

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-75012; File No. SR-FINRA-2014-047)

May 20, 2015

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Designation of a Longer Period for Commission Action on Proceedings to Determine Whether to Approve or Disapprove a Proposed Rule Change Relating to FINRA Rule 2241 (Research Analysts and Research Reports) in the Consolidated FINRA Rulebook

I. Introduction

On November 14, 2014, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² a proposed rule to adopt NASD Rule 2711 (Research Analysts and Research Reports) as a FINRA rule, with several modifications, amend NASD Rule 1050 (Registration of Research Analysts) and Incorporated NYSE Rule 344 to create an exception from the research analyst qualification requirement, and renumber NASD Rule 2711 as FINRA Rule 2241 in the consolidated FINRA rulebook. The proposal was published for comment in the Federal Register on November 24, 2014.³ The Commission received four comments on the original proposal.⁴ On February 19,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Exchange Act Release No. 73622 (Nov. 18, 2014); 79 FR 69939 (Nov. 24, 2014). On January 6, 2015, FINRA consented to extending the time period for the Commission to either approve or disapprove the proposed rule change, or to institute proceedings to determine whether to approve or disapprove the proposed rule change, to February 20, 2015.

⁴ See Letter from Kevin Zambrowicz, Associate General Counsel & Managing Director and Sean Davy, Managing Director, SIFMA, dated Dec. 15, 2014, Letter from Hugh D. Berkson, President-Elect, Public Investors Arbitration Bar Association, dated Dec. 15, 2014, Letter from Stephanie R. Nicholas, WilmerHale, dated Dec. 16, 2014, and Letter from William Beatty, President and Washington (State) Securities Administrator, North American Securities Administrators Association, Inc., dated Dec. 19, 2014.

2015, FINRA filed Amendment No. 1 responding to these original comments received to the proposal as well as to propose amendments in response to these comments. The proposal, as amended by Amendment No. 1, was published for comment in the Federal Register on March 18, 2015.⁵ On February 20, 2015, the Commission issued an order instituting proceedings pursuant to Section 19(b)(2)(B) of the Act⁶ to determine whether to approve or disapprove the proposal. This order was published for comment in the Federal Register on February 26, 2015.⁷ The Commission received a further three comments regarding the proceedings or in response to Amendment No. 1,⁸ to which FINRA responded via letter on May 5, 2015.⁹

Section 19(b)(2) of the Act¹⁰ provides that, after initiating approval or disapproval proceedings, the Commission shall issue an order approving or disapproving the proposed rule change not later than 180 days after the date of publication of notice of filing of the proposed

⁵ Exchange Act Release No. 74488 (Mar. 12, 2015); 80 FR 14174 (Mar. 18, 2015).

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ Exchange Act Release No. 74339 (Feb. 20, 2015); 80 FR 10528 (Feb. 26, 2015). Specifically, the Commission instituted proceedings to allow for additional analysis of the proposed rule change's consistency with Section 15A(b)(9) of the Act, which requires that FINRA's rules be designed to, among other things, promote just and equitable principles of trade, remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, and Section 15D of the Act, which requires rules reasonably designed to address conflicts of interest that can arise when research analysts recommend equity securities in research reports and public appearances. See id.

⁸ Letter from Egidio Mogavero, Managing Director and Chief Compliance Officer, JMP Securities, dated Mar. 19, 2015, Letter from Stephanie R. Nicholas, WilmerHale, dated Apr. 6, 2015, and Letter from William Beatty, President and Washington (State) Securities Administrator, North American Securities Administrators Association, Inc., dated Apr. 17, 2015.

⁹ Letter from Philip Shaikun, Vice President and Associate General Counsel, FINRA, dated May 5, 2015.

¹⁰ 15 U.S.C. 78s(b)(2).

rule change. The Commission may extend the period for issuing an order approving or disapproving the proposed rule change, however, by not more than 60 days if the Commission determines that a longer period is appropriate and publishes the reasons for such determination. The proposal was published for comment in the Federal Register on November 24, 2014.¹¹ The 180th day after publication of the notice of the filing of the proposed rule change in the Federal Register is May 23, 2015 and the 240th day after publication of the notice of the filing of the proposed rule change in the Federal Register is July 22, 2015.

The Commission finds it appropriate to designate a longer period within which to issue an order approving or disapproving the proposed rule change so that it has sufficient time to consider the proposed rule change, including the matters raised in the comment letters to the proposed rule change.

¹¹ See supra note 3 and accompanying text.

Accordingly, the Commission, pursuant to Section 19(b)(2) of the Act,¹² designates July 22, 2015 as the date by which the Commission shall either approve or disapprove the proposed rule change (File No. SR-FINRA-2014-047).

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹³

Robert W. Errett
Deputy Secretary

¹² 15 U.S.C. 78s(b)(2).

¹³ 17 CFR 200.30-3(a)(57).