board to implement oversight of independent public accountants of broker-dealers as required by the Dodd-Frank Wall Street Reform and Consumer Protection Act; and (3) eliminate potentially redundant requirements for certain broker-dealers affiliated with, or dually registered as, investment advisers.

The second set of amendments would require broker-dealers that either clear transactions or carry customer accounts to consent to allowing the SEC and their designated examining authorities access to independent public accountants to discuss their findings with respect to annual audits of the broker-dealers and to review related audit documentation, or work papers.

The third set of amendments would enhance the ability of the SEC and examiners of a designated examining authority to oversee broker-dealers' custody practices by requiring broker-dealers to file on a quarterly basis a new Form Custody, which would elicit information as to whether and how a broker-dealer maintains custody of cash and securities of customers and others.

The proposed rules will be published in the *Federal Register* for a 60-day public comment period.

To read the proposed amendments to Rule 17a-5, click [here](#).

To read SEC Chairman Mary Schapiro's opening statement at the SEC Open Meeting: Proposals to Amend Rule 17a-5, click [here](#).