

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 August 2021

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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 21-29	Supervision Compliance Outsourcing	FINRA Reminds Firms of their Supervisory Obligations Related to Outsourcing to Third-Party Vendors	FINRA Rule 3110 (Supervision)	The Notice provides additional guidance relating to member's obligations related to outsourcing.	Effective Date: Immediately	None The Notice does not impose any new obligations upon members but does provide advice and guidance to assist members in meeting their existing

* Other rules may also apply

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						obligations to supervise outsourced services.
SR-FINRA-2021-020 34-92793	Continuing Membership Application Association with Certain Persons Final Criminal Matter Specified Risk Events	Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Form CMA (Continuing Membership Application Form)	Not Applicable	The Notice announces changes to Form CMA (Continuing Membership Application Form) that implement recent rule changes that require members to file Form CMA prior to associating with certain persons who, within the prior five years, have one or more "final criminal matters" or two or more "specified risk events."	Effective Date: September 1, 2021	To the extent they have not already done so, member firms may want to consider updating their procedures regarding onboarding of associated persons to take into account the possible need to file a CMA.
SR-FINRA-2021-009 34-92561	Financial Reporting FOCUS Supplemental FOCUS Information Liquidity Schedule	Order Approving a Proposed Rule Change to Adopt a Supplemental Liquidity Schedule, and Instructions There to, Pursuant to FINRA Rule 4524 (Supplemental FOCUS Information)	FINRA Rule 4524 (“Supplemental FOCUS Information”)	The Order approves amendments to FINRA’s rules that require members with large customer and counterparty exposure to file a supplemental liquidity schedule with their FOCUS and annual filings.	Effective Date: March 1, 2022. The first SLS must be completed as of the end of March 2022 and will be due by May 4, 2022.	Firms should confirm whether they are subject to the new filing requirement.

FINRA Regulatory Notices

FINRA Regulatory Notice 21-30	Cyber Security Phishing	FINRA Alerts Firms to a Phishing Email Campaign Using Multiple Imposter	Various	The Notice announces yet another phishing campaign using	Immediately	None Member firms that have not done so recently,
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		FINRA Domain Names		look alike FINRA domain names.		may want to provide an alert to their associated persons regarding the phishing scheme and may also want to use FINRA's Notice as an opportunity to remind associated persons of the steps they should take to avoid phishing schemes.
FINRA Regulatory Notice 21-29	Supervision Compliance Outsourcing	FINRA Reminds Firms of their Supervisory Obligations Related to Outsourcing to Third-Party Vendors	FINRA Rule 3110 (Supervision)	The Notice provides additional guidance relating to member's obligations related to outsourcing.	Effective Date: Immediately	None The Notice does not impose any new obligations upon members but does provide advice and guidance to assist members in meeting their existing obligations to supervise outsourced services.
FINRA Regulatory Notice 21-28	Trading Inter-dealer Quotation System OTC Equity Securities Quotations	FINRA Adopts Rule 6439 Governing the Operation of Inter-dealer Quotation Systems and Announces Closure of the OTC Bulletin Board	FINRA Rule 6439 (Requirement for Member Inter-Dealer Quotation Systems)	The Notice informs members of the deletion of existing rules related to the OTC Bulletin Board Service and the adoption of a new rule that requires members who operate an inter-dealer quotation system (IDQS)	Effective Date of Rule 6439 (except paragraph (d)(1)(B)): October 1, 2021	Members that operate an inter-dealer quotation system (IDQS) that permits quotation updates on a real-time basis in OTC equity securities, including alternate trading systems, will need to revise

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				that permits real-time quotation updates in OTC equity securities, including alternate trading systems, to enforce written policies and procedures related to the collection and dissemination of such quotation information. Such members will also be required to post such procedures and make them available to prospective subscribers and will have to establish non-discriminatory written standards for access to such systems.		their practices, policies and procedures to comply with the approved amendments.
<u>Other FINRA Notices</u>						
None						
<u>FINRA Rule Filings</u>						
SR-FINRA-2021-020 34-92793	Continuing Membership Application Association with Certain Persons Final Criminal Matter Specified Risk Events	Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Form CMA (Continuing Membership Application Form)	Not Applicable	The Notice announces changes to Form CMA (Continuing Membership Application Form) that implement recent rule changes that require members to file Form CMA prior to associating with certain persons who, within the	Effective Date: September 1, 2021	To the extent they have not already done so, member firms may want to consider updating their procedures regarding onboarding of associated persons to take into account the

