

DRI Broker-Dealer Firm Program Update

October 26, 2023

DISCLAIMER

The views we express are our own and do not necessarily reflect the views of the Board as a whole, any individual Board members, or other staff.

This slide intentionally left blank

INSPECTION RESULTS

Inspection year	Percentage of audits with independence findings	Percentage of audits with deficiencies	Percentage of audit areas with deficiencies	Percentage of examination engagements with deficiencies	Percentage of review engagements with deficiencies
2022	11%	58%	20%	50%	40%
2021	0%	49%	15%	64%	28%
2020	9%	61%	18%	67%	23%

This slide intentionally left blank

This slide intentionally left blank

PERFORMING REVIEW ENGAGEMENTS

- Reporting on review engagements
 - Mischaracterization of broker-dealer assertions
 - Role of due professional care
 - Resolve inconsistencies
- Consideration of contradictory evidence
 - Broker-dealers that claim (k)(2)(ii)
 - Consideration of evidence obtained through the audit

PERFORMING EXAMINATION ENGAGEMENTS

Testing internal control over compliance with the financial responsibility rules:

- Reserve Requirements Rule
- Possession or control requirements
- Account Statement Rule
- Quarterly Security Counts Rule
- Net Capital Rule

This slide intentionally left blank

AUDITING REVENUE

- Responses to the risks of material misstatement
 - Commissions
 - Investment advisory fees
 - Trading gains and losses
 - Investment banking fees
 - M&A and other advisory fees
- Other deficiencies
 - Risk assessment
 - Information produced by the broker-dealer
 - Audit sampling
 - ASC 606 considerations

ENGAGEMENT QUALITY REVIEWS

- Engagement level deficiencies
- Firm level quality control deficiencies
- Engagement Quality Reviewer responsibilities

This slide intentionally left blank

This slide intentionally left blank

INSPECTION PRIORITIES

- Risk of fraud
 - Identification and assessment of risks / audit response
 - Attestation engagements
- Digital assets
 - Identification and assessment of risks / audit response
 - Selections focus
- Broker-dealer specific considerations
 - Revenue as a significant risk
 - Misappropriation of customer assets
 - Internal control over compliance
 - Review engagements

2023 AND BEYOND

- 2023 inspection update
 - Selections
 - Fieldwork
- Recent pronouncements from PCAOB and others

This slide intentionally left blank

QUESTIONS

