

INSIGHTS FROM THE BDO FINANCIAL SERVICES PRACTICE

HOW ELIGIBLE BROKERS-DEALERS CAN TAKE ADVANTAGE OF SEC'S 30-DAY FILING EXTENSION

By John Iacobellis and Nicole Nistorescu





In February, the U.S. Securities and Exchange Commission (SEC) approved a 30-day extension for eligible broker-dealers to file their annual [reports](#). Firms that meet the criteria should consider taking advantage of the filing extension, which is now in effect. Here are a few details and tips to help broker-dealers understand more about the 30-day extension.

BACKGROUND

Normally, each broker-dealer registered under Securities Exchange Act (SEA) Section 15 must file annual reports—including financial and compliance or exemption reports, along with those prepared by an independent accountant—no more than 60 days after the broker-dealer's fiscal year ends. But in light of disruption caused by the COVID-19 pandemic, the Financial Industry Regulatory Authority (FINRA) requested that the SEC allow broker-dealers an extra 30 days to file their annual reports. The extension, FINRA argued, would allow broker-dealers more time to obtain audit services.

In February, the SEC announced that it had granted the request and that the extension was effective immediately.

CRITERIA FOR BROKER-DEALERS ELIGIBLE FOR THE EXTENSION

To qualify for a filing extension of 30 calendar days, a broker-dealer must meet the following criteria:

1. Was in compliance with 15c3-1 (Net Capital) as of its most recent fiscal year end and had total capital and allowable subordinated liabilities of less than \$50 million;
2. Is permitted to file an exemption report as part of its most recent fiscal year-end annual reports;
3. Submits written notification to FINRA and the Securities Investor Protection Corporation (SIPC) of its intent to rely on this order on an ongoing basis for as long as it meets the conditions of the order; and
4. Files the annual report electronically with the SEC using an appropriate process.

The extension does not apply to just this year alone. It is understood to be in effect on an ongoing basis.

HOW TO NOTIFY FINRA OF YOUR INTENT TO TAKE ADVANTAGE OF THE EXTENSION

Broker-dealers that meet the aforementioned conditions are required to notify FINRA of their intent to take advantage of the extension. FINRA advises eligible broker-dealers to send an email to their Risk Monitoring Analyst with a message structured according to the following template:

"My firm wishes to have an additional 30 calendar days for filing its annual report on an ongoing basis for as long as my firm meets the conditions set forth in the SEC Order of February 12, 2021, regarding additional time for filing annual reports under SEA Rule 17a-5."



HOW TO FILE ELECTRONICALLY

In addition to notifying FINRA, those looking to benefit from the extension are required to file electronically. There are multiple ways to do so, but the most user-friendly and efficient avenue to electronic filing is through the SEC's Electronic Data Gathering, Analysis and Retrieval (EDGAR) system.

Using the EDGAR system, broker-dealers must upload only two attachments maximum. The EDGAR system offers two options for electronic filing:

1. The broker-dealer could attach one document containing all the annual reports as a public document; or
2. The broker-dealer could attach two documents to its submission: (1) a public document containing the statement of financial condition, the notes to the statement of financial condition and the accountant's report which covers the statement of financial condition, and (2) a non-public document containing all the components of the annual reports.

IMPLICATIONS FOR ANNUAL FILINGS

An upcoming filing deadline is a stressful event, especially for broker-dealers contending with the upheaval of the past 18 months. Fortunately, FINRA has advocated on their behalf, and the SEC has complied by offering a 30-day filing extension.

The extension provides broker-dealers excess time to review documents and schedule a session with their auditor. Auditors will likely appreciate the extension as well, as it allows them to serve their various clients over a longer period of time, alleviating some of the pressure traditionally associated with filing season.

For these reasons and more, broker-dealers who qualify are encouraged to take the steps required to benefit from this grace period.



People who know Financial Services, know BDO.

www.bdo.com/industries/financial-services

CONTACT:

KEITH MCGOWAN

Asset Management Industry Co-Leader, Assurance Partner
New York
212-885-8037 / kmcgowan@bdo.com

KEVIN BIANCHI

Asset Management Industry Co-Leader, Assurance Partner
San Francisco
415-490-3241 / kbianchi@bdo.com

JOHN IACOBELLIS

Audit Partner
212-798-4029 / jiacobellis@bdo.com

NICOLE NISTORESCU

Audit Sr. Manager
212-885-7234 / nnistorescu@bdo.com

ABOUT BDO

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, and advisory services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 70 offices and over 750 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of more than 91,000 people working out of more than 1,650 offices across 167 countries and territories.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information please visit: www.bdo.com.

Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your needs.

© 2021 BDO USA, LLP. All rights reserved.

