



A periodic update of current finance-related issues covering audit and accounting, tax, and regulatory matters affecting organizations that operate within the financial services sector.

FINANCE ALERT

Interim Inspection Program for Broker-Dealer Audits

Approved Interim Inspection Program

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Public Company Accounting Oversight Board ("PCAOB") has proposed an interim program of inspections related to the audits of broker-dealers.

The Securities and Exchange Commission ("SEC") has approved this program, which will require broker-dealers to disclose, on a quarterly basis, whether they have access to client funds and how that access is controlled.

Under the current rules, broker-dealers are required to protect customer assets; however, the new rule would also allow internal audits to be reviewed by a registered public accounting firm. The SEC could review the work papers of the registered public accounting firm that audits the broker-dealer and discuss its findings with the firm. This review will allow the examiners to better focus their attention on its exams.

According to the SEC, the goal is to verify whether broker-dealers have sufficient controls in place to meet their net capital rule, customer protection rule, quarterly security count rule, and account statement rule.

According to the consensus in the industry, this program is expected to increase accounting fees. It remains unclear whether there will be a significant difference between the current practice of financial audits and the new requirements. It also is unclear how customers will be better protected by these custody exams than under the current rules in place that govern broker-dealer financial operations.

The Financial Services Group at Holtz Rubenstein Reminick works in conjunction with management's counsel to provide solutions to the ever growing compliance burden placed upon the broker-dealer community. Our partners have extensive experience within the



broker-dealer and alternative investment industry. We also understand the importance of partner involvement and, as such, we ensure that our partners manage all aspects of client engagements. Our clients know that we are always available and knowledgeable about their business. Since a high degree of partner involvement allows for increased efficiencies, we are able to remove unnecessary bureaucracy. Our clients speak directly with the decision-maker to work through the issues.

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