

the Framework are consistent with Rule 17Ad-22(e)(2)(v)<sup>27</sup> under the Act.

*C. Consistency With Rules 17Ad-22(e)(4)(vii) and (e)(7)(vii)*

Rule 17Ad-22(e)(4)(vii) under the Act requires that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage its credit exposures to participants and those arising from its payment, clearing, and settlement processes, including by performing a model validation for its credit risk models not less than annually or more frequently as may be contemplated by the covered clearing agency's risk management framework.<sup>28</sup>

Rule 17Ad-22(e)(7)(vii) under the Act requires, in part, that each covered clearing agency establish, implement, maintain and enforce written policies and procedures reasonably designed to effectively identify, measure, monitor, and manage the liquidity risk that arises in or is borne by the covered clearing agency, including measuring, monitoring, and managing its settlement and funding flows on an ongoing basis, and its use of intraday liquidity by, at a minimum, performing a model validation for its liquidity risk models not less than annually or more frequently as may be contemplated by the covered clearing agency's risk management framework.<sup>29</sup>

Rule 17Ad-22(a)(9) under the Act defines a model validation as an evaluation of the performance of each material risk management model used by a covered clearing agency (and the related parameters and assumptions associated with such models), including initial margin models, liquidity risk models, and models used to generate clearing or guaranty fund requirements, performed by a qualified person who is free from influence from the persons responsible for the development or operation of the models or policies being validated.<sup>30</sup>

The Framework provides a process for validation of the Clearing Agencies' credit and liquidity risk models. The proposal would enhance the Framework by clarifying and amending the governance relating to the model risk management of these models, including Model Validation, expanding internal policies and procedures to manage the models, and removing inconsistent and inaccurate terminology.

In particular, the proposal would state that MVC would have the sole and exclusive authority to approve a model and that it has an independent reporting line to the Group Chief Risk Officer. The Clearing Agencies represent that this change is to make clear that MVC would not have potential conflicts of interest by reporting to any person that could have been a part of the development or operation of a model. Also, the proposal would remove the MRGC's oversight authority regarding Model Validation and move that authority to MVC. The Clearing Agencies represent that MVC is composed of individuals with a high level of quantitative and technical expertise and knowledge.

The changes set forth in the proposal would clearly define the governance applicable to the Model Validation process and assign responsibilities to a group that is qualified and free from influence from the persons responsible for the development and operation of the Clearing Agencies' models. The Framework would continue to provide that Model Validations are performed annually. The Commission therefore believes that the proposed changes to the Framework are consistent with Rule 17Ad-22(e)(4)(vii)<sup>31</sup> and (e)(7)(vii)<sup>32</sup> under the Act.

### III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule changes are consistent with the requirements of the Act and in particular with the requirements of Section 17A of the Act<sup>33</sup> and the rules and regulations promulgated thereunder.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act<sup>34</sup> that proposed rule changes SR-DTC-2020-008, SR-FICC-2020-004, SR-NSCC-2020-008, be, and hereby are, APPROVED.<sup>35</sup>

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>36</sup>

**J. Matthew DeLesDernier,**  
*Assistant Secretary.*

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**BILLING CODE 8011-01-P**

<sup>31</sup> 17 CFR 240.17Ad-22(e)(4)(vii).

<sup>32</sup> 17 CFR 240.17Ad-22(e)(7)(vii).

<sup>33</sup> 15 U.S.C. 78q-1.

<sup>34</sup> 15 U.S.C. 78s(b)(2).

<sup>35</sup> In approving the proposed rule changes, the Commission considered the proposals' impact on efficiency, competition, and capital formation. 15 U.S.C. 78c(f).

<sup>36</sup> 17 CFR 200.30-3(a)(12).

## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-88917; File No. SR-FINRA-2020-015]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Temporarily Amend Certain Timing, Method of Service and Other Procedural Requirements in FINRA Rules During the Outbreak of the Coronavirus Disease (COVID-19)

May 20, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on May 8, 2020, Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by the self-regulatory organization. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

FINRA proposes to temporarily amend FINRA Rules 1012, 1015, 6490, 9132, 9133, 9146, 9321, 9341, 9349, 9351, 9522, 9524, 9525, 9559, and 9630 primarily to provide FINRA with temporary relief from certain timing, method of service and other procedural requirements during the period in which FINRA's operations are impacted by the outbreak of the coronavirus disease ("COVID-19").<sup>3</sup> The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> While the temporary rule change primarily provides FINRA with relief, it also requires applicants, respondents and other parties to file certain applications, documents or other information by electronic mail, unless FINRA and the relevant party agree to an alternative method of service. The rule change also temporarily provides an extension of time for a Requesting Party to file an appeal in connection with Rule 6490(e) and removes the requirement to send FINRA a duplicate hard copy of certain documents and filings. FINRA has proposed these temporary rule changes in an effort to provide consistent relief to both FINRA and the impacted party under those rules.

<sup>27</sup> 17 CFR 240.17Ad-22(e)(2)(v).

<sup>28</sup> 17 CFR 240.17Ad-22(e)(4)(vii).

<sup>29</sup> 17 CFR 240.17Ad-22(e)(7)(vii).

<sup>30</sup> 17 CFR 240.17Ad-22(a)(9).

## II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the self-regulatory organization included statements concerning the purpose of, and basis for, the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The self-regulatory organization has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

The outbreak of COVID-19 has caused substantial impacts on FINRA's operations. Specifically, FINRA employees, with limited exceptions, have been directed to work remotely and restrict certain in-person activities, consistent with the recommendations of public health officials.<sup>4</sup> FINRA faces challenges meeting certain procedural requirements and performing certain functions in this remote work environment. In particular, working remotely makes it exceedingly difficult to send and receive hard copy mail and conduct in-person meetings and hearings.

The rule changes will provide temporary relief from the timing, method of service and other procedural requirements described below during the period in which FINRA's operations are impacted by COVID-19. The rule changes would also require applicants, respondents and other parties to serve or file certain documents or other information by electronic mail, unless the parties agree to an alternative method, during this same time period. As proposed, these changes would be in place through June 15, 2020.<sup>5</sup>

The requested relief will help minimize the impact of the COVID-19 outbreak on FINRA's operations, allowing FINRA to continue critical adjudicatory and review processes in a reasonable and fair manner and meet its critical investor protection goals, while also following best practices with

<sup>4</sup> FINRA has noted that state imposed restrictions on business operations and other activities in response to the spread of COVID-19 continue and change rapidly. Some states have imposed significant limitations on business operations, and essential businesses have scaled back operations by, for example, reducing store hours in some locations. These developments may impact the ability of some individuals involved with FINRA proceedings to obtain and send necessary documents.

<sup>5</sup> If FINRA requires temporary relief from these rule requirements beyond June 15, 2020, FINRA may submit a separate rule filing to extend the effectiveness of the temporary relief under these rules. The amended FINRA rules will revert back to their current state at the conclusion of the temporary relief period and any extension thereof.

respect to the health and safety of its employees.

### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

#### 1. Purpose

The FINRA Rule 1000, 6400, 9100, 9300, 9520, 9550 and 9600 Series contain some filing, service, timing and other procedural requirements that present unique challenges in the current remote work environment. In response to these challenges, FINRA proposed to make temporary amendments to these rule requirements to (i) allow, and in some instances require, FINRA to serve certain documents by electronic mail (or "email"); (ii) require that applicants, respondents, and other parties file or serve documents by electronic mail in connection with specified proceedings and processes, unless the parties agree to an alternative method of service; (iii) provide extensions of time to FINRA staff, respondents and other parties in connection with certain adjudicatory and review processes; and (iv) allow for oral arguments before the National Adjudicatory Council ("NAC") to be conducted by video conference.

