

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 47		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2025 - * 004 Amendment No. (req. for Amendments *)	
Filing by Financial Industry Regulatory Authority Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934					
Initial * <input checked="" type="checkbox"/>		Amendment * <input type="checkbox"/>		Withdrawal <input type="checkbox"/>	
Section 19(b)(2) * <input type="checkbox"/>		Section 19(b)(3)(A) * <input checked="" type="checkbox"/>		Section 19(b)(3)(B) * <input type="checkbox"/>	
Pilot <input type="checkbox"/>		Extension of Time Period for Commission Action * <input type="checkbox"/>		Date Expires * <input type="text"/>	
		Rule			
		<input type="checkbox"/> 19b-4(f)(1)		<input type="checkbox"/> 19b-4(f)(4)	
		<input type="checkbox"/> 19b-4(f)(2)		<input type="checkbox"/> 19b-4(f)(5)	
		<input type="checkbox"/> 19b-4(f)(3)		<input checked="" type="checkbox"/> 19b-4(f)(6)	
Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010 Section 806(e)(1) * <input type="checkbox"/>			Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934 Section 3C(b)(2) * <input type="checkbox"/>		
Exhibit 2 Sent As Paper Document <input type="checkbox"/>			Exhibit 3 Sent As Paper Document <input type="checkbox"/>		
Description Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>Proposed Rule Change to Stay the Effectiveness of Specified Expulsions and FINRA Actions</div>					
Contact Information Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action. First Name * Lisa Last Name * Horrigan Title * Associate General Counsel E-mail * Lisa.Horrigan@finra.org Telephone * (202) 728-8331 Fax					
Signature Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized. Date 06/02/2025 (Title *) By Philip Shaikun Vice President & Associate General Counsel (Name *) NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed. Philip Shaikun Digitally signed by Philip Shaikun Date: 2025.06.02 12:11:10 -04'00'					

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

Form 19b-4 Information *

Add	Remove	View
FINRA-2025-004 19b-4.docx		

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

Add	Remove	View
FINRA-2025-004 Exhibit 1.docx		

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies *

Add	Remove	View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2- Notices, Written Comments, Transcripts, Other Communications

Add	Remove	View

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

☐

Exhibit Sent As Paper Document

Exhibit 3 - Form, Report, or Questionnaire

Add	Remove	View

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

☐

Exhibit Sent As Paper Document

Exhibit 4 - Marked Copies

Add	Remove	View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add	Remove	View
FINRA-2025-004 Exhibit 5.docx		

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

Partial Amendment

Add	Remove	View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act,” “Exchange Act,” or “SEA”),¹ the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to stay the effectiveness of specified expulsions of member firms, cancellations of membership, and denials of applications for continued membership of disqualified member firms to allow for SEC review. The proposed rule change would amend FINRA Rule 8320 (Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay), the FINRA Rule 9000 Series (Code of Procedure), and Funding Portal Rule 900(b) (Eligibility Proceedings).

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

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 on the date of filing.

¹ 15 U.S.C. 78s(b)(1).

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

(a) Purpose

Overview of Proposed Amendments

FINRA is proposing to amend FINRA rules to provide that specified expulsions of member firms, cancellations of membership, and denials of applications for continued membership of disqualified member firms shall not become effective until the time for filing an application for review with the SEC has expired² and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.³ The proposed rule change would apply to decisions issued in expedited proceedings under the FINRA Rule 9550 Series, disciplinary proceedings under the FINRA Rule 9300 Series, and eligibility proceedings under the FINRA Rule 9520 Series and Funding Portal Rule 900(b), as well as expulsions of member firms under FINRA Rule 8320.⁴

The proposed rule change would align FINRA rules relating to the effectiveness of expulsions in expedited proceedings with the ruling of the United States Court of

² Pursuant to the Exchange Act, an application for review of a determination by FINRA, such as the imposition of a final disciplinary sanction or denial of membership, must be filed with the SEC within 30 days after notice is filed with the SEC and received by the aggrieved person applying for review. See 15 U.S.C. 78s(d). See also SEC Rule of Practice 420(b), 17 CFR 201.420(b) (providing that the SEC will not extend this 30-day period absent a showing of extraordinary circumstances).

³ See, e.g., Exchange Act Sections 19(e) and (f), 15 U.S.C. 78s(e) and (f).

⁴ FINRA notes that the proposed rule change would not apply to any other sanction or FINRA action against a member firm, associated person, or other person subject to FINRA's jurisdiction.

Appeals for the D.C. Circuit (“D.C. Circuit”) in Alpine Securities Corp. v. FINRA (the “Alpine Preliminary Injunction Decision”).⁵ In the Alpine Preliminary Injunction Decision, the D.C. Circuit remanded the case to the district court with instructions to enter a limited preliminary injunction enjoining FINRA from expelling Alpine until the SEC has reviewed any expulsion that FINRA may order in the pending expedited proceeding against Alpine or the time for Alpine to seek SEC review of an expulsion has passed.

FINRA is also proposing to stay the effectiveness of other FINRA actions against member firms that may result in a sanction or action that shares the relevant characteristics of the sanction at issue in the Alpine Preliminary Injunction Decision, specifically expulsions imposed in full disciplinary proceedings and under FINRA Rule 8320 (for failure to pay fines, monetary sanctions, and costs), cancellations of membership, and denials of applications for continued membership. Like expulsions in expedited proceedings, these latter FINRA actions are not currently stayed under FINRA rules by the filing of an application for SEC review, and once the FINRA action becomes final and effective, the firm is no longer a FINRA member.⁶ FINRA notes that the D.C. Circuit in the Alpine Preliminary Injunction Decision distinguished the impact of

⁵ See Alpine Securities Corp. v. Fin. Indus. Regul. Auth., 121 F.4th 1314 (D.C. Cir. 2024), cert. denied (June 2, 2025) (No. 24-904). FINRA notes that this litigation is ongoing and FINRA does not waive any rights or arguments it may have in connection with this or any other pending or future matter.

⁶ However, unlike an expulsion, if a member firm’s membership has been cancelled, the firm can reapply for FINRA membership by submitting a new Form BD and Form NMA as part of the new member application process. See, e.g., Bylaws of the Corporation, Article VI, Sec. 4.

expulsions and loss of FINRA membership from other types of sanctions under FINRA rules.⁷

The specific proposed amendments to align FINRA rules relating to expulsions in expedited proceedings, and other FINRA actions against member firms that may result in a sanction or action that shares the relevant characteristics of such expulsions, with the Alpine Preliminary Injunction Decision are discussed in greater detail below.⁸

Expedited Proceedings

Member firms may face expulsions and cancellations of membership in expedited proceedings under the FINRA Rule 9550 Series. At issue in the Alpine Preliminary Injunction Decision was FINRA's expedited proceeding to expel Alpine from membership for failing to comply with a "cease and desist" order that FINRA had previously issued against Alpine for violation of FINRA rules. In addition to situations involving a failure to comply with temporary or permanent cease and desist orders, FINRA may bring an expedited proceeding against a member firm for, among other grounds, failure to provide or keep information current; failure to pay FINRA dues, fees, and other charges; and failure to comply with an arbitration award or related settlement.

