

FINRA (and selected SEC) regulatory matters at a glance – What compliance officers need to know

FINRA notices, rule filings and guidance and selected SEC materials for April 2021

By Glen Barrentine

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<u>Items of Note</u>	<u>FINRA Regulatory Notices</u>	<u>Other FINRA Notices</u>
<u>FINRA Rule Filings</u>	<u>SEC Rule Filings</u>	<u>FINRA Guidance</u>
<u>No Action Letters</u>	<u>Selected Enforcement and Litigation</u>	<u>Other matters of interest</u>

Chart color key	Action may be required (does not include continuing education items)	Administrative	Arbitration	Continuing education	No action needed
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Item	Subject matter	Heading	Relevant rule*	Comments	Relevant date	Impact on member
<u>This month's item(s) of note</u>						
FINRA Regulatory Notice 21-15	Options Approval to Trade Supervision Margin	FINRA Reminds Members About Options Account Approval, Supervision and Margin Requirements	Various, including FINRA Rule 2360 (Options)	The Notice reminds members of the requirements related to approval of customer accounts to trade options, the specific supervisory review s related	Effective Immediately	None The Notice reminds members of existing requirements and does not impose additional obligations on members.

* Other rules may also apply

Item	Subject matter	Heading	Relevant rule*	Comments	Relevant date	Impact on member
				to option accounts, and the margin requirements related to option transactions.		
FINRA Regulatory Notice 21-16	Arbitration Customers Predispute Arbitration Agreements	FINRA Reminds Members About Requirements When Using Predispute Arbitration Agreements for Customer Accounts	FINRA Rule 2268 (Requirements When Using Predispute Arbitration Agreements for Customer Accounts)	The Notice reminds members that FINRA Rules, including FINRA Rule 2268, imposes obligations on member firms that use predispute arbitration agreements. These requirements include prohibitions on certain conditions and also require the provision to the customer of certain disclosures. business days.	Effective Immediately	None The Notice reminds members of existing requirements and does not impose additional obligations on members.
<u>FINRA Regulatory Notices</u>						
FINRA Regulatory Notice 21-17	Diversity and Inclusion	FINRA Seeks Comment on Supporting Diversity and Inclusion in the Broker-Dealer Industry	None	The Notice requests comments on any aspect of FINRA's rules, operations and processes that may create unintended barriers to greater diversity and inclusion in the brokerage industry or that might have unintended	Comment Due Date: June 28, 2021	None The Notice is for the purpose of soliciting comments on existing FINRA rules, operations and processes.

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				disparate impacts on those within the industry.		
FINRA Regulatory Notice 21-16	Arbitration Customers Predispute Arbitration Agreements	FINRA Reminds Members About Requirements When Using Predispute Arbitration Agreements for Customer Accounts	FINRA Rule 2268 (Requirements When Using Predispute Arbitration Agreements for Customer Accounts)	The Notice reminds members that FINRA Rules, including FINRA Rule 2268, imposes obligations on member firms that use predispute arbitration agreements. These requirements include prohibitions on certain conditions and also require the provision to the customer of certain disclosures. business days.	Effective Immediately	None The Notice reminds members of existing requirements and does not impose additional obligations on members.
FINRA Regulatory Notice 21-15	Options Approval to Trade Supervision Margin	FINRA Reminds Members About Options Account Approval, Supervision and Margin Requirements	Various, including FINRA Rule 2360 (Options)	The Notice reminds members of the requirements related to approval of customer accounts to trade options, the specific supervisory reviews related to option accounts, and the margin requirements related to option transactions.	Effective Immediately	None The Notice reminds members of existing requirements and does not impose additional obligations on members.

* Other rules may also apply

Item	Subject matter	Heading	Relevant rule*	Comments	Relevant date	Impact on member
<u>Other FINRA Notices</u>						
None						
<u>FINRA Rule Filings</u>						
SR-FINRA-2021-007 34-91582	Data Services Corporate Bonds New Issuances	Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Time to Announce the Implementation Schedule for FINRA's Corporate Bond New Issuance Reference Data Service	None	FINRA's Corporate Bond New Issuance Reference Data Service (the "Service") is intended to provide a central depository for public dissemination of new issue corporate bond reference data. FINRA had previously announced that it would announce the effective date of the Service within 90 days of the Commission's approval of the Service. The Notice extends the time to establish and announce a new effective date. Once a new effective date has been established, FINRA will issue a Regulatory Notice announcing the implementation schedule.	Effective Date: To be announced	None The Notice's underlying subject matter does not impose any obligations on FINRA members.

* Other rules may also apply

Item	Subject matter	Heading	Relevant rule*	Comments	Relevant date	Impact on member
SR-FINRA-2021-005 34-91506	Registration Qualification Examinations Principals Operations Professionals	Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Effective Date of the Temporary Amendments set forth in SR-FINRA-2020-026 and SR-FINRA-2020-043 from April 30, 2021, to June 30, 2021	FINRA Rule 1210 (Registration Requirements) FINRA Rule 1220 (Registration Categories)	The Notice extends the expiration date of temporary qualification examination relief that was issued in response to the COVID pandemic and previously provided to individuals designated to function as principals under FINRA Rule 1210.04 or as Operations Professionals under FINRA Rule 1220(b)(3)(B) . The Notice also states that FINRA does not anticipate providing further extensions beyond the June 30, 2021 extension date.	Revised Extended Date: June 30, 2021	None The order extends the expiration date of temporary qualification examination relief but does not otherwise impose obligations on member firms.
SR-FINRA-2021-006 34-91495	Procedural Requirements Including Requirements Related to Enforcement	Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Extend the Expiration Date of the Temporary Amendments Set Forth in SR-FINRA-2020-015 and SR-FINRA-2020-027	Various	The Notice extends until August 31, 2021, provisions that were issued in response to the COVID pandemic, which provisions provide relief from certain timing, method of service and other procedural requirement in FINRA rules and also allow s	Revised Extended Date: August 31, 2021	None The order extends the expiration date of the temporary provisions covered thereby but does not otherwise impose obligations on member firms.