#### a. Amendments To Allow or Require FINRA To Serve Documents by Electronic Mail

The current need for FINRA employees to work remotely and restrict certain in-person activities makes it difficult to send hard copy documents. FINRA's rules, with few exceptions, however, do not currently provide for service by electronic mail.<sup>6</sup> Continuing to require hard copy service despite the logistical and other challenges presented by the outbreak of COVID-19 could lead to significant delays in FINRA proceedings. Accordingly, FINRA proposed the rule amendments discussed below to allow, and in some instances require, FINRA to serve documents by electronic mail.

With respect to the temporary amendments that would permit FINRA to serve certain documents by electronic mail, it is FINRA's intent to elect service by electronic mail whenever possible. If FINRA has knowledge that the address utilized for service is not current or not functional (*i.e.*, FINRA receives a bounce back or other message indicating that there was a failure to deliver the

<sup>6</sup> FINRA currently permits service by electronic mail under some of its rules. For example, FINRA Rule 6490(d)(5) (Processing of Company-Related Actions; Procedures for Reviewing Submissions; Notice Issuance) permits a notice under that provision to be issued by facsimile or electronic mail, or pursuant to Rule 9134.

electronic mail), FINRA will utilize other permissible methods of service.<sup>7</sup>

In addition, to the extent that an applicant, respondent or other party will suffer a hardship if FINRA elects service by electronic mail, FINRA encourages the applicant, respondent or other party to contact FINRA to discuss reasonable accommodations. FINRA noted that, in most cases, FINRA and the relevant party, or their counsel, will have already engaged in communications prior to the service of documents or other information under the rules that are the subject of this temporary proposed rule change. Accordingly, in most cases, FINRA will already have information regarding the relevant party, or their counsel's, preferred method of service.

The FINRA Rule 1000 Series (Member Application and Associated Person Registration) governs, among other things, the process for (i) applying for FINRA membership; (ii) FINRA members to seek approval of a change in ownership, control or business operations, and (iii) an applicant to request that FINRA's appellate body, the NAC, review a FINRA decision rendered under the 1000 Series. In connection with these processes, applicants and FINRA are required to file or serve certain documents using the prescribed methods set forth in FINRA Rule 1012(a), which do not include electronic mail.<sup>8</sup> In response to current conditions, FINRA proposes to temporarily amend Rule 1012(a)(4) to permit FINRA to serve documents under the Rule 1000 Series by electronic mail. The proposed rule change also temporarily amends FINRA Rule 1015(f)(1), which requires the NAC to serve a notice of a hearing before the NAC by facsimile or overnight courier, to allow service of the notice by electronic mail.<sup>9</sup>

The FINRA Rule 9000 Series, among other things, sets forth the procedure for FINRA proceedings for disciplining a member, associated person, or formerly associated person. The Rule 9100 Series is of general applicability to all proceedings set forth in the Rule 9000 Series, unless a rule specifically

<sup>7</sup> As indicated in the proposed rule text, and consistent with service by mail, FINRA will consider service by email complete upon sending of the relevant document or other information.

<sup>8</sup> FINRA Rule 1012(a) (General Provisions; Filing by Applicant or Service by FINRA) governs the filing and service requirements for the Rule 1000 Series.

<sup>9</sup> In an effort to acknowledge the same logistical and other challenges facing applicants, FINRA also proposed to amend Rule 1015(a) to temporarily suspend the requirement that the applicant simultaneously file by first-class mail a copy of the request for review pursuant to Rule 1015(a) to the district office where the applicant filed its application.

provides otherwise. FINRA Rules 9132(b),<sup>10</sup> Rule 9133(b),<sup>11</sup> and Rule 9146(l)<sup>12</sup> provide that the documents and other information governed by those rules be served pursuant to FINRA Rule 9134, which permits service on the parties using the following methods: (1) Personal service, (2) mail, or (3) courier; Rule 9134 does not permit service by electronic mail. The proposed rule change temporarily amends Rule 9132(b) to allow FINRA to serve the relevant documents or information by electronic mail and Rules 9133(b) and 9146(l) to require FINRA to serve documents by electronic mail, unless the parties agree to an alternative method of service.