⁷ See supra note 5, 121 F.4th 1314, 1330-31, and 1331 n.3.

⁸ FINRA notes that the proposed rule change would impact all members, including members that are funding portals or have elected to be treated as capital acquisition brokers ("CABs"), given that the funding portal and CAB rule sets incorporate the impacted FINRA rules by reference. However, as discussed herein, Funding Portal Rule 900(b) sets forth separate rules governing eligibility proceedings for funding portal members and certain provisions of that Rule will be amended pursuant to the proposed rule change.

Most of the rules governing expedited proceedings expressly provide for the potential cancellation of membership following notice to the member firm.⁹

Generally, to initiate an expedited proceeding under the FINRA Rule 9550 Series, FINRA issues a notice stating that the member firm will be subject to specified requirements, conditions, or sanctions (which, as relevant here, may include a cancellation of membership), unless the respondent member firm undertakes the action specified in the notice (e.g., complies with a cease and desist order) or requests a hearing with FINRA's Office of Hearing Officers. If the member firm receives notice of cancellation of membership, a timely request for a hearing will automatically stay the cancellation pursuant to FINRA Rule 9559(c). If the member firm fails to take the action specified in the notice, or to submit a timely request for a hearing, the cancellation will be effective within seven to twenty-one days following service of the notice, depending on the rule pursuant to which the expedited proceeding has been brought.¹⁰

FINRA Rule 9559 sets forth the hearing procedures for expedited proceedings under the FINRA Rule 9550 Series, including, among others, the appointment of a Hearing Officer or Hearing Panel, time and notice of hearing, and the timing of the decision. FINRA Rule 9559(n) provides that the Hearing Officer or Panel is authorized

⁹ The rules that expressly provide for a cancellation of membership are: FINRA Rules 9553 (Failure to Pay FINRA Dues, Fees and Other Charges), 9554 (Failure to Comply with an Arbitration Award or Related Settlement or an Order of Restitution or Settlement Providing for Restitution), 9555 (Failure to Meet the Eligibility or Qualification Standards or Prerequisites for Access to Services), 9556 (Failure to Comply with Temporary and Permanent Cease and Desist Orders, or Orders that Impose Conditions or Restrictions), and 9561 (Procedures for Regulating Activities Under Rule 4111).

¹⁰ See FINRA Rules 9553(d), 9554(d), 9555(d), 9556(d), and 9561(b)(4).

to approve, modify, or withdraw any sanction imposed in the notice, including a cancellation of membership, and with limited exceptions, may impose any other fitting sanction pursuant to FINRA Rule 8310(a). Such sanction could include expulsion of the member firm.¹¹

FINRA Rule 9559(p) sets forth the requirements for the contents of the decision of the Hearing Officer or Panel, and pursuant to subparagraph (6), the decision must include the date on which any sanction will be effective, if it is not already effective.¹² FINRA is proposing to amend FINRA Rule 9559(p)(6) to provide that an expulsion or cancellation of membership in an expedited proceeding shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

In addition, FINRA Rule 9559(r) currently provides that the filing of an application for review by the SEC does not stay the effectiveness of a final FINRA action in an expedited proceeding under the FINRA Rule 9550 Series, unless the SEC otherwise orders. FINRA is proposing to amend this provision to provide that, pursuant to amended FINRA Rule 9559(p)(6), an expulsion or cancellation of membership in an expedited proceeding shall not become effective until the time for filing an application for review

¹¹ See supra note 6 regarding expulsions and cancellations of membership.

¹² Unlike in a disciplinary proceeding, a respondent does not have a right to appeal a decision issued by a Hearing Officer or Panel in an expedited proceeding under the FINRA Rule 9550 Series to the National Adjudicatory Council (“NAC”). See infra note 14. However, pursuant to FINRA Rule 9559(q), the NAC’s Review Subcommittee may call a proposed decision for review. If the NAC’s Review Subcommittee does not call the proposed decision for review, the decision of the Hearing Officer or Panel is considered final FINRA action.

with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

Disciplinary Proceedings

FINRA rules generally provide that sanctions imposed in disciplinary proceedings under the FINRA Rule 9200 Series will be effective on a date prescribed by a Hearing Panel. Unless otherwise provided in the decision, the expulsion of a member firm is effective immediately upon the written decision of the Hearing Panel (or Hearing Officer, in the case of a default decision) becoming the final disciplinary action of FINRA,¹³ i.e., if the decision is not timely appealed to or called for review by the National Adjudicatory Council (“NAC”).¹⁴

A member firm seeking review of an expulsion imposed in a decision under the FINRA Rule 9200 Series must appeal to the NAC in the first instance and not directly to

¹³ See FINRA Rules 9268(f) and 9269(d).

¹⁴ The NAC is FINRA’s appellate body and presides primarily over disciplinary matters that have been appealed to or called for review by the NAC pursuant to the FINRA Rule 9300 Series and statutory disqualification proceedings pursuant to the FINRA Rule 9520 Series. For most matters the NAC considers, its written decision becomes final FINRA action if the FINRA Board does not call the proposed decision for review pursuant to FINRA Rule 9351. With respect to expedited proceedings, the NAC’s Review Subcommittee may call for review by the NAC a proposed decision prepared by a Hearing Officer or Panel; the FINRA Board does not have discretion to call the NAC’s decision for review under FINRA rules.

the SEC.¹⁵ If affirmed on review by the NAC or the FINRA Board (“Board”),¹⁶ the expulsion is effective upon service of the decision of the NAC or Board, as applicable, unless otherwise provided in the decision, pursuant to current FINRA Rule 9360.

FINRA is proposing to amend FINRA Rule 9360 to provide that an expulsion of a member firm imposed by the NAC or Board in a disciplinary proceeding shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

In addition, FINRA Rule 9370 currently provides that the filing of an application for review by the SEC stays the effectiveness of any sanction, other than a bar or expulsion, imposed in a decision constituting final disciplinary action of FINRA for purposes of SEA Rule 19d-1(c)(1). FINRA is proposing to amend this Rule to provide that, pursuant to amended FINRA Rule 9360, an expulsion in a decision issued under FINRA Rule 9349 (by the NAC) or FINRA Rule 9351 (by the Board) shall not become effective until the time for filing an application for review with the SEC has expired and

¹⁵ See generally FINRA Rule 9300 Series (Review of Disciplinary Decision by National Adjudicatory Council and FINRA Board; Application for SEC Review). See also, e.g., Edward J. Jakubik, Jr., Exchange Act Release No. 61541, 2010 SEC LEXIS 1014, *13 (Feb. 18, 2010) (dismissing appeal and holding that applicant “failed to exhaust his administrative remedies by appealing to the NAC, as required by NASD’s rules. We have repeatedly held that the Commission will not consider an application for review if the applicant failed to follow NASD procedures.”) (internal citations omitted).