* Other rules may also apply

Item	Subject matter	Heading	Relevant rule*	Comments	Relevant date	Impact on member
				FINRA's Office of Hearing Officers and National Adjudicatory Council to conduct hearings by video conference.		
SR-FINRA-2020-031 34-91474	Trading Inter-Dealer Quotation Systems OTC Bulletin Board Service	Notice of Designation of Longer Period for Commission Action on Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, to Adopt Proposed Rule 6439 (Requirements for Member Inter-Dealer Quotation Systems) and Rescind the Rules Related to the OTC Bulletin Board Service	Proposed FINRA Rule 6439 (Requirements for Member Inter-Dealer Quotation Systems)	The Notice does not effect a change to FINRA's rules but rather extends the period in which the Securities and Exchange Commission has to either approve or disapproved the proposed rule change until June 4, 2021.	Extended Date for Commission Approval or Disapproval: June 4, 2021	None The Notice does not impose any new obligations on FINRA members but merely extends the date by which the Commission must take action on the proposal.

Relevant SEC Rule Filings

None

FINRA Guidance

[COVID-19 Guidance and Relief](#)

Firms are urged to monitor updates to the guidance and relief set forth on [FINRA's COVID-19 Page](#).

[Margin Balance Reporting: Frequently Asked Questions](#)

FINRA's FAQ provides an overview of FINRA [Rule 4521](#)(d), which requires members who carry margin accounts for customers to submit, on a settlement date basis, as of the last business day of each month, the total of debit balances in securities margin accounts and the total of all free credit balances in all cash and margin accounts.

* Other rules may also apply

Item	Subject matter	Heading	Relevant rule*	Comments	Relevant date	Impact on member
Under FINRA Rule 4521(d)						
SEC Guidance						
COVID-19 Guidance and Relief				Firms are urged to monitor updates to the guidance and relief set forth on the SEC's COVID-19 page .		
Staff Statement on Fully Paid Lending (April 16, 2021)				The SEC's Division of Trading and Markets issued a statement reminding registered broker-dealers of the Division's previously issued no-action letter dated October 22, 2020 and issued to Kris Dailey of FINRA, regarding the broker-dealer customer protection rule, Exchange Act Rule 15c3-3 , in relation to certain programs operated by some brokers that involve the lending by customers of fully-paid or excess margin securities. Rule 15c3-3 requires broker dealers entering into agreements with customers who lend fully-paid or excess margin securities to provide the lending customers with collateral that fully secures these loans and that otherwise complies with the terms of the no-action letter.		
No Action Letters of particular relevance to Broker-Dealers						
None						
Other matters of interest including materials from the SEC's Division of Examination and other SEC press releases, SEC public statements, and FINRA press releases						
On April 14 th , the United States Senate confirmed Gary Gensler as the next Chairman of the Securities and Exchange Commission.						

* Other rules may also apply

Information about this chart

The information set forth herein is for general informational purposes only and is not meant as a full analysis of any particular matter and should not be relied upon as legal advice regarding any factual situation.



About Glen Barrentine

Glen Barrentine has extensive experience involving regulatory, compliance and enforcement issues affecting financial service companies, particularly broker-dealers, investment advisers, municipal advisors, and securities exchanges.

Glen frequently represents and advises clients in connection with SEC and FINRA enforcement proceedings and other regulatory inquiries, such as inspections and examinations, as well as on transactions involving the purchase, sale or restructuring of financial service companies. Glen also provides clients with counseling and advice across the full range of regulatory and compliance issues arising under the rule sets issued by the SEC, FinCEN, FINRA and the various securities exchanges, e.g., the NYSE.

Particular areas of focus include insider trading, registration and membership, anti-money laundering, broker-dealer net capital requirements, sales practices, research, trading and trade reporting, Rule 15a-6 and cross border activities by foreign broker-dealers, pay to play restrictions, supervision, and soft dollars. Other areas of focus include the preparation of supervisory and compliance procedures and drafting and negotiating clearing, account, prime brokerage, and other industry agreements.

Glen was previously a member of the Board of Directors of the National Society of Compliance Professionals (NSCP), the largest organization in the US devoted exclusively to compliance in the financial services industries. He currently hosts NSCP's monthly Broker-Dealer Forum and previously chaired the NSCP's Governance Committee and Investment Advisers Forum.

If you would like further information please contact:

Glen Barrentine

Of Counsel, Denver

Licensed in New York. Practice temporarily authorized in Colorado pending admission under C.R.C.P. 205.6

Tel +1 303 801 2767 (Denver)]/+1 212 318 3292 (New York)

glenbarrentine@nortonrosefulbright.com



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