

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-90619; File No. SR-FINRA-2020-042)

December 9, 2020

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; 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

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on December 1, 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 substantially by FINRA. FINRA filed the proposed rule change as a “non-controversial” proposed rule change pursuant to Section 19(b)(3)(A)(iii) of the Act³ and Rule 19b-4(f)(6) thereunder.⁴ 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 is proposing to extend the expiration date of the temporary amendments set forth in SR-FINRA-2020-015 and SR-FINRA-2020-027 from December 31, 2020, to April 30, 2021.⁵

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 15 U.S.C. 78s(b)(3)(A)(iii).

⁴ 17 CFR 240.19b.

⁵ As discussed below, SR-FINRA-2020-015 and SR-FINRA-2020-027 respectively provide temporary relief from some timing, method of service and other procedural requirements in FINRA rules and allow FINRA’s Office of Hearing Officers (“OHO”) and the National Adjudicatory Council (“NAC”) to conduct hearings, on a temporary basis, by video conference, if warranted by the current COVID-19-related public health risks posed by an in-person hearing. For further information on SR-FINRA-2020-015 and SR-FINRA-2020-027, in addition to what is provided herein, visit FINRA’s website

Given that both SR-FINRA-2020-015 and SR-FINRA-2020-027 provide temporary relief necessitated by the COVID-19 global health crisis and the related need to restrict in-person activities, and the COVID-19 conditions warranting this temporary relief persist, FINRA is filing this proposed rule change to extend and to continue to align the expiration dates of both filings.⁶

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

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

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

at <https://www.finra.org/rules-guidance/rule-filings/sr-finra-2020-015> and <https://www.finra.org/rules-guidance/rule-filings/sr-finra-2020-027>, respectively.

⁶ If FINRA requires temporary relief from the rule requirements identified in SR-FINRA-2020-015 and SR-FINRA-2020-027 beyond April 30, 2021, FINRA may submit a separate rule filing to extend the expiration date of the temporary amendments that are the subject of those filings. The amended FINRA rules will revert back to their original form at the conclusion of the temporary relief period and any extension thereof.

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

1. Purpose

In response to the COVID-19 global health crisis and the corresponding need to restrict in-person activities, FINRA filed proposed rule changes, SR-FINRA-2020-015 and SR-FINRA-2020-027, which respectively provide temporary relief from some timing, method of service and other procedural requirements in FINRA rules and allow FINRA’s OHO and the NAC to conduct hearings, on a temporary basis, by video conference, if warranted by the current COVID-19-related public health risks posed by an in-person hearing. The COVID-19 conditions necessitating these temporary amendments persist, with cases rapidly escalating nationwide. Based on its assessment of current COVID-19 conditions, and the lack of certainty as to when COVID-19-related health concerns will subside, FINRA has determined that there is a continued need for this temporary relief for several months beyond December 31, 2020. Accordingly, FINRA proposes to extend the expiration date of the temporary rule amendments set forth in SR-FINRA-2020-015 and SR-FINRA-2020-027 from December 31, 2020, to April 30, 2021.

i. SR-FINRA-2020-015

On May 8, 2020, FINRA filed with the Commission a proposed rule change for immediate effectiveness, SR-FINRA-2020-015, to temporarily amend some timing, method of service and other procedural requirements in FINRA rules during the period in which FINRA’s operations are impacted by the outbreak of COVID-19 (the “May 8 Filing”).⁷ The Commission published its notice of filing and immediate effectiveness for the May 8 Filing on May 20, 2020.⁸

⁷ The following FINRA rules are the subject of the May 8 Filing: 1012, 1015, 6490, 9132, 9133, 9146, 9321, 9341, 9349, 9351, 9522, 9524, 9525, 9559 and 9630.

⁸ See Securities Exchange Act Release No. 88917 (May 20, 2020), 85 FR 31832 (May 27,

The temporary amendments, as originally proposed in the May 8 Filing, would have expired on June 15, 2020, absent another proposed rule change filing by FINRA. FINRA subsequently filed two proposed rule changes to extend the expiration date of the temporary amendments set forth in the May 8 Filing.⁹ The most recent proposed rule change, SR-FINRA-2020-022, filed on July 27, 2020, extended the expiration date of the temporary amendments in the May 8 Filing from July 31, 2020, to a date to be specified in a public notice issued by FINRA, which date will be at least two weeks from the date of the notice, and no later than December 31, 2020 (the “July 27 Filing”).¹⁰

As stated in its previous filings, FINRA proposed, and subsequently extended, the temporary amendments set forth in the May 8 Filing to address the substantial impacts of the COVID-19 outbreak on FINRA’s operations. Among other things, the need for FINRA staff, with limited exceptions, to work remotely and restrict in-person activities – consistent with the recommendations of public health officials – made it challenging to meet some procedural requirements and perform some functions required under FINRA rules. The temporary amendments in the May 8 Filing addressed these concerns by easing logistical and other issues

2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-015).