¹⁶ Pursuant to FINRA Rule 9351, the Board has the discretion to call a disciplinary proceeding for review after receiving the proposed written decision of the NAC.

no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.¹⁷

FINRA is also proposing a conforming change to FINRA Rule 9370 to replace the current language, which provides that a respondent “may apply” for SEC review of any action taken pursuant to the FINRA Rule 9200 Series or FINRA Rule 9300 Series, with language stating that such review “is governed” by Section 19 of the Exchange Act. This proposed amendment would achieve consistency with other provisions of FINRA’s Code of Procedure addressing SEC review of final FINRA actions and mirrors the language of, for example, FINRA Rule 9559(r), discussed above, and FINRA Rule 9870 relating to cease and desist orders issued under the FINRA Rule 9800 Series.

Eligibility Proceedings

Under FINRA Rules, if a disqualified member firm fails to request relief within 10 days of receiving notice of disqualification, its membership will be cancelled, unless FINRA staff grants an extension for good cause shown.¹⁸ A disqualified member firm

¹⁷ Pursuant to the proposed rule change, FINRA Rule 9370 also would expressly state that the filing of an application for review by the SEC shall not stay the effectiveness of an expulsion imposed in a decision constituting final disciplinary action of FINRA under FINRA Rule 9268 or Rule 9269, as is the case today. The proposed rule change does not operate as a stay where a member firm has defaulted (i.e., has not availed itself of the opportunity for a hearing before FINRA adjudicators or taken other interim actions available under FINRA rules to avert a sanction), or has failed to exhaust its administrative remedies through FINRA’s appellate process (see supra notes 14 and 15 and accompanying text). However, if an expulsion in a decision under FINRA Rule 9268 or Rule 9269 is appealed to or called for review by the NAC, the decision will be stayed until the NAC issues a decision or, in cases called for discretionary review by the Board, until the Board issues a decision. See FINRA Rules 9311(b) and 9312(b). If the NAC or Board subsequently affirms the expulsion, the effectiveness of such expulsion would be stayed pursuant to amended FINRA Rule 9360.

¹⁸ See, e.g., FINRA Rule 9522(a)(2).

may apply for continued membership under the FINRA Rule 9520 Series. Pursuant to FINRA Rule 9524, if FINRA staff recommends denial of the application, the member firm may request a hearing before the NAC. A hearing panel of the NAC conducts a hearing and prepares a proposed written decision for review by the NAC's Statutory Disqualification Committee.¹⁹ After review by the Statutory Disqualification Committee, the NAC reviews the proposed decision and provides a proposed written decision to the Board.²⁰ After receipt of the NAC's proposed written decision, the Board has discretion to call the proceeding for review pursuant to FINRA Rule 9525.

The denial by the NAC or Board of an application for continued membership is immediately effective, pursuant to FINRA Rules 9524(b)(3) and 9525(e), respectively. The Funding Portal rules, which generally provide that funding portal members are otherwise subject to the FINRA Code of Procedure, contain provisions governing eligibility proceedings that are comparable to FINRA Rules 9524(b)(3) and 9525(e).²¹

FINRA is proposing to amend FINRA Rules 9524(b)(3) and 9525(e), and Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) to provide that a decision to deny an application for continued membership of a disqualified member firm or a disqualified funding portal member, as applicable, shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19. The proposed rule change also would update the language of the FINRA

¹⁹ See FINRA Rules 9524(a)(1), (a)(10).

²⁰ See FINRA Rule 9524(b).

²¹ See Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E), respectively.

and Funding Portal rules by replacing references to “re-entry,” a term that is no longer in use, with the more precise and descriptive phrase, “application for a disqualified member’s continued membership” and “application for a disqualified funding portal member’s continued membership,” respectively. Finally, pursuant to the proposed rule change, these rules would expressly state that a decision to deny any other application under the FINRA Rule 9520 Series and Funding Portal Rule 900(b), e.g., an application for continued association of a disqualified person, shall be effective immediately, as is the case today.

In addition, FINRA Rule 9527 and Funding Portal Rule 900(b)(14) currently provide that the filing of an application for review by the SEC does not stay the effectiveness of final action by FINRA in an eligibility proceeding under the FINRA Rule 9520 Series and Funding Portal Rule 900(b), respectively, unless the SEC otherwise orders. FINRA is proposing to amend FINRA Rule 9527 to provide that, pursuant to amended FINRA Rules 9524(b)(3) and 9525(e), a decision to deny an application for a disqualified member firm’s continued membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19. Similarly, FINRA is proposing to amend Funding Portal Rule 900(b)(14) to include a cross-reference to amended Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) and to make identical amendments regarding the effectiveness of a denial of an application for a disqualified funding portal member’s continued membership.

FINRA Rule 8320

A member firm can be expelled outside of a disciplinary proceeding or expedited proceeding pursuant to FINRA Rule 8320. Specifically, FINRA Rule 8320(b) provides that after seven days' written notice, FINRA may summarily suspend or expel from membership a member firm that fails to (1) pay promptly a fine or other monetary sanction imposed pursuant to FINRA Rule 8310, or cost imposed pursuant to FINRA Rule 8330 when such fine, monetary sanction, or cost becomes finally due and payable; or (2) terminate immediately the association of a person who fails to pay promptly a fine or other monetary sanction imposed pursuant to FINRA Rule 8310, or cost imposed pursuant to FINRA Rule 8330 when such fine, monetary sanction, or cost becomes finally due and payable.

FINRA is proposing to amend FINRA Rule 8320 by renumbering the text of current paragraph (b) as paragraph (b)(1), and renumbering current paragraphs (b)(1) and (b)(2) as (b)(1)(A) and (b)(1)(B), respectively. FINRA also proposes to adopt new paragraph (b)(2) to provide that an expulsion of a member firm under paragraph (b)(1) shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

FINRA notes that the proposed rule change affects a small number of cases. A review of FINRA records from January 2020 through March 31, 2025, found a total of nine adjudicated decisions resulting in an expulsion or cancellation of membership—two were in disciplinary proceedings and not appealed to the NAC; three were in expedited proceedings; and four were issued by the NAC in appeals of disciplinary decisions. As of

the end of the review period, four of the nine decisions had been appealed to the SEC, three of which appeals were unsuccessful, and one remains pending. In addition, there were two expulsions pursuant to FINRA Rule 8320 during the review period, neither of which was appealed to the SEC. Between 2020 and 2024 (the last full year of data), the adjudicated decisions resulting in expulsions and cancellations of membership represented an average of 12% of all expulsions and cancellations. On an annual basis, the number of impacted member firms represented, on average, 0.6% of FINRA membership. FINRA notes that there were no denials of applications for continued membership of disqualified member firms within the five-year review period.

