



US SEC Rule 15c3-3 Reserve Computation and Deposit Cadence Shifts to Daily

Ramifications Are a Wakeup Call to Broker-Dealers

Expected to come into force in mid-2024, the **proposed changes to the SEC Customer Protection Rule 15c3-3** require 50+ firms to calculate reserve requirements for customer and proprietary accounts of broker-dealers (PAB) daily and, as a result, maintain sufficient cash and/or qualified securities in the designated Special Reserve Bank Accounts as of each new computation date.

Current situation: A time-consuming and resource-intensive process

Existing 15c3-3 reserve calculations and deposit processes are intensive, deadline-driven, and must be performed on a conservative basis; firms often provide a substantial deposit cushion.

A typically fraught weekly process

Because computations are performed only once each week, broker-dealers are unable to adjust reserve accounts to reflect intra-week activity. Additionally, and in contrast to the SEC's Notice of Proposed Rulemaking (NPR) estimate of only 2.5 hours, the current process of executing computations requires a significant number of person days to timely complete. This often leads to commencing over the weekend. The process involves:

- ▶ Handling large-volume end-of-week data feeds from the stock record and other disparate sources
- ▶ Allocating the stock record in a conservative manner
- ▶ Making many adjustments that, for example, arise from completed reconciliations, price adjustments, inaccurate data, and which are often manually driven by exchanging PDFs, spreadsheets, or emails
- ▶ Running/re-running allocations and reserve computations results based on such adjustments
- ▶ Compiling the computation results by integrating balances, allocations, and other mandatory items often through manual inputs to spreadsheets
- ▶ Depositing/withdrawing funds to the Special Reserve Bank Account(s) by 10:00 am on the next business day following the computation date. Missing the deadline, requires firms to report a technical or hindsight deficiency to the regulators.

From weekly to daily – a significant change.

Simply put, firms must ensure their computations are accurate.

Expected situation: A significant shift with pitfalls for the unprepared

Until now, this process may have been sustainable. However, with the anticipated shift to daily reporting, institutions must find a way to make this now laborious, manually driven process more compressed and repeatable.

Complicated and recursive reserve calculations

These computations involve complex logic, huge volumes of data, allocation rules defined in terms of priorities, and alignment with the institution's operating model, making the change from weekly to daily calculations very challenging.

Firms attempting to produce daily reserve calculations while relying upon existing processes may make significant errors that cause customers to be inadequately protected, and result in regulatory violations and costly fines for the institutions themselves.

Without automating data ingestion, allocations, adjustments, compilations, and reserve calculation processes, firms' ability to accurately perform their daily calculations is at risk.



A holistic and strategic approach for successful reporting

Because of the anticipated rule finalization, broker-dealers need to move strategically to find a way to systematically source data and perform the Rule 15c3-3 daily reserve calculations with a high degree of automation. Ideally, this should happen within a transparent data management, allocation, adjustment, and calculation environment that is embedded with the controls and approval structures that internal stakeholders and regulators want to see.

To avoid the pitfalls of this transition, a firm's system should have the ability to:

- ▶ Incorporate all aspects of the computations into a single platform for improved transparency, accuracy, and efficiency
- ▶ Source required records (such as general ledger, trial balance, subsidiary ledgers, and stock records) and automatically load them into the reserve computations
- ▶ Accurately allocate the stock record (or combine multiple stock records prior to allocation) according to parameters set by each firm, including allocations based on market or contract value
- ▶ Automate adjustments, reconcile to subsidiary records, drill down to results, perform comparisons to previous computations, and incorporate permissioning and four-eyes checks