The FINRA Rule 9300 Series sets forth the procedures for review of disciplinary proceedings by the NAC and FINRA Board and for applications for Commission review. FINRA Rules 9321,<sup>13</sup> 9341(c),<sup>14</sup> 9349(c),<sup>15</sup> and 9351(e)<sup>16</sup> require FINRA to serve documents in connection with those proceedings. Service under those rules is governed by Rule 9134, which does not permit electronic mail as a method of service. The proposed rule change temporarily amends Rules 9321, 9341(c), 9349(c), and 9351(e) to allow for electronic mail as a method of service.

The FINRA Rule 9520 Series sets forth the procedures for eligibility proceedings and review of those proceedings by the NAC and FINRA Board. FINRA Rules 9522(a)(4),<sup>17</sup> 9524(a)(3)(A) and (B),<sup>18</sup> Rule 9524(b)(3),<sup>19</sup> and Rule 9525(e)<sup>20</sup> require FINRA to serve documents in connection with those proceedings, but do not allow for electronic mail as a

method of service. The proposed rule change temporarily amends Rules 9522(a)(4), 9524(a)(3)(A) and (B), 9524(b)(3), and Rule 9525(e) to allow for electronic mail as a method of service.

The FINRA Rule 9550 Series sets forth the procedures for expedited proceedings and the ability of the NAC to call for review a proposed decision prepared under the Rule 9550 Series. FINRA Rule 9559(h)(2)<sup>21</sup> sets forth the timing and method of service requirements for the parties' exchange of proposed exhibit and witness lists in advance of an expedited proceeding.<sup>22</sup> FINRA Rule 9559(q)(2)<sup>23</sup> requires the NAC to serve its decision when it issues one and FINRA Rule 9559(q)(5) requires the NAC to serve the decision on the parties and all members with which the respondent is associated. Rule 9559(q)(2) and (5) do not allow for electronic mail as a method of service. The proposed rule change temporarily amends Rule 9559(h)(2) to require FINRA to serve its exhibit and witness lists by electronic mail, unless the parties agree to an alternative method of service, and 9559(q)(2) and (5) to allow for electronic mail as a method of service.

The FINRA Rule 9600 Series sets forth the procedures for members to seek exemptive relief from a variety of FINRA rules. FINRA Rule 9630(e)(1) and (2)<sup>24</sup> require the NAC to serve its decision pursuant to Rule 9134, which does not allow for electronic mail as a method of service. The proposed rule change temporarily amends Rule 9630(e) to allow for electronic mail as a method of service.

FINRA believes the requested temporary relief to serve documents by electronic mail in connection with the above referenced rules is reasonably tailored to the needs and restraints on the organization's operations during the COVID-19 pandemic. The proposed rule change strikes an appropriate balance by seeking relief that will minimize disruptions to FINRA processes, and provide necessary

accommodations, without compromising critical investor protection measures or fair processes. For example, FINRA is not seeking relief to permit service of complaints by electronic mail in FINRA disciplinary proceedings due to heightened fair process concerns. Further, as noted above, FINRA will use another permissible method of service if it has knowledge that the address used for service by electronic mail is not current or functional, or if FINRA is notified by the relevant party that service by electronic mail would cause a hardship. The proposed relief to serve some documents by electronic mail incorporated such considerations.

#### b. Amendments To Require Filing by Electronic Mail

FINRA's current remote work environment and related restrictions on accessing FINRA buildings poses significant logistical and other challenges on FINRA's ability to timely receive and process hard copy mail. In response, the proposed rule change also temporarily amends FINRA Rules 1012(a)(3),<sup>25</sup> 6490(e),<sup>26</sup> 9133(b), 9146(l), 9524(a)(3)(A) and (B), and 9559(h)(2) to require the applicant, respondent, or requesting party, depending on the rule, to file or serve certain documents and information by electronic mail, unless the parties agree to an alternative method of service. FINRA's intent is to accommodate an applicant, respondent or other party if service by electronic mail is not feasible. The requested relief will allow FINRA to minimize the logistical and other challenges posed by the current conditions and assist FINRA in maintaining fair review processes and proceedings.