FINRA believes that any potential risk to investor protection posed by aligning FINRA rules with the Alpine Preliminary Injunction Decision, as described above, could be mitigated by several factors. In cases where an expulsion, cancellation of membership, or denial of an application for continued membership has been appealed to the SEC, FINRA will seek expeditious resolution by the SEC. And, where appropriate, FINRA may take additional steps to provide interim customer protections during the pendency of an appeal of a disciplinary decision imposing an expulsion or cancellation of membership. Pursuant to FINRA Rule 9285, in a disciplinary proceeding appealed to or called for review by the NAC, a Hearing Officer is authorized to impose any conditions or restrictions on the activities of a respondent member firm that the Hearing Officer considers reasonably necessary for the purpose of preventing customer harm. Such conditions or restrictions would target the misconduct at issue in the disciplinary proceeding and deter the member firm from engaging in further misconduct. The conditions or restrictions would remain in place until FINRA's final decision takes effect

and all appeals, including an appeal to the SEC, are exhausted. Finally, FINRA notes that information about disciplinary proceedings and sanctions against member firms is available through FINRA's BrokerCheck.²² Accordingly, investors would be able to obtain information regarding whether a member firm is subject to any adverse regulatory action that is the subject of a pending application for SEC review.²³

As noted in Item 2 of this filing, 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 on the date of filing.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,²⁴ which requires, among other things, that FINRA rules 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;

²² BrokerCheck provides the public with information on the professional background, business practices, and conduct of member firms and their associated persons. The information that FINRA releases to the public through BrokerCheck is derived from the Central Registration Depository ("CRD") system, the securities industry online registration and licensing database. Member firms, their associated persons, and regulators report information to the CRD system via the uniform registration forms. See <https://brokercheck.finra.org/>.

²³ See FINRA Rule 8313(d), which provides that FINRA shall provide notice to the public if a disciplinary decision of FINRA is appealed to the SEC, and the notice shall state whether the effectiveness of the decision has been stayed pending the outcome of proceedings before the SEC.

²⁴ 15 U.S.C. 78o-3(b)(6).

and Section 15A(b)(8) of the Act,²⁵ which requires that FINRA rules provide a fair procedure for, among other things, the disciplining of members and persons associated with members.

FINRA believes that the proposed rule change aligns FINRA rules relating to the effectiveness of member firm expulsions in expedited proceedings, and other FINRA actions against member firms that may result in a sanction or action that shares the relevant characteristics of such expulsions, with the D.C. Circuit's ruling in the Alpine Preliminary Injunction Decision. In addition, FINRA believes that any potential risk to investor protection posed by this alignment could be mitigated by the factors discussed above. Finally, FINRA believes that the proposed rule change will provide member firms and interested parties notice and clarity regarding the effectiveness of expulsions, cancellations of membership, and denials of applications for continued membership under FINRA rules. Accordingly, FINRA believes that the proposed rule change will enable FINRA to continue to administer a fair procedure for disciplining member firms while meeting its investor protection goals.

4. 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 proposed rule change will ensure that FINRA rules relating to the effectiveness of expulsions in expedited proceedings, and other FINRA actions against member firms that may result in a sanction or action that shares the relevant characteristics of such expulsions, are aligned with the D.C. Circuit's ruling in the Alpine Preliminary

²⁵ 15 U.S.C. 78o-3(b)(8).

Injunction Decision. In so doing, FINRA is not imposing new or additional costs or impacts on member firms or investors. Thus, the proposed rule change will allow FINRA to conduct disciplinary proceedings and meet its investor protection goals in a manner that is consistent with the Exchange Act and aligns with the Alpine Preliminary Injunction Decision.

5. 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.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The proposed rule change is effective upon filing pursuant to Section 19(b)(3)(A) of the Act²⁶ and paragraph (f)(6) of Rule 19b-4 thereunder,²⁷ in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate. In accordance with Rule 19b-4(f)(6),²⁸ FINRA submitted 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

²⁶ 15 U.S.C. 78s(b)(3)(A).

²⁷ 17 CFR 240.19b-4(f)(6).

²⁸ 17 CFR 240.19b-4(f)(6).

five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.²⁹

FINRA believes that the filing is appropriately filed pursuant to Rule 19b-4(f)(6)(iii) under the Act³⁰ in that the proposed rule change aligns FINRA rules relating to the effectiveness of member firm expulsions in expedited proceedings, and other FINRA actions against member firms that may result in a sanction or action that shares the relevant characteristics of such expulsions, with the D.C. Circuit's ruling in the Alpine Preliminary Injunction Decision. In addition, the proposed rule change provides the procedural protections relating to expulsions in expedited proceedings articulated by the D.C. Circuit on a preliminary basis in the Alpine Preliminary Injunction Decision and does not impose any new obligations on member firms. FINRA believes that any potential risk to investor protection posed by the proposed rule change could be mitigated by the factors discussed above.

FINRA requests that the Commission waive the requirement that the proposed rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii).³¹ Implementation of the proposed rule change on the date of filing will help ensure that FINRA rules relating to the effectiveness of expulsions in expedited proceedings, and other FINRA actions against member firms that may result in a sanction or action that shares the relevant characteristics of such expulsions, are aligned with the D.C. Circuit's ruling in the Alpine Preliminary Injunction Decision and

²⁹ 17 CFR 240.19b-4(f)(6)(iii).

³⁰ 17 CFR 240.19b-4(f)(6)(iii).

³¹ 17 CFR 240.19b-4(f)(6)(iii).

provide member firms and interested parties notice and clarity regarding the effectiveness of expulsions, cancellations of membership, and denials of applications for continued membership under FINRA rules.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2025-004)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Stay the Effectiveness of Specified Expulsions and FINRA Actions

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 , the 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, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,³ which renders the proposal effective upon receipt of this filing by the Commission. 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 stay the effectiveness of specified expulsions of member firms, cancellations of membership, and denials of applications for continued membership of disqualified member firms to allow for SEC review. The proposed rule change would amend FINRA Rule 8320 (Payment of Fines, Other Monetary Sanctions,

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ 17 CFR 240.19b-4(f)(6).

or Costs; Summary Action for Failure to Pay), the FINRA Rule 9000 Series (Code of Procedure), and Funding Portal Rule 900(b) (Eligibility Proceedings).

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.

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

1. Purpose

Overview of Proposed Amendments

FINRA is proposing to amend FINRA rules to provide that specified expulsions of member firms, cancellations of membership, and denials of applications for continued membership of disqualified member firms shall not become effective until the time for filing an application for review with the SEC has expired⁴ and no such application is filed

⁴ Pursuant to the Exchange Act, an application for review of a determination by FINRA, such as the imposition of a final disciplinary sanction or denial of membership, must be filed with the SEC within 30 days after notice is filed with the SEC and received by the aggrieved person applying for review. See 15 U.S.C. 78s(d). See also SEC Rule of Practice 420(b), 17 CFR 201.420(b) (providing that the SEC will not extend this 30-day period absent a showing of extraordinary circumstances).

or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.⁵ The proposed rule change would apply to decisions issued in expedited proceedings under the FINRA Rule 9550 Series, disciplinary proceedings under the FINRA Rule 9300 Series, and eligibility proceedings under the FINRA Rule 9520 Series and Funding Portal Rule 900(b), as well as expulsions of member firms under FINRA Rule 8320.⁶

The proposed rule change would align FINRA rules relating to the effectiveness of expulsions in expedited proceedings with the ruling of the United States Court of Appeals for the D.C. Circuit (“D.C. Circuit”) in Alpine Securities Corp. v. FINRA (the “Alpine Preliminary Injunction Decision”).⁷ In the Alpine Preliminary Injunction Decision, the D.C. Circuit remanded the case to the district court with instructions to enter a limited preliminary injunction enjoining FINRA from expelling Alpine until the SEC has reviewed any expulsion that FINRA may order in the pending expedited proceeding against Alpine or the time for Alpine to seek SEC review of an expulsion has passed.