⁹ On June 10, 2020, FINRA filed SR-FINRA-2020-017 to extend the expiration date of the temporary amendments set forth in the May 8 Filing from June 15, 2020, to July 31, 2020 (the “June 10 Filing”). The Commission published its notice of filing and immediate effectiveness for the June 10 Filing on June 12, 2020. See Securities Exchange Act Release No. 89055 (June 12, 2020), 85 FR 36928 (June 18, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-017).

¹⁰ The Commission published its notice of filing and immediate effectiveness for the July 27 Filing on July 29, 2020. See Securities Exchange Act Release No. 89423 (July 29, 2020), 85 FR 47278 (August 4, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-022).

and providing FINRA with needed flexibility for its operations during the COVID-19 outbreak, 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 staff.

As noted above, the COVID-19 conditions necessitating the temporary amendments in the May 8 Filing – and the extensions of that relief provided for in FINRA’s subsequent filings – persist. FINRA continues to face the same logistical and other challenges stemming from the COVID-19-related public health risks for in-person activities and the continued need for FINRA staff, with few exceptions, to work remotely to protect their health and safety. Working remotely makes it difficult to, among other things, send and receive hard copy documents and conduct in-person oral arguments.

As indicated in its previous filings, FINRA has established a COVID-19 task force to develop a data-driven, staged plan for FINRA staff to safely return to working in FINRA office locations and resume other in-person activities. Based on its assessment of current COVID-19 conditions, including the recent nationwide surge of COVID-19 cases, FINRA does not believe the COVID-19-related health concerns necessitating this relief will subside by December 31, 2020, and has determined that there will be a continued need for this temporary relief for several months beyond December 31, 2020. Accordingly, FINRA proposes to extend the expiration date of the temporary rule amendments in the May 8 Filing from December 31, 2020, to April 30, 2021.

ii. SR-FINRA-2020-027

On August 31, 2020, FINRA filed with the Commission a proposed rule change for immediate effectiveness, SR-FINRA-2020-027, to temporarily amend FINRA Rules 1015, 9261,

9524 and 9830 to grant OHO and the NAC authority¹¹ to conduct hearings in connection with appeals of Membership Application Program decisions, disciplinary actions, eligibility proceedings and temporary and permanent cease and desist orders by video conference, if warranted by the current COVID-19-related public health risks posed by an in-person hearing (the “August 31 Filing”).¹² The Commission published its notice of filing and immediate effectiveness for the August 31 Filing on September 2, 2020.¹³ The temporary amendments, as originally proposed in the August 31 Filing, will expire on December 31, 2020, absent another proposed rule change filing by FINRA.

FINRA proposed the temporary amendments allowing for specified OHO and NAC hearings to be conducted by video conference in response to the COVID-19-related public health risks posed in connection with conducting traditional, in-person hearings and the corresponding backlog of cases resulting from FINRA’s postponement of in-person hearings starting on March 16, 2020. As set forth in the August 31 Filing, FINRA relies on the guidance of its health and safety consultant, in conjunction with COVID-19 data and guidance issued by public health authorities, to determine whether the current public health risks presented by an in-person hearing may warrant a hearing by video conference.¹⁴ As noted above, the COVID-19-related

¹¹ For OHO hearings under FINRA Rules 9261 and 9830, the proposed rule change temporarily grants authority to the Chief or Deputy Chief Hearing Officer to order that a hearing be conducted by video conference. For NAC hearings under FINRA Rules 1015 and 9524, this temporary authority is granted to the NAC or the relevant Subcommittee.

¹² The temporary amendments set forth in the August 31 Filing were subject to a 30-day operative delay and, accordingly, became operative on October 1, 2020.

¹³ See Securities Exchange Act Release No. 89739 (September 2, 2020), 85 FR 55712 (September 9, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-027).

¹⁴ As noted in the August 31 Filing, the temporary proposed rule change grants discretion to OHO and the NAC to order a video conference hearing. In deciding whether to schedule

public health risks necessitating this temporary relief have not yet abated, with COVID-19 cases surging nationwide.

Based on its assessment of current COVID-19 conditions, including the recent escalation in COVID-19 cases nationwide, FINRA does not believe the COVID-19-related health concerns necessitating this relief will subside by December 31, 2020, and has determined that there will be a continued need for this temporary relief for several months beyond December 31, 2020.