#### c. Amendments To Provide Extensions of Time

Operating remotely, and with numerous restrictions in place, also makes it difficult for FINRA staff to meet certain deadlines related to the adjudicatory and review processes set forth in FINRA Rules 1015, 6490 and 9559. Accordingly, the proposed rule change requests temporary extensions of time under these Rules.

FINRA Rule 1015 governs the process by which an applicant can appeal an adverse decision rendered by FINRA pursuant to Rule 1014 or 1017 to the

<sup>10</sup> FINRA Rule 9132(b) (Service of Orders, Notices, and Decisions by Adjudicator; How Served).

<sup>11</sup> FINRA Rule 9133(b) (Service of Papers Other Than Complaints, Orders, Notices or Decisions; How Served).

<sup>12</sup> FINRA Rule 9146(l) (Motions; General).

<sup>13</sup> FINRA Rule 9321 (Transmission of Record).

<sup>14</sup> FINRA Rule 9341(c) (Oral Argument; Notice Regarding Oral Argument).

<sup>15</sup> FINRA Rule 9349(c) (National Adjudicatory Council Formal Consideration; Decision; Issuance of Decision After Expiration of Call for Review Period).

<sup>16</sup> FINRA Rule 9351(e) (Discretionary Review by FINRA Board; Issuance of Decision After Expiration of Call for Review Period).

<sup>17</sup> FINRA Rules 9522(a)(4) (Initiation of Eligibility Proceeding; Member Regulation Consideration; Service).

<sup>18</sup> FINRA Rule 9524(a)(3)(A) and (B) (National Adjudicatory Council Consideration; Transmission of Documents).

<sup>19</sup> FINRA Rule 9524(b)(3) (National Adjudicatory Council Consideration; Issuance of Decision After Expiration of Call for Review Period).

<sup>20</sup> FINRA Rule 9525(e) (Discretionary Review by the FINRA Board; Issuance of Decision).

<sup>21</sup> FINRA Rule 9559(h) (Hearing Procedures for Expedited Proceedings Under the Rule 9550 Series; Transmission of Documents). Email is currently permitted as a method of service under Rule 9559(h).

<sup>22</sup> As with the proposed temporary change to Rule 1015(a) noted *supra* in footnote 9, FINRA proposes to temporarily amend FINRA Rule 9559(h) to also suspend the requirements in Rule 9559(h)(1) and (2) that, if the specified documents are served by facsimile or email, they must also be served by either overnight courier or personal delivery.

<sup>23</sup> FINRA Rule 9559(q) (Hearing Procedures for Expedited Proceedings Under the Rule 9550 Series; Call for Review by the National Adjudicatory Council).

<sup>24</sup> FINRA Rule 9630(e) (Procedures for Exemptions; Appeal; Decision).

<sup>25</sup> FINRA Rule 1012(a)(3), as temporarily amended, will allow the applicant to file requested documents or information using a method other than electronic mail upon agreement with FINRA.

<sup>26</sup> FINRA Rule 6490(e) (Processing of Company-Related Actions; Request for an Appeal to Subcommittee of Uniform Practice Code Committee).

NAC. Rule 1015(f)(1) provides that if a hearing is requested by the applicant or directed, the hearing must be held within 45 days after the filing of the request with the NAC or service of the notice by the Subcommittee.<sup>27</sup> FINRA proposed to temporarily amend Rule 1015(f)(1) to require the hearing to take place within 135 days after the filing of the request with the NAC or service of the notice by the Subcommittee, providing a 90-day extension to the existing 45-day deadline. Rule 1015(i) (Subcommittee Recommendation) requires that the Subcommittee present its recommended decision in writing to the NAC within 60 days after the hearing held pursuant to 1015(f), and not later than seven days before the meeting of the NAC at which the membership proceeding shall be considered. The proposed rule change temporarily amends Rule 1015(i) to require the Subcommittee to present its decision in writing 150 days after the date of the hearing held pursuant to Rule 1015(f), providing a 90-day extension to the existing 60-day deadline.

