

Regulatory Notice

23-17

INSITE

FINRA Discontinues Collection of INSITE Data From Clearing Firms

Effective Date: November 30, 2023

Summary

FINRA is issuing this *Notice* to inform members that it is discontinuing collection of data under Rule 4540. The data collected under Rule 4540 is used in the Integrated National Surveillance and Information Technology Enhancements program (INSITE). The decision to discontinue the collection of data under Rule 4540 at this time is based on the availability of alternative sources of data that were not available when INSITE was developed and that have enhanced FINRA's ability to assess risk.

Effective November 30, 2023, FINRA will discontinue its collection of data under Rule 4540.

Questions concerning this *Notice* should be directed to: Demetrios (J) Koutros, Vice President, Member Supervision Operations, Procedures and Standards, at (646) 315-8509 or J.Koutros@finra.org.

Background & Discussion

Absent an exemption, Rule 4540 requires each member that is a clearing firm or self-clearing firm to electronically report to FINRA prescribed data pertaining to the member and any member broker-dealer for which it clears. FINRA has used the data it collects under Rule 4540 to facilitate the operation of INSITE, a program that was designed to permit FINRA to use statistical analysis techniques to detect emerging risk patterns at member firms. Members obtain detailed information about their reporting requirements under Rule 4540 by reviewing the INSITE Firm Data Filing Technical Specifications, a document that FINRA publishes, along with other information about INSITE, on its website.¹

FINRA has decided to discontinue the collection of data under Rule 4540 at this time based on the availability of alternative sources of data that were not available when INSITE was developed more than 20 years ago. These alternative sources enable FINRA to collect data that

October 30, 2023

Notice Type

- ▶ Special Alert

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Senior Management

Key Topics

- ▶ Clearing Firms
- ▶ INSITE
- ▶ Reporting Requirements

Referenced Rules & Notices

- ▶ FINRA Rule 4540
- ▶ Notice to Members 01-84

is either duplicative of the data collected under Rule 4540 or disaggregated and broken down into smaller components. These alternative sources of data include, for example, consolidated audit trail (CAT) data; supplemental reports and information that member firms now are required to file, pursuant to FINRA Rule 4524, as part of their Financial and Operational Combined Uniform Single (FOCUS) Reports;² and margin statistics that member firms report, pursuant to FINRA Rule 4521(d), on the Customer Margin Balance Form. The data that FINRA obtains from these alternative sources has enhanced its ability to assess risk because it allows FINRA to analyze trends and patterns on a more granular level. As a result, by discontinuing its collection of data under Rule 4540, FINRA believes it can reduce reporting costs for its clearing and self-clearing members without compromising its regulatory programs.

FINRA previously informed its clearing and self-clearing members that the data elements they are required to report under Rule 4540 might change over time.³ FINRA stated that it would continue to work with its members to identify the data that is needed to operate its regulatory program and to modify the reporting requirements as necessary.⁴ In the event of any changes to those reporting requirements, FINRA said it would provide advance notice to the industry in a *Regulatory Notice* or by other means of communications, such as on FINRA's website.⁵ As a result, FINRA is issuing this *Notice* to inform members that it is discontinuing its collection of data under Rule 4540.

In addition to issuing this *Notice*, FINRA will be updating its website to make clear that at this time it has eliminated all of the data elements that clearing and self-clearing members previously were required to report under Rule 4540.

In the event that FINRA determines that it again needs to collect data under Rule 4540, FINRA will provide advance notice of any new reporting requirements in another *Notice* or similar communication.

Endnotes

1. See [INSITE Firm Data Filing Technical Specifications](#); see also generally the [INSITE webpage](#) for additional information about INSITE.
2. The supplemental FOCUS reports and information that firms now are required to file include the Supplemental Statement of Income (SSOI), Supplemental Inventory Schedule (SIS) and the Derivatives and Other Off-Balance Sheet Items Schedule (OBS).
3. See [Notice to Members 01-84](#) (December 2001).
4. See *id.*
5. See *id.*