Accordingly, FINRA proposes to extend the expiration date of the temporary rule amendments in the August 31 Filing from December 31, 2020, to April 30, 2021. The extension of these temporary amendments allowing for specified OHO and NAC hearings to proceed by video conference will allow FINRA's critical adjudicatory functions to continue to operate effectively in these extraordinary circumstances – enabling FINRA to fulfill its statutory obligations to protect investors and maintain fair and orderly markets – while also protecting the health and safety of hearing participants.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC 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.

a hearing by video conference, OHO and the NAC may consider a variety of other factors in addition to COVID-19 trends. In the August 31 Filing, FINRA provided a non-exhaustive list of other factors OHO and the NAC may take into consideration, including a hearing participant's individual health concerns and access to the connectivity and technology necessary to participate in a video conference hearing.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,¹⁵ 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,¹⁶ 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, which extends the expiration date of the temporary amendments to FINRA rules set forth in the May 8 Filing, will continue to provide 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 operate pursuant to this temporary relief. The temporary amendments allow FINRA 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. In addition, extending this temporary relief will further support FINRA's disciplinary and eligibility proceedings and other review processes that serve a critical role in providing investor protection and maintaining fair and orderly markets.

¹⁵ 15 U.S.C. 78o-3(b)(6).

¹⁶ 15 U.S.C. 78o-3(b)(8).

The proposed rule change, which also extends the expiration date of the temporary amendments to FINRA rules set forth in the August 31 Filing, will continue to aid FINRA's efforts to timely conduct hearings in connection with its core adjudicatory functions. Given current COVID-19 conditions and the uncertainty around when those conditions will improve, without this relief allowing OHO and NAC hearings to proceed by video conference, FINRA would be required to postpone such hearings indefinitely. FINRA must be able to perform its critical adjudicatory functions in order to fulfill its statutory obligations to protect investors and maintain fair and orderly markets. As such, this relief is essential to FINRA's ability to fulfill its statutory obligations and allows hearing participants to avoid the serious COVID-19-related health and safety risks associated with in-person hearings.

Among other things, this relief will allow OHO to conduct temporary cease and desist proceedings by video conference so that FINRA can take immediate action to stop ongoing customer harm and will allow the NAC to timely provide members, disqualified individuals and other applicants an approval or denial of their applications. As set forth in detail in the August 31 Filing, this temporary relief allowing OHO and NAC hearings to proceed by video conference accounts for fair process considerations and will continue to provide fair process while avoiding the COVID-19-related public health risks for hearing participants. Accordingly, the proposed rule change extending this temporary relief is in the public interest and consistent with the Act's purpose.

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. As set forth in the May 8 Filing and August 31 Filing, the proposed rule change is intended

solely to extend temporary relief necessitated by the continued impacts of the COVID-19 outbreak and the related health and safety risks of conducting in-person activities. FINRA believes that the proposed rule change will prevent unnecessary impediments to FINRA's operations, including its critical adjudicatory processes, and its ability to fulfill its statutory obligations to protect investors and maintain fair and orderly markets that would otherwise result if the temporary amendments were to expire on December 31, 2020.

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

Written comments were neither solicited nor received for this proposed rule change.¹⁷

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 Act¹⁸ and Rule 19b-4(f)(6) thereunder.¹⁹

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

¹⁷ For the comment file for SR-FINRA-2020-027, see <https://www.sec.gov/comments/sr-finra-2020-027/srfinra2020027.htm>.

¹⁸ 15 U.S.C. 78s(b)(3)(A).

¹⁹ 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.

public interest. As FINRA requested in connection with its May 8 Filing and related extensions,²⁰ FINRA has also asked the Commission to waive the 30-day operative delay so that this proposed rule change may become operative immediately upon filing. FINRA has reiterated that the requested relief in this proposed rule change 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.²¹ We also note that this proposal, like FINRA's May 8 Filing and its August 31 Filing, provides only temporary relief during the period in which FINRA's operations are impacted by COVID-19. As proposed, the changes would be in place through April 30, 2021.²² FINRA also noted in both its May 8 Filing and August 31 Filing that the amended rules will revert back to their original state at the conclusion of the temporary relief period and, if applicable, any extension thereof.²³ For these reasons, the Commission believes that waiver of the 30-day operative delay for this proposal 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.²⁴

²⁰ See May 8 Filing, 85 FR at 31836. See also July 27 Filing, 85 FR at 47280 (requesting a waiver of the 30-day operative delay). FINRA did not request that the Commission waive the 30-day operative delay for its August 31 Filing.

²¹ See May 8 Filing, 85 FR at 31833.

²² As noted above, see *supra* note 6, FINRA states that if it requires temporary relief from the rule requirements identified in this proposal beyond April 30, 2021, it may submit a separate rule filing to extend the effectiveness of the temporary relief under these rules.

²³ See May 8 Filing, 85 FR at 31833.

²⁴ 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

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 e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2020-042 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-2020-042. This file number should be included on the subject line if e-mail 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

15 U.S.C. 78c(f).

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-2020-042 and should be submitted on or before [date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁵

J. Matthew DeLesDernier
Assistant Secretary

²⁵ 17 CFR 200.30-3(a)(12).