

SECURITIES OPERATIONS

REGULATORY UPDATE

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Take Action Now

Continuing Education Regulatory Element Annual Deadline Approaching

On July 26th, the Financial Industry Regulatory Authority (“FINRA”) issued an Information Notice to remind registered persons and firms of the new requirements regarding the Continuing Education (“CE”) Regulatory Element. The Regulatory Element is composed of online training courses on rule changes and other regulatory developments relevant to each registration category that a registered person holds. FINRA assigns courses to registered persons based on their active registrations and those courses are listed in, and must be completed through, their Financial Professional Gateway (“FinPro”) account. Dropping or adding a registration may result in a change to the assigned courses included in a learning plan. All assigned courses in the 2023 Regulatory Element are required to be completed by December 31, 2023, unless an extension has been granted. Registered persons who fail to complete their Regulatory Element by the annual deadline of December 31 will be automatically designated as CE inactive by FINRA. An individual designated CE inactive is prohibited from performing, or receiving compensation for, any activities requiring registration while they remain in a CE inactive status. For the CE inactive designation to be removed, individuals must complete all their required annual Regulatory Element learning plans, including any annual Regulatory Element that becomes due during their CE inactive period. If an individual remains CE inactive for a two-year period, the individual’s registration(s) will be administratively terminated by FINRA, and the individual will be required to requalify by taking and passing an appropriate examination or by obtaining an examination waiver to re-register with a member firm.

Resources:

- **FINRA Gateway Reports:** Firms can find information on the annual CE obligations and statuses through the Reports section of FINRA Gateway. Customized reports can be saved and exported as needed. Learn more about FINRA Gateway Reports on the Annual CE Obligations page.
- **CE Notifications and Tracking:** Firms can enable an optional feature in FINRA Gateway's Firm Settings to send automated CE notifications to their registered persons and establish earlier deadlines set by the firm. Firms can also provide one or more email addresses for which they would like to receive copies of the delivered notifications. Firms can track CE notifications with the Notifications Tracking Report in FINRA Gateway.
- **Annual Regulatory Element Learning Topics:** By October of each year, the Regulatory Element learning topics for the coming year will be made available on FINRA.org.

Regulatory Notice 072623: <https://www.finra.org/rules-guidance/notices/information-notice-072623>

Regulatory Actions

On July 12, 2023, the U.S. Securities and Exchange Commission (“SEC” or the “Commission”) adopted amendments to certain rules that govern money market funds to increase the minimum liquidity requirements for such funds to provide a more substantial liquidity buffer in the event of rapid redemptions. The amendments will also remove provisions in the current rule that permit a money market fund to suspend redemptions temporarily through a redemption gate but will continue to allow money market funds to impose liquidity fees if their weekly liquid assets fall below a certain threshold. The amendments will also modify certain reporting forms.

SEC Final Rule: <https://www.sec.gov/files/rules/final/2023/33-11211.pdf>

Press Release: <https://www.sec.gov/news/press-release/2023-129>

Fact Sheet: <https://www.sec.gov/files/33-11211-fact-sheet.pdf>

Effective Date: 60 days after publication in the Federal Register with tiered transition period for funds.

Reporting Form Effective Date: June 11, 2024

On July 12, 2023, the SEC published for comment proposed amendments to Rule 15c3-3 (the Customer Protection Rule) to require certain broker-dealers to increase the frequency with which they perform computations of the net cash they owe to customers and other broker-dealers (known as PAB account holders) from weekly to daily. Net cash owed to customers and PAB account holders must be held in a special reserve bank account.

SEC Proposed Rule: <https://www.sec.gov/files/rules/proposed/2023/34-97877.pdf>

Press Release: <https://www.sec.gov/news/press-release/2023-130>

Fact Sheet: <https://www.sec.gov/files/34-97877-fact-sheet.pdf>

Comments Due: September 11, 2023

On July 26, 2023, the SEC adopted rules requiring registrants to disclose material cybersecurity incidents that they experience on new item 1.05 of Form 8-K and to disclose on an annual basis material information regarding their cybersecurity risk management, strategy, and governance pursuant to Regulation S-K Item 106. The Commission also adopted rules requiring foreign private issuers to make comparable disclosures. An Item 1.05 Form 8-K will generally be due four business days after a registrant determines a cybersecurity incident is material. The final rules will become effective 30 days following publication in the Federal Register; detailed compliance and effective dates can be found through any of the links below.

SEC Final Rule: <https://www.sec.gov/files/rules/final/2023/33-11216.pdf>

Press Release: <https://www.sec.gov/news/press-release/2023-139>

Fact Sheet: <https://www.sec.gov/files/33-11216-fact-sheet.pdf>

Effective Date: 30 days after publication in the Federal Register

On July 26, 2023, the SEC published for comment a proposal that would require broker-dealers and investment advisers to take certain steps to address conflicts of interest associated with their use of predictive data analytics and similar technologies to interact with investors to prevent firms from placing their interests ahead of investors' interests. The proposed rules would also require a firm to have written policies and procedures reasonably designed to achieve compliance with the proposed rules and to make and keep books and records related to these requirements.

SEC Proposed Rule: <https://www.sec.gov/files/rules/proposed/2023/34-97990.pdf>

Press Release: <https://www.sec.gov/news/press-release/2023-140>

Fact Sheet: <https://www.sec.gov/files/34-97990-fact-sheet.pdf>

Comments Due: 60 days after publication in the Federal Register

On July 13, 2023, the SEC published for comment a FINRA proposal to amend FINRA Rule 4210 (Margin Requirements) to provide margin relief for specified index option transactions, known as "protected options," and to make other minor conforming revisions with regard to the margin relief.