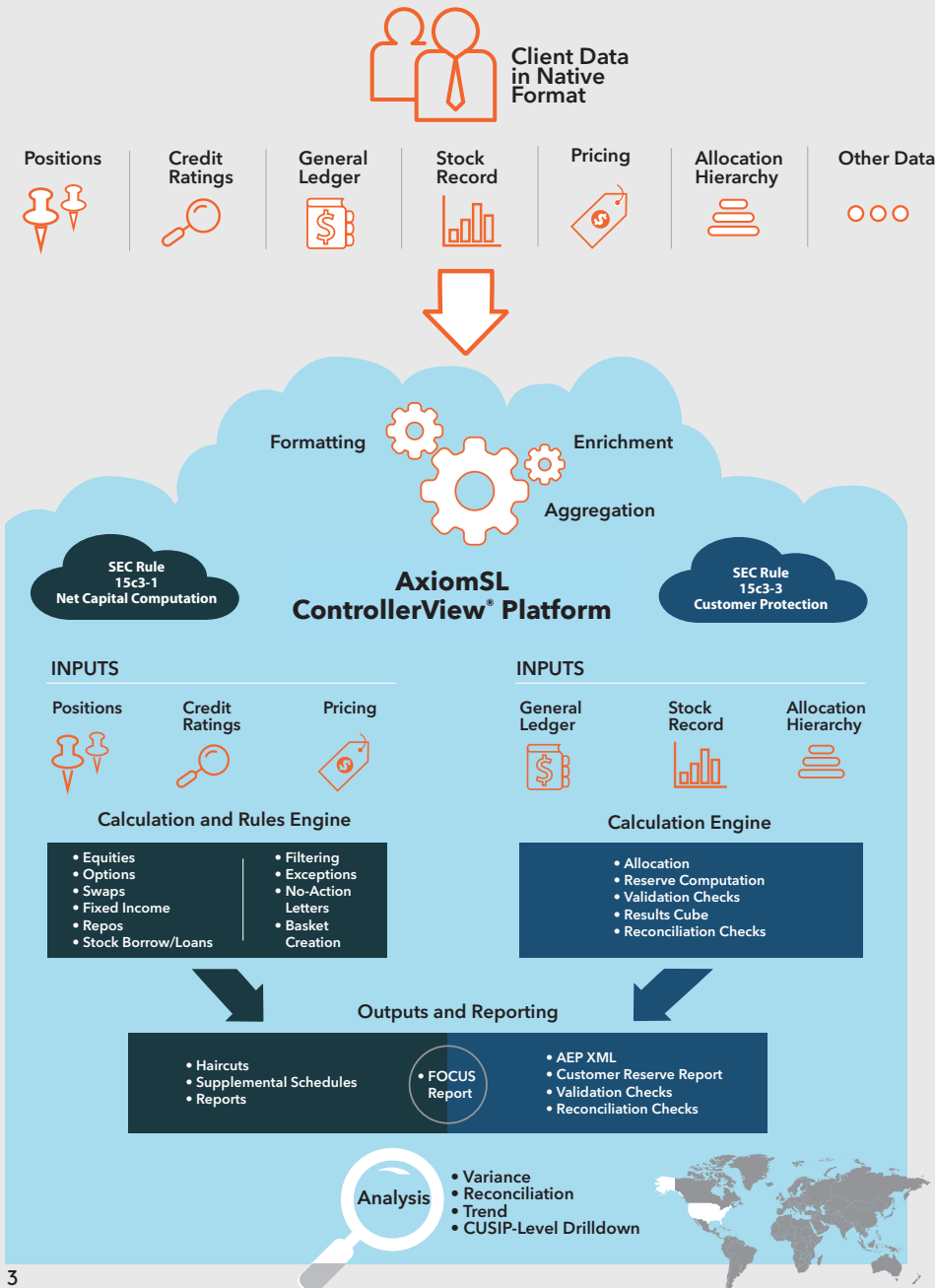
A wakeup call to action, with hidden benefits

Whereas the proposed changes directly impact 50+ of the largest carrying broker-dealers, those mandated to change the frequency of their computations to daily, other broker-dealers may opt in to reap the hidden benefits of making this challenging shift. Indeed, in the context of successfully implementing a holistic, automated system, daily reserve computations also enable firms to:

- ▶ More dynamically match the net amount of funds owed to customers and PAB account holders with the required deposit in the broker-dealers' Special Reserve Bank Accounts
- ▶ Better manage daily liquidity
- ▶ Utilize resources more efficiently

With a single platform to manage both SEC Rules 15c3-3 and 15c3-1 (and its daily computations) and related reporting (FOCUS and supplemental schedules), firms are ready to seamlessly transition to the 15c3-3 daily regime.

An Automated, Flexible, Function-Rich, Cloud and SaaS-Enabled, and Single-Platform Approach



Indeed, some firms have already addressed this lack of automation and streamlined their data processing.

Ahead of the rule change, they are reaping the benefits of a faster and more accurate reserve process.



Heed the call

Daily reserve calculation is a wakeup call to firms to transform and modernize; an opportunity to rethink their front-to-back architecture and identify breaking points, with a special focus on adjustments, and fix them.

With a holistic and strategic approach, firms can use the SEC Rule 15c3-3 daily reserve calculations to their advantage. Daily insight gives firms the ability to manage liquidity more dynamically, so they do not have to unnecessarily tie up capital on any day and can more adequately protect their customers.

Contact Adenza to start a conversation about how you can leverage our suite of broker-dealer solutions and automation on a single end-to-end platform to enable you to move strategically to seamless SEC 15c3-3 daily reserve compliance.

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