Rule 6490 codifies the requirements in Exchange Act Rule 10b–17 for issuers of a class of publicly trading securities to provide timely notice to FINRA of certain corporate actions (e.g., dividend or other distribution of cash or securities, stock split or reverse split, rights or subscription offering). FINRA reviews related documentation and, under certain circumstances, the documentation may not be processed if it is deemed deficient. Rule 6490(e) sets forth the process for appealing such a determination. Rule 6490(e) requires that a Requesting Party appeal an adverse determination within seven (7) calendar days of receiving notice of the determination under the Rule, otherwise the determination will constitute final FINRA action. Rule 6490(e) further requires that the Subcommittee tasked with reviewing appeals under this Rule to convene once each calendar month to consider all appeals received during the prior month. The proposed rule change will temporarily amend Rule 6490(e) to (i) extend the time for a Requesting Party to file an appeal from seven calendar days to 30 calendar days, and (ii) permit the Subcommittee to convene once every 90 days instead of monthly

and review appeals from within the last 90 days rather than the prior month.

Rule 9559(q)(2) sets forth the deadlines for the Subcommittee of the NAC to review a proposed decision drafted by the Office of Hearing Officers in connection with an expedited proceeding and issue a recommendation to the NAC, if the proceeding is called for review. The Subcommittee of the NAC is required to meet and conduct its review of the proposed decision, and provide its recommendation to the NAC, no later than 40 and 60 days, respectively, after the call for review. The proposed rule change temporarily amends Rule 9559(q)(2) to require a Subcommittee of the NAC to meet and conduct its review within 70 days and make a recommendation to the NAC within 90 days, providing 30-day extensions to the existing deadlines. These extensions of time requested in connection with Rules 1015(f)(1) and (i), 6490(e), and 9559(q)(2) provide reasonable grace periods to adjust to current conditions, the remote work environment and the corresponding challenges, while maintaining fair and orderly adjudicatory and review processes under these Rules.

#### d. Amendment for In-Person Attendance Requirement

FINRA Rule 9341(d)<sup>28</sup> provides that oral arguments made in connection with the review of a FINRA disciplinary proceeding take place before the Subcommittee or, if applicable, the Extended Proceeding Committee and requires all members of the relevant Subcommittee or Extended Proceeding Committee to be present for the oral argument.<sup>29</sup> The proposed rule change amends Rule 9341(d) to temporarily permit oral arguments to be conducted by video conference. The requested relief is a reasonable accommodation to protect the health and safety of all parties participating in these adjudicatory processes while avoiding unnecessary delays to these proceedings.

FINRA would be able to implement the proposed rule change immediately upon effectiveness of this proposed rule change. FINRA has filed the proposed rule change for immediate effectiveness and has requested that the Commission waive the requirement that the proposed

rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change immediately.

#### 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of

Section 15A(b)(6) of the Act,<sup>30</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change is also consistent with Section 15A(b)(8) of the Act,<sup>31</sup> which requires, among other things, that FINRA rules provide a fair procedure for the disciplining of members and persons associated with members.

The proposed rule change would grant FINRA, and in some cases another party to a proceeding, temporary modifications to its procedural requirements in order to allow FINRA to maintain fair processes and protect investors while operating in a remote work environment, and with corresponding restrictions on its activities. It is in the public interest, and consistent with the Act's purpose, for FINRA to receive this relief to specify filing and service methods, extend certain time periods, and modify the format of oral argument for FINRA disciplinary and eligibility proceedings and other review processes in order to cope with the current pandemic conditions. FINRA's disciplinary and eligibility proceedings and other review processes serve a critical role in providing investor protection and maintaining fair and orderly markets by, for example, sanctioning misconduct and preventing further customer harm by members and associated persons. As noted above, the proposed rule change strikes an appropriate balance by seeking needed temporary relief in connection with rules and requirements that do not raise heightened fairness concerns.