FINRA is also proposing to stay the effectiveness of other FINRA actions against member firms that may result in a sanction or action that shares the relevant

⁵ See, e.g., Exchange Act Sections 19(e) and (f), 15 U.S.C. 78s(e) and (f).

⁶ FINRA notes that the proposed rule change would not apply to any other sanction or FINRA action against a member firm, associated person, or other person subject to FINRA’s jurisdiction.

⁷ See Alpine Securities Corp. v. Fin. Indus. Regul. Auth., 121 F.4th 1314 (D.C. Cir. 2024), cert. denied (June 2, 2025) (No. 24-904). FINRA notes that this litigation is ongoing and FINRA does not waive any rights or arguments it may have in connection with this or any other pending or future matter.

characteristics of the sanction at issue in the Alpine Preliminary Injunction Decision, specifically expulsions imposed in full disciplinary proceedings and under FINRA Rule 8320 (for failure to pay fines, monetary sanctions, and costs), cancellations of membership, and denials of applications for continued membership. Like expulsions in expedited proceedings, these latter FINRA actions are not currently stayed under FINRA rules by the filing of an application for SEC review, and once the FINRA action becomes final and effective, the firm is no longer a FINRA member.⁸ FINRA notes that the D.C. Circuit in the Alpine Preliminary Injunction Decision distinguished the impact of expulsions and loss of FINRA membership from other types of sanctions under FINRA rules.⁹

The specific proposed amendments to align FINRA rules relating to expulsions in expedited proceedings, and other FINRA actions against member firms that may result in a sanction or action that shares the relevant characteristics of such expulsions, with the Alpine Preliminary Injunction Decision are discussed in greater detail below.¹⁰

⁸ However, unlike an expulsion, if a member firm's membership has been cancelled, the firm can reapply for FINRA membership by submitting a new Form BD and Form NMA as part of the new member application process. See, e.g., Bylaws of the Corporation, Article VI, Sec. 4.

⁹ See supra note 7, 121 F.4th 1314, 1330-31, and 1331 n.3.

¹⁰ FINRA notes that the proposed rule change would impact all members, including members that are funding portals or have elected to be treated as capital acquisition brokers ("CABs"), given that the funding portal and CAB rule sets incorporate the impacted FINRA rules by reference. However, as discussed herein, Funding Portal Rule 900(b) sets forth separate rules governing eligibility proceedings for funding portal members and certain provisions of that Rule will be amended pursuant to the proposed rule change.

Expedited Proceedings

Member firms may face expulsions and cancellations of membership in expedited proceedings under the FINRA Rule 9550 Series. At issue in the Alpine Preliminary Injunction Decision was FINRA's expedited proceeding to expel Alpine from membership for failing to comply with a "cease and desist" order that FINRA had previously issued against Alpine for violation of FINRA rules. In addition to situations involving a failure to comply with temporary or permanent cease and desist orders, FINRA may bring an expedited proceeding against a member firm for, among other grounds, failure to provide or keep information current; failure to pay FINRA dues, fees, and other charges; and failure to comply with an arbitration award or related settlement. Most of the rules governing expedited proceedings expressly provide for the potential cancellation of membership following notice to the member firm.¹¹

Generally, to initiate an expedited proceeding under the FINRA Rule 9550 Series, FINRA issues a notice stating that the member firm will be subject to specified requirements, conditions, or sanctions (which, as relevant here, may include a cancellation of membership), unless the respondent member firm undertakes the action specified in the notice (e.g., complies with a cease and desist order) or requests a hearing with FINRA's Office of Hearing Officers. If the member firm receives notice of

¹¹ The rules that expressly provide for a cancellation of membership are: FINRA Rules 9553 (Failure to Pay FINRA Dues, Fees and Other Charges), 9554 (Failure to Comply with an Arbitration Award or Related Settlement or an Order of Restitution or Settlement Providing for Restitution), 9555 (Failure to Meet the Eligibility or Qualification Standards or Prerequisites for Access to Services), 9556 (Failure to Comply with Temporary and Permanent Cease and Desist Orders, or Orders that Impose Conditions or Restrictions), and 9561 (Procedures for Regulating Activities Under Rule 4111).

cancellation of membership, a timely request for a hearing will automatically stay the cancellation pursuant to FINRA Rule 9559(c). If the member firm fails to take the action specified in the notice, or to submit a timely request for a hearing, the cancellation will be effective within seven to twenty-one days following service of the notice, depending on the rule pursuant to which the expedited proceeding has been brought.¹²

FINRA Rule 9559 sets forth the hearing procedures for expedited proceedings under the FINRA Rule 9550 Series, including, among others, the appointment of a Hearing Officer or Hearing Panel, time and notice of hearing, and the timing of the decision. FINRA Rule 9559(n) provides that the Hearing Officer or Panel is authorized to approve, modify, or withdraw any sanction imposed in the notice, including a cancellation of membership, and with limited exceptions, may impose any other fitting sanction pursuant to FINRA Rule 8310(a). Such sanction could include expulsion of the member firm.¹³

FINRA Rule 9559(p) sets forth the requirements for the contents of the decision of the Hearing Officer or Panel, and pursuant to subparagraph (6), the decision must include the date on which any sanction will be effective, if it is not already effective.¹⁴ FINRA is proposing to amend FINRA Rule 9559(p)(6) to provide that an expulsion or

¹² See FINRA Rules 9553(d), 9554(d), 9555(d), 9556(d), and 9561(b)(4).

¹³ See supra note 8 regarding expulsions and cancellations of membership.

¹⁴ Unlike in a disciplinary proceeding, a respondent does not have a right to appeal a decision issued by a Hearing Officer or Panel in an expedited proceeding under the FINRA Rule 9550 Series to the National Adjudicatory Council (“NAC”). See infra note 16. However, pursuant to FINRA Rule 9559(q), the NAC’s Review Subcommittee may call a proposed decision for review. If the NAC’s Review Subcommittee does not call the proposed decision for review, the decision of the Hearing Officer or Panel is considered final FINRA action.

cancellation of membership in an expedited proceeding shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

In addition, FINRA Rule 9559(r) currently provides that the filing of an application for review by the SEC does not stay the effectiveness of a final FINRA action in an expedited proceeding under the FINRA Rule 9550 Series, unless the SEC otherwise orders. FINRA is proposing to amend this provision to provide that, pursuant to amended FINRA Rule 9559(p)(6), an expulsion or cancellation of membership in an expedited proceeding shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

Disciplinary Proceedings

FINRA rules generally provide that sanctions imposed in disciplinary proceedings under the FINRA Rule 9200 Series will be effective on a date prescribed by a Hearing Panel. Unless otherwise provided in the decision, the expulsion of a member firm is effective immediately upon the written decision of the Hearing Panel (or Hearing Officer, in the case of a default decision) becoming the final disciplinary action of FINRA,¹⁵ i.e., if the decision is not timely appealed to or called for review by the National Adjudicatory Council (“NAC”).¹⁶

¹⁵ See FINRA Rules 9268(f) and 9269(d).

