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FINRA Posts Policy for Annual Financial Audit Extension Requests

Most of the posted FINRA policy related to the granting of extensions for the filing of annual financial audits contains nothing surprising; however, it is clear that FINRA has had a significant shift in its policy with respect to the length of extension that it will grant. Historically, it was not unusual to request, and receive, a 30 day extension based upon reasonable criteria.

However, the Annual Audit Extension Policy currently posted by FINRA states specifically that “In situations where FINRA deems it appropriate to grant an extension request, the time granted is generally limited to 10 business days. In exceptional circumstances, FINRA may determine that an extension of additional time for the filing of the audited financial statements may be granted, but not to exceed 30 calendar days from the original due date of the audit.” Thus member firms should be aware that on a go forward basis, the days of 30 day routine extensions are gone.

By way of background, SEC Rule 17a-5(d)(5) requires firms to file an Annual Audited Report no later than 60 calendar days after the date of a firm's fiscal year end. To the extent an extension is required, the member firm must submit a written request to its assigned FINRA Coordinator no later than three business days prior to the audit due date. The request should be made by the Chief Financial Officer, include the amount of additional time being requested, the specific reason(s) for the request; and include a letter from the firm's outside independent auditor in which the auditor makes certain representations.

While a request for an extension of time to file the audit will either be granted or denied based upon the specific facts and circumstances in each case, it's clear that without a compelling basis, it most likely will not exceed 10 days. Therefore, member firms should ensure that sufficient time is allotted to complete the audit within the 60 day timeframe, and we recommend that you discuss these new requirements with your independent auditor at the beginning of the audit process so that they can plan to file on time or be prepared to receive at best, a 10 day extension and not the traditional 30 day extension.

We hope that this information has been helpful to you. Should you have any additional questions or concerns, please feel free to contact Daniel E. LeGaye or Michael Schaps by e-mail or phone, at 281-367-2454, or consult with your legal counsel or third party consultant.

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