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				prior five years, have one or more "final criminal matters" or two or more "specified risk events."		possible need to file a CMA.
SR-FINRA-2021-010 34-92713	Margin Covered Agency Transactions TBOs CMOs Specified Pool Transactions	Notice of Filing of Amendment No. 1 and Order Instituting Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change, as Modified by Amendment No. 1, to Amend the Requirements for Covered Agency Transactions under FINRA Rule 4210 (Margin Requirements) as Approved Pursuant to SR-FINRA-2015-036	FINRA Rule 4210 ("Margin Requirements")	The underlying rule proposal relates to further amendments to recently adopted margin rules with respect to "Covered Agency Transactions", which term includes certain mortgage backed securities.	Comment Due Date: 21 days after publication in the Federal Register.	None The Notice is for the purpose of seeking comments on a proposed FINRA rule amendment.
SR-FINRA-2021-011 34-92710	Continuing Membership Materiality Consultation Final Criminal Matters Specified Risk Events	Order Approving a Proposed Rule Change to Amend FINRA Rule 1011(p) ("Specified Risk Event")	FINRA Rule 1011 (Definitions: "Specified Risk Event")	The Order approves proposed amendments to the definition of "Specified Risk Event" to correct a drafting error and clarify the "final regulatory actions" that are included in the definition. This definition is relevant to the issue of whether a member firm may be required	Effective Date: September 1, 2021	Notice of Filing of a Proposed Rule Change to Amend FINRA Rule 1011(p) ("Specified Risk Event")

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				to seek a materiality consultation and approval of a continuing membership application on account of certain associations having had one or more final criminal matters or two or more specified risk events in the prior 5 years.		
SR-FINRA-2021-019 34-92685	Procedural Requirements Including Requirements Related to Enforcement Proceedings	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 December 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 allows FINRA's Office of Hearing Officers and National Adjudicatory Council to conduct hearings by video conference.	Revised Extended Date: December 31, 2021	None The order extends the expiration date of the temporary provisions covered thereby but does not otherwise impose obligations on member firms.
SR-FINRA-2021-008 34-92617	Security-Based Swaps Security-Based Swap Dealers	Notice of Filing of Amendment No. 1 and Order Instituting Proceedings to Determine	Various	The Notice solicits additional comments to FINRA's proposed amendments to a	Comment Due Date: September 3, 2021	None The Notice' is for the purpose of seeking comments on a

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	Major Security-Based Swap Participants	Whether to Approve or Disapprove the Proposed Rule Change, as modified by Amendment No. 1, Relating to Security-Based Swaps		number of its rules to clarify their application to security-based swaps, security-based swap dealers and major security-based swap participants. The proposed changes would revise FINRA Rule 0180 in a manner that would generally apply FINRA rules to members' activities and positions in security-based swaps while providing limited exceptions. The proposal would also amend FINRA's financial responsibility and operation rules to conform to SEC amendments and adopt a new margin rule specifically applicable to security-based swaps.		proposed FINRA rule amendment.
SR-FINRA-2021-009 34-92561	Financial Reporting FOCUS Supplemental FOCUS Information Liquidity Schedule	Order Approving a Proposed Rule Change to Adopt a Supplemental Liquidity Schedule, and Instructions Thereto, Pursuant to FINRA Rule 4524 (Supplemental	FINRA Rule 4524 ("Supplemental FOCUS Information")	The Order approves amendments to FINRA's rules that require members with large customer and counterparty exposure to file a supplemental liquidity schedule with their FOCUS	Effective Date: March 1, 2022. The first SLS must be completed as of the end of March 2022 and will be	Firms should confirm whether they are subject to the new filing requirement.

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		FOCUS Information)		and annual filings.	due by May 4, 2022.	
<u>Relevant SEC Rule Filings</u>						
None						
<u>FINRA Guidance</u>						
COVID-19 Guidance and Relief		Firms are urged to monitor updates to the guidance and relief set forth on FINRA's COVID-19 Page .				
Podcast		The Journey to the Cloud: Implications for the Securities Industry – August 24, 2021 Cloud computing is transforming how broker-dealers operate by providing opportunities to enhance agility, efficiency, resiliency and security within firms' technology and business operations while potentially reducing costs. On this episode, two members of FINRA's Office of Financial Innovation join us to discuss the group's latest report on cloud computing.				
Report / Study		Cloud Computing in the Securities Industry – August 10, 2021 Cloud computing is transforming how broker-dealers operate by providing opportunities to enhance agility, efficiency, resiliency and security within firms' technology and business operations while potentially reducing costs. As a result, cloud computing is increasingly seen by many firms as an important architectural component to their infrastructure.				
Guidance		FINRA Targeted Examination Letter on Option Account Opening, Supervision and Related Areas – August 10, 2021 FINRA is conducting a review of Firm Name practices and controls related to the opening of options accounts and related areas, including account supervision, communications and diligence.				
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 .				
<u>No Action Letters</u> of particular relevance to Broker-Dealers						
None						
Other matters of interest including materials from the SEC's Division of Examinations and other SEC press releases, SEC public statements, and FINRA press releases						
34-92766		Request for Information and Comments on Broker-Dealer and Investment Adviser Digital Engagement Practices, Related Tools and Methods, and Regulatory Considerations and Potential Approaches; Information and Comments on Investment Adviser Use of Technology to Develop and Provide Investment Advice				

* 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.

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