Notice Release: <https://www.sec.gov/files/rules/sro/finra/2023/34-97898.pdf>

Comments Due: August 9, 2023

On July 27, 2023, the SEC published an approval order of a proposed FINRA rule change (SR-FINRA-2021-010), as modified by Amendment No. 1 (2021), to amend the margin requirements for Covered Agency Transactions under Rule 4210.

Approval Order: <https://www.sec.gov/files/rules/sro/finra/2023/34-98003.pdf>

On July 10, 2023, the SEC published for comment, and granted immediate effectiveness to, a Nasdaq Stock Market LLC ("Nasdaq") proposal to amend Options 3, Options Trading Rules, at: Section 4 Entry and Display of Quotes; Section 5, Entry and Display of Orders; Section 7, Types of Orders and Order and Quote Protocols; and Section 15, Risk Protections. Nasdaq also proposed to amend Options 5, Section 4, Order Routing. The amendments codify current system functionality and will not result in system changes.

Notice Release: <https://www.sec.gov/files/rules/sro/nasdaq/2023/34-97870.pdf>

Comments Due: August 4, 2023

On July 13, 2023, the SEC published for comment, a Nasdaq proposal to list and trade shares of the iShares Bitcoin Trust under Nasdaq Rule 5711(d), which governs the listing and trading of Commodity-Based Trust Shares on Nasdaq. iShares Delaware Trust Sponsor LLC, an indirect subsidiary of BlackRock, Inc., is the sponsor of the Trust. The shares will be registered with the SEC by means of the Trust's registration statement on Form S-1.

Notice Release: <https://www.sec.gov/files/rules/sro/nasdaq/2023/34-97905.pdf>

Comments Due: August 9, 2023

On July 17, 2023, the SEC published for comment, a Nasdaq proposal to list and trade shares of the Valkyrie Bitcoin Fund under Nasdaq Rule 5711(d), which governs the listing and trading of Commodity-Based Trust Shares on Nasdaq. The shares will be registered with the SEC by means of a registration statement on Form S-1.

Notice Release: <https://www.sec.gov/files/rules/sro/nasdaq/2023/34-97922.pdf>

Comments Due: August 11, 2023

On July 18, 2023, the SEC published for comment, and granted immediate effectiveness to, a Nasdaq proposal to amend Supplementary Material .01 to General 4, Rule 1240 (Eligibility of Other Persons to Participate in the CE Program Specified in Paragraph (c) of this Rule) to provide eligible individuals another opportunity to elect to participate in the Maintaining Qualifications Program. The rule change is intended to align Nasdaq CE rules with those recently modified by FINRA.

Notice Release: <https://www.sec.gov/files/rules/sro/nasdaq/2023/34-97939.pdf>

Comments Due: August 14, 2023

On July 25, 2023, the SEC published for comment, and granted immediate effectiveness to, a Nasdaq proposal to amend Equity 4, Rules 4752, 4753, and 4754 to clarify and restate the order in which Nasdaq prioritizes executions of Orders in its Opening, Closing, and Halt Crosses.

Notice Release: <https://www.sec.gov/files/rules/sro/nasdaq/2023/34-97973.pdf>

Comments Due: August 21, 2023

On July 25, 2023, the SEC published for comment, a Nasdaq proposal to create a new, non-trading limited membership class and impose related requirements for principal underwriting activity.

Notice Release: <https://www.sec.gov/files/rules/sro/nasdaq/2023/34-97985.pdf>

Comments Due: August 21, 2023

On July 14, 2023, the SEC published for comment, and granted immediate effectiveness to, a New York Stock Exchange LLC ("NYSE") proposal to amend its Price List to provide for an alternate way for member organizations to qualify for the MOC/LOC Tier 3. Fee changes are effective July 3, 2023.

Notice Release: <https://www.sec.gov/files/rules/sro/nyse/2023/34-97909.pdf>

Comments Due: August 10, 2023

Notable Enforcement Actions

This month's regulatory actions highlight the need for firms to focus on regulatory basics.

FINRA censures and fines firm \$800,000 for [providing misleading account statements](#).

FINRA censures and fines firm \$750,000 [due to its financial risk management controls](#) and supervisory procedures that were not reasonably designed to prevent certain erroneous orders that exceeded appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicated duplicative orders.

FINRA censures and fines firm \$275,000 for [failing to timely amend its associated persons' Forms U4 and U5](#) to report disclosable events, including but not limited to, customer complaints and arbitrations, the disposition of complaints, criminal charges, bankruptcies, internal reviews and investigations, and regulatory actions.

FINRA censures and fines firm \$30,000 for [failing to establish, maintain, and enforce a supervisory system](#), including written procedures, reasonably designed to supervise the outside brokerage accounts disclosed by its registered representatives and requires firm to certify it has completed a review of all available or reasonably obtainable records related to outside brokerage accounts.

FINRA censures and fines firm \$25,000 for [failing to comply with the Bank Secrecy Act](#) and implementing regulations requiring the firm to timely review and respond to information requests from the Financial Crimes Enforcement Network of the Department of the Treasury and conduct annual independent testing.

FINRA censures and fines multiple firms ranging from \$5,000-\$75,000 for inaccurately filling out Form CRS, not complying with requirements, or delivering two versions to its customers. ([FINRA Case #2022076103701](#)), ([FINRA Case #2021069380201](#)), ([FINRA Case #2021069376801](#)), ([FINRA Case #2021069357901](#))