#### B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the temporary proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is intended solely to provide temporary relief from procedural requirements in FINRA rules

<sup>27</sup> FINRA Rule 1015(d) (Appointment of Subcommittee) requires that the NAC (or Review Subcommittee as defined in Rule 9120) appoint a Subcommittee to participate in the review of the appeal and provides that the Subcommittee shall be composed of two or more persons who shall be current or past members of the National Adjudicatory Council or former Directors or Governors.

<sup>28</sup> FINRA Rule 9341(d) (Oral Argument; Attendance Required).

<sup>29</sup> See FINRA Rule 9331 (Appointment of Subcommittee or Extended Proceeding Committee) provides that the NAC or the Review Subcommittee shall appoint a Subcommittee or an Extended Proceeding Committee to participate, subject to Rule 9345, in a disciplinary proceeding appealed or called for review.

<sup>30</sup> 15 U.S.C. 78o–3(b)(6).

<sup>31</sup> 15 U.S.C. 78o–3(b)(8).

that would otherwise impose unnecessary impediments to FINRA's operations and FINRA's investor protection goals. FINRA does not believe that the proposed rule change will have any material negative effect on members and will not impose any new costs.

*C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

FINRA has neither solicited nor received comments on the proposed rule change.

**III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Because the foregoing proposed rule change does not: (i) Significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>32</sup> and Rule 19b-4(f)(6)<sup>33</sup> thereunder.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative for 30 days after the date of filing. However, pursuant to Rule 19b-4(f)(6)(iii), the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. FINRA has asked the Commission to waive the 30-day operative delay so that the proposed rule change may become operative immediately upon filing. As noted above, FINRA stated that the requested relief will help minimize the impact of the COVID-19 outbreak on FINRA's operations, allowing FINRA to continue critical adjudicatory and review processes in a reasonable and fair manner and meet its critical investor protection goals, while also following best practices with respect to the health and safety of its employees. FINRA also stated that while social distancing requirements have been implemented across the United States to benefit the health and welfare of its citizens, certain internal processes, as well as interactions with member firms, required by FINRA rules are more

efficiently and effectively implemented when physical proximity and full access to necessary products and services are unhampered. FINRA noted that the proposed rule change will provide temporary relief on many of these prescriptions to accommodate the impact that the outbreak has had on, among other things, FINRA employees' ability to interact internally, with committees and with member firms. FINRA believes that, given the impacts of the COVID-19 crisis, there is a significant benefit to quickly implementing this proposed rule change. The Commission also notes that the proposal provides only temporary relief from, as FINRA states, the timing, method of service and other procedural requirements, described above, during the period in which FINRA's operations are impacted by COVID-19. As proposed, these changes would be in place through June 15, 2020.<sup>34</sup> FINRA also noted that the amended rules will revert back to their current state at the conclusion of the temporary relief period and, if applicable, any extension thereof. For these reasons, the Commission believes that waiver of the 30-day operative delay is consistent with the protection of investors and the public interest. Accordingly, the Commission hereby waives the 30-day operative delay and designates the proposal operative upon filing.<sup>35</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

**IV. Solicitation of Comments**

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

*Electronic Comments*

- Use the Commission's internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an email to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2020-015 on the subject line.

*Paper Comments*

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2020-015. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, on business days between the hours of 10:00 a.m. and 3:00 p.m., located at 100 F Street NE, Washington, DC 20549. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change.

Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2020-015 and should be submitted on or before June 17, 2020.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>36</sup>

**J. Matthew DeLesDernier,**  
*Assistant Secretary.*

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<sup>32</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>33</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. FINRA has satisfied this requirement.

<sup>34</sup> As noted above, *see supra* note 5, FINRA states that if it requires temporary relief from the rule requirements identified in this proposal beyond June 15, 2020, it may submit a separate rule filing to extend the effectiveness of the temporary relief under these rules.

<sup>35</sup> For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule change's impact on efficiency, competition, and capital formation. *See* 15 U.S.C. 78c(f).

<sup>36</sup> 17 CFR 200.30-3(a)(12).