

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-83781; File No. SR-FINRA-2018-027)

August 6, 2018

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend FINRA Rule 9000 Series (Code of Procedure) to Reflect an Internal Reorganization of FINRA's Enforcement Operations

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 August 3, 2018, Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. 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 make technical and other non-substantive changes to FINRA Rule 9000 Series (Code of Procedure) ("the Code") to reflect an internal reorganization of FINRA's enforcement operations to create a single Department of Enforcement.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

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.

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

1. Purpose

In March 2017, FINRA launched FINRA360, a comprehensive self-evaluation and organizational improvement initiative to ensure that FINRA is operating as an optimally effective self-regulatory organization, working to protect investors and promote market integrity in a manner that supports strong and vibrant capital markets. In connection with this ongoing initiative, FINRA has sought feedback from its members, as well as investors, investor advocates, regulators, trade associations and FINRA employees. FINRA has analyzed the feedback received from these stakeholders and as a result has made significant changes across the organization.³

Until last summer, FINRA had two distinct enforcement teams. One enforcement group that was historically part of the Department of Market Regulation handled disciplinary actions related to trading-based matters found through Market Regulation's surveillance and examination programs; and a separate enforcement group handled cases referred from other regulatory oversight divisions including Member Regulation, Corporate Financing, the Office of Fraud Detection and Market Intelligence, and Advertising Regulation. As part of FINRA360, stakeholders raised concerns that these dual programs sometimes resulted in duplication of effort and inconsistency of results. As a result, in July 2017, FINRA announced its plan to consolidate

³ See FINRA, Progress Report on FINRA360 (April 2018), https://www.finra.org/sites/default/files/FINRA360ProgressReport_April2018.pdf

its existing enforcement functions into a unified Department of Enforcement. On July 26, 2018, FINRA announced that it had completed the final phase of this consolidation.⁴ The unified structure is intended to improve FINRA's ability to streamline investigations, share information, enhance consistency and maximize resources to protect investors and the markets.

The proposed rule change would make technical and other non-substantive changes to the Code to reflect the single Department of Enforcement. The proposed changes would therefore remove references to the Market Regulation department, its head and employees from the Code where those references reflect the previously separate Market Regulation enforcement function.

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.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁵ 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 will provide clarity to members and the public by reflecting throughout the Code the now unified FINRA Department of Enforcement.

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

FINRA does not believe that the 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

⁴ See News Release, FINRA, FINRA Announces Enforcement Structure, Senior Leadership (July 26, 2018), <http://www.finra.org/newsroom/2018/finra-announces-enforcement-structure-senior-leadership-team>.

⁵ 15 U.S.C. 78o-3(b)(6).

proposed rule change brings clarity and consistency to FINRA rules without adding any burden on firms.

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.

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 Act⁶ and Rule 19b-4(f)(6) thereunder.⁷

A proposed rule change filed under Rule 19b-4(f)(6)⁸ normally does not become operative for 30 days after the date of its filing. However, pursuant to Rule 19b-4(f)(6)(iii),⁹ the Commission may designate a shorter time if such action is consistent with the protection of investors and the public interest. FINRA has requested that the Commission waive the 30-day operative delay so that the internal reorganization of FINRA's enforcement operations can immediately be reflected in the Code. Because waiver of the operative delay would increase transparency and accuracy of the Code, the Commission believes that waiver of the operative delay is consistent with the protection of investors and the public interest. Accordingly, the

⁶ 15 U.S.C. 78s(b)(3)(A).

⁷ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires FINRA 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.

⁸ Id.

⁹ 17 CFR 240.19b-4(f)(6)(iii).

Commission hereby waives the operative delay and designates the proposal as operative upon filing.¹⁰

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

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-2018-027 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-2018-027. 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

¹⁰ For purposes only of waiving the 30-day operative delay, the Commission has considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

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, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the 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-2018-027 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.¹¹

Eduardo A. Aleman
Assistant Secretary

¹¹ 17 CFR 200.30-3(a)(12).