¹⁶ The NAC is FINRA’s appellate body and presides primarily over disciplinary matters that have been appealed to or called for review by the NAC pursuant to the FINRA Rule 9300 Series and statutory disqualification proceedings pursuant to the FINRA Rule 9520 Series. For most matters the NAC considers, its written

A member firm seeking review of an expulsion imposed in a decision under the FINRA Rule 9200 Series must appeal to the NAC in the first instance and not directly to the SEC.¹⁷ If affirmed on review by the NAC or the FINRA Board (“Board”),¹⁸ the expulsion is effective upon service of the decision of the NAC or Board, as applicable, unless otherwise provided in the decision, pursuant to current FINRA Rule 9360.

FINRA is proposing to amend FINRA Rule 9360 to provide that an expulsion of a member firm imposed by the NAC or Board in a disciplinary proceeding shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

In addition, FINRA Rule 9370 currently provides that the filing of an application for review by the SEC stays the effectiveness of any sanction, other than a bar or expulsion, imposed in a decision constituting final disciplinary action of FINRA for

decision becomes final FINRA action if the FINRA Board does not call the proposed decision for review pursuant to FINRA Rule 9351. With respect to expedited proceedings, the NAC’s Review Subcommittee may call for review by the NAC a proposed decision prepared by a Hearing Officer or Panel; the FINRA Board does not have discretion to call the NAC’s decision for review under FINRA rules.

¹⁷ See generally FINRA Rule 9300 Series (Review of Disciplinary Decision by National Adjudicatory Council and FINRA Board; Application for SEC Review). See also, e.g., Edward J. Jakubik, Jr., Exchange Act Release No. 61541, 2010 SEC LEXIS 1014, *13 (Feb. 18, 2010) (dismissing appeal and holding that applicant “failed to exhaust his administrative remedies by appealing to the NAC, as required by NASD’s rules. We have repeatedly held that the Commission will not consider an application for review if the applicant failed to follow NASD procedures.”) (internal citations omitted).

¹⁸ Pursuant to FINRA Rule 9351, the Board has the discretion to call a disciplinary proceeding for review after receiving the proposed written decision of the NAC.

purposes of SEA Rule 19d-1(c)(1). FINRA is proposing to amend this Rule to provide that, pursuant to amended FINRA Rule 9360, an expulsion in a decision issued under FINRA Rule 9349 (by the NAC) or FINRA Rule 9351 (by the Board) shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.¹⁹

FINRA is also proposing a conforming change to FINRA Rule 9370 to replace the current language, which provides that a respondent “may apply” for SEC review of any action taken pursuant to the FINRA Rule 9200 Series or FINRA Rule 9300 Series, with language stating that such review “is governed” by Section 19 of the Exchange Act. This proposed amendment would achieve consistency with other provisions of FINRA’s Code of Procedure addressing SEC review of final FINRA actions and mirrors the language of, for example, FINRA Rule 9559(r), discussed above, and FINRA Rule 9870 relating to cease and desist orders issued under the FINRA Rule 9800 Series.

¹⁹ Pursuant to the proposed rule change, FINRA Rule 9370 also would expressly state that the filing of an application for review by the SEC shall not stay the effectiveness of an expulsion imposed in a decision constituting final disciplinary action of FINRA under FINRA Rule 9268 or Rule 9269, as is the case today. The proposed rule change does not operate as a stay where a member firm has defaulted (i.e., has not availed itself of the opportunity for a hearing before FINRA adjudicators or taken other interim actions available under FINRA rules to avert a sanction), or has failed to exhaust its administrative remedies through FINRA’s appellate process (see supra notes 16 and 17 and accompanying text). However, if an expulsion in a decision under FINRA Rule 9268 or Rule 9269 is appealed to or called for review by the NAC, the decision will be stayed until the NAC issues a decision or, in cases called for discretionary review by the Board, until the Board issues a decision. See FINRA Rules 9311(b) and 9312(b). If the NAC or Board subsequently affirms the expulsion, the effectiveness of such expulsion would be stayed pursuant to amended FINRA Rule 9360.

Eligibility Proceedings

Under FINRA Rules, if a disqualified member firm fails to request relief within 10 days of receiving notice of disqualification, its membership will be cancelled, unless FINRA staff grants an extension for good cause shown.²⁰ A disqualified member firm may apply for continued membership under the FINRA Rule 9520 Series. Pursuant to FINRA Rule 9524, if FINRA staff recommends denial of the application, the member firm may request a hearing before the NAC. A hearing panel of the NAC conducts a hearing and prepares a proposed written decision for review by the NAC's Statutory Disqualification Committee.²¹ After review by the Statutory Disqualification Committee, the NAC reviews the proposed decision and provides a proposed written decision to the Board.²² After receipt of the NAC's proposed written decision, the Board has discretion to call the proceeding for review pursuant to FINRA Rule 9525.

The denial by the NAC or Board of an application for continued membership is immediately effective, pursuant to FINRA Rules 9524(b)(3) and 9525(e), respectively. The Funding Portal rules, which generally provide that funding portal members are otherwise subject to the FINRA Code of Procedure, contain provisions governing eligibility proceedings that are comparable to FINRA Rules 9524(b)(3) and 9525(e).²³

FINRA is proposing to amend FINRA Rules 9524(b)(3) and 9525(e), and Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) to provide that a decision to deny

²⁰ See, e.g., FINRA Rule 9522(a)(2).

²¹ See FINRA Rules 9524(a)(1), (a)(10).

²² See FINRA Rule 9524(b).

²³ See Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E), respectively.

an application for continued membership of a disqualified member firm or a disqualified funding portal member, as applicable, shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19. The proposed rule change also would update the language of the FINRA and Funding Portal rules by replacing references to “re-entry,” a term that is no longer in use, with the more precise and descriptive phrase, “application for a disqualified member’s continued membership” and “application for a disqualified funding portal member’s continued membership,” respectively. Finally, pursuant to the proposed rule change, these rules would expressly state that a decision to deny any other application under the FINRA Rule 9520 Series and Funding Portal Rule 900(b), e.g., an application for continued association of a disqualified person, shall be effective immediately, as is the case today.

In addition, FINRA Rule 9527 and Funding Portal Rule 900(b)(14) currently provide that the filing of an application for review by the SEC does not stay the effectiveness of final action by FINRA in an eligibility proceeding under the FINRA Rule 9520 Series and Funding Portal Rule 900(b), respectively, unless the SEC otherwise orders. FINRA is proposing to amend FINRA Rule 9527 to provide that, pursuant to amended FINRA Rules 9524(b)(3) and 9525(e), a decision to deny an application for a disqualified member firm’s continued membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19. Similarly, FINRA is proposing to amend

Funding Portal Rule 900(b)(14) to include a cross-reference to amended Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) and to make identical amendments regarding the effectiveness of a denial of an application for a disqualified funding portal member's continued membership.

FINRA Rule 8320

A member firm can be expelled outside of a disciplinary proceeding or expedited proceeding pursuant to FINRA Rule 8320. Specifically, FINRA Rule 8320(b) provides that after seven days' written notice, FINRA may summarily suspend or expel from membership a member firm that fails to (1) pay promptly a fine or other monetary sanction imposed pursuant to FINRA Rule 8310, or cost imposed pursuant to FINRA Rule 8330 when such fine, monetary sanction, or cost becomes finally due and payable; or (2) terminate immediately the association of a person who fails to pay promptly a fine or other monetary sanction imposed pursuant to FINRA Rule 8310, or cost imposed pursuant to FINRA Rule 8330 when such fine, monetary sanction, or cost becomes finally due and payable.

FINRA is proposing to amend FINRA Rule 8320 by renumbering the text of current paragraph (b) as paragraph (b)(1), and renumbering current paragraphs (b)(1) and (b)(2) as (b)(1)(A) and (b)(1)(B), respectively. FINRA also proposes to adopt new paragraph (b)(2) to provide that an expulsion of a member firm under paragraph (b)(1) shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

FINRA notes that the proposed rule change affects a small number of cases. A review of FINRA records from January 2020 through March 31, 2025, found a total of nine adjudicated decisions resulting in an expulsion or cancellation of membership—two were in disciplinary proceedings and not appealed to the NAC; three were in expedited proceedings; and four were issued by the NAC in appeals of disciplinary decisions. As of the end of the review period, four of the nine decisions had been appealed to the SEC, three of which appeals were unsuccessful, and one remains pending. In addition, there were two expulsions pursuant to FINRA Rule 8320 during the review period, neither of which was appealed to the SEC. Between 2020 and 2024 (the last full year of data), the adjudicated decisions resulting in expulsions and cancellations of membership represented an average of 12% of all expulsions and cancellations. On an annual basis, the number of impacted member firms represented, on average, 0.6% of FINRA membership. FINRA notes that there were no denials of applications for continued membership of disqualified member firms within the five-year review period.

FINRA believes that any potential risk to investor protection posed by aligning FINRA rules with the Alpine Preliminary Injunction Decision, as described above, could be mitigated by several factors. In cases where an expulsion, cancellation of membership, or denial of an application for continued membership has been appealed to the SEC, FINRA will seek expeditious resolution by the SEC. And, where appropriate, FINRA may take additional steps to provide interim customer protections during the pendency of an appeal of a disciplinary decision imposing an expulsion or cancellation of membership. Pursuant to FINRA Rule 9285, in a disciplinary proceeding appealed to or called for review by the NAC, a Hearing Officer is authorized to impose any conditions

or restrictions on the activities of a respondent member firm that the Hearing Officer considers reasonably necessary for the purpose of preventing customer harm. Such conditions or restrictions would target the misconduct at issue in the disciplinary proceeding and deter the member firm from engaging in further misconduct. The conditions or restrictions would remain in place until FINRA's final decision takes effect and all appeals, including an appeal to the SEC, are exhausted. Finally, FINRA notes that information about disciplinary proceedings and sanctions against member firms is available through FINRA's BrokerCheck.²⁴ Accordingly, investors would be able to obtain information regarding whether a member firm is subject to any adverse regulatory action that is the subject of a pending application for SEC review.²⁵

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 on the date of filing.

²⁴ BrokerCheck provides the public with information on the professional background, business practices, and conduct of member firms and their associated persons. The information that FINRA releases to the public through BrokerCheck is derived from the Central Registration Depository ("CRD") system, the securities industry online registration and licensing database. Member firms, their associated persons, and regulators report information to the CRD system via the uniform registration forms. See <https://brokercheck.finra.org/>.

²⁵ See FINRA Rule 8313(d), which provides that FINRA shall provide notice to the public if a disciplinary decision of FINRA is appealed to the SEC, and the notice shall state whether the effectiveness of the decision has been stayed pending the outcome of proceedings before the SEC.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,²⁶ which requires, among other things, that FINRA rules 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; and Section 15A(b)(8) of the Act,²⁷ which requires that FINRA rules provide a fair procedure for, among other things, the disciplining of members and persons associated with members.

FINRA believes that the proposed rule change aligns FINRA rules relating to the effectiveness of member firm expulsions in expedited proceedings, and other FINRA actions against member firms that may result in a sanction or action that shares the relevant characteristics of such expulsions, with the D.C. Circuit's ruling in the Alpine Preliminary Injunction Decision. In addition, FINRA believes that any potential risk to investor protection posed by this alignment could be mitigated by the factors discussed above. Finally, FINRA believes that the proposed rule change will provide member firms and interested parties notice and clarity regarding the effectiveness of expulsions, cancellations of membership, and denials of applications for continued membership under FINRA rules. Accordingly, FINRA believes that the proposed rule change will enable FINRA to continue to administer a fair procedure for disciplining member firms while meeting its investor protection goals.

²⁶ 15 U.S.C. 78o-3(b)(6).

²⁷ 15 U.S.C. 78o-3(b)(8).

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 proposed rule change will ensure that FINRA rules relating to the effectiveness of expulsions in expedited proceedings, and other FINRA actions against member firms that may result in a sanction or action that shares the relevant characteristics of such expulsions, are aligned with the D.C. Circuit's ruling in the Alpine Preliminary Injunction Decision. In so doing, FINRA is not imposing new or additional costs or impacts on member firms or investors. Thus, the proposed rule change will allow FINRA to conduct disciplinary proceedings and meet its investor protection goals in a manner that is consistent with the Exchange Act and aligns with the Alpine Preliminary Injunction Decision.

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 Act²⁸ and Rule 19b-4(f)(6) thereunder.²⁹

²⁸ 15 U.S.C. 78s(b)(3)(A).

²⁹ 17 CFR 240.19b-4(f)(6).

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-2025-004 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-2025-004. 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 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 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2025-004 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.³⁰

Jill M. Peterson
Assistant Secretary

³⁰ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

FINRA RULES

* * * * *

8000. INVESTIGATIONS AND SANCTIONS

* * * * *

8300. SANCTIONS

* * * * *

8320. Payment of Fines, Other Monetary Sanctions, or Costs; Summary Action for Failure to Pay

(a) No Change.

(b) Summary Suspension or Expulsion

(1) After seven days notice in writing, FINRA may summarily suspend or expel from membership a member that fails to:

([1]A) pay promptly a fine or other monetary sanction imposed pursuant to Rule 8310 or cost imposed pursuant to Rule 8330 when such fine, monetary sanction, or cost becomes finally due and payable; or

([2]B) terminate immediately the association of a person who fails to pay promptly a fine or other monetary sanction imposed pursuant to Rule 8310 or a cost imposed pursuant to Rule 8330 when such fine, monetary sanction, or cost becomes finally due and payable.

(2) An expulsion under paragraph (b)(1) of this Rule shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

(c) No Change.

* * * * *

9000. CODE OF PROCEDURE

* * * * *

9300. REVIEW OF DISCIPLINARY PROCEEDING BY NATIONAL ADJUDICATORY COUNCIL AND FINRA BOARD; APPLICATION FOR SEC REVIEW

* * * * *

9360. Effectiveness of Sanctions

Unless otherwise provided in the decision issued under Rule 9349 or Rule 9351, a sanction (other than a bar, an expulsion, or a permanent cease and desist order) specified in a decision constituting final disciplinary action of FINRA for purposes of SEA Rule 19d-1(c)(1) shall become effective on a date to be determined by FINRA staff. A bar[, an expulsion,] or a permanent cease and desist order shall become effective upon service of the decision constituting final disciplinary action of FINRA, unless otherwise specified therein. An expulsion shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19. FINRA shall serve the decision on a Respondent by courier, facsimile or

other means reasonably likely to obtain prompt service when the sanction is a bar, an expulsion, or a permanent cease and desist order.

9370. Application to SEC for Review

(a) Appeal to SEC; Effect

[A Respondent aggrieved by final disciplinary] The right to have any action pursuant to the Rule 9200 Series or the Rule 9300 Series [may apply for] reviewed by the SEC [pursuant to] is governed by Section 19[(d)(2)] of the Exchange Act. The filing with the SEC of an application for review by the SEC shall stay the effectiveness of any sanction, other than a bar, or an expulsion under Rule 9268 or 9269, imposed in a decision constituting final disciplinary action of FINRA for purposes of SEA Rule 19d-1(c)(1). Pursuant to Rule 9360, an expulsion in a decision issued under Rule 9349 or Rule 9351 shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

(b) No Change.

9500. OTHER PROCEEDINGS

9520. Eligibility Proceedings

* * * * *

9524. National Adjudicatory Council Consideration

(a) No Change.

(b) Decision

(1) through (2) No Change.

(3) Issuance of Decision After Expiration of Call for Review Period

The National Adjudicatory Council shall provide its proposed written decision to the FINRA Board. The FINRA Board may call the eligibility proceeding for review pursuant to Rule 9525. If the FINRA Board does not call the eligibility proceeding for review, the proposed written decision of the National Adjudicatory Council shall become final, and the National Adjudicatory Council shall serve its written decision on the disqualified member, sponsoring member, and disqualified person, as the case may be, and the Department of Member Regulation pursuant to Rules 9132 and 9134, and may serve its written decision by electronic mail. The decision shall constitute final action of FINRA, unless the National Adjudicatory Council remands the eligibility proceeding. A decision to deny [re-entry or continued association] an application for a disqualified member's continued membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19. A decision to deny any other application under the Rule 9520 Series shall be effective immediately. A decision to approve shall be effective after the SEC issues an acknowledgment letter or, in cases involving SEC ordered sanctions, an order.

(c) No Change.

9525. Discretionary Review by the FINRA Board

(a) through (d) No Change.

(e) Issuance of Decision

The FINRA Board shall issue and serve its written decision on the disqualified member, sponsoring member, and disqualified person, as the case may be, and the Department of Member Regulation pursuant to Rules 9132 and 9134, and may serve the decision on the disqualified party by electronic mail. Service by electronic mail shall be deemed complete upon sending the decision. The decision shall constitute the final action of FINRA, unless the FINRA Board remands the proceeding. A decision to deny [re-entry or continued association] an application for a disqualified member's continued membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19. A decision to deny any other application under the Rule 9520 Series shall be effective immediately. A decision to approve shall be effective after the SEC issues an acknowledgment letter or, in cases involving SEC-ordered sanctions, an order.

* * * * *

9527. Application to SEC for Review

The right to have any action taken pursuant to this Rule Series reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of final action by FINRA, unless the SEC otherwise orders. Pursuant to Rules 9524(b)(3) and 9525(e), a decision to deny an application for a disqualified member's continued membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

9550. Expedited Proceedings

* * * * *

9559. Hearing Procedures for Expedited Proceedings Under the Rule 9550 Series

(a) through (o) No Change.

(p) Contents of Decision

The decision, which for purposes of Rule 9557 means the written decision issued under paragraph (o)(4)(B) of this Rule, shall include:

(1) through (5) No Change.

(6) a statement describing any sanction, requirement, obligation, restriction or limitation imposed, the reasons therefore, and the date upon which such sanction, requirement, obligation, restriction or limitation shall become effective, if they are not already effective, except that an expulsion or cancellation of membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

(q) No Change.

(r) Application to SEC for Review

The right to have any action pursuant to this Rule reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review by the SEC shall not stay the effectiveness of final FINRA action, unless the SEC otherwise orders. Pursuant to paragraph (p)(6) of this Rule, an expulsion or cancellation of membership shall not become effective until the time for filing an application for review

with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

(s) No Change.

* * * * *

FUNDING PORTAL RULES

* * * * *

900. Code of Procedure

(a) No Change.

(b) Eligibility Proceedings

(1) through (11) No Change.

(12) Appeal of Department of Member Regulation's Decision to Deny an Application or a Written Request for Relief

(A) through (L) No Change.

(M) Decision

After considering all the matters presented in the request for relief, the Statutory Disqualification Committee's recommendation, the public interest and the protection of investors, the National Adjudicatory Council may affirm, modify, or reverse in writing the Department of Member Regulation's decision. The National Adjudicatory Council shall provide its proposed decision to the FINRA Board. If the FINRA Board does not call the decision for review, the decision shall be served pursuant to Funding Portal Rule 900(b)(3)(A)(iv) and shall constitute final action of FINRA. A decision to affirm the Department of Member Regulation's

decision to deny an application for a disqualified funding portal member's continued membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19. A decision to affirm the Department of Member Regulation's decision to deny any other application under Rule 900(b) shall be effective immediately. A decision to approve the Application shall be effective after the SEC issues an order or acknowledgement letter, as the case may be.

(13) Discretionary Review by the FINRA Board

(A) through (D) No Change.

(E) Issuance of Decision

The FINRA Board shall issue and serve its written decision on the disqualified funding portal member, sponsoring funding portal member, or disqualified person, and the Department of Member Regulation pursuant to FINRA Rules 9132 and 9134, as adopted pursuant to Funding Portal Rule 900(a). The decision shall constitute the final action of FINRA, unless the FINRA Board remands the proceeding. A decision to deny [re-entry or continued association] an application for a disqualified funding portal member's continued membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19. A decision

to deny any other application under Rule 900(b) shall be effective immediately. A decision to approve shall be effective after the SEC issues an acknowledgment letter or, in cases involving SEC-ordered sanctions, an order.

(14) Application to SEC for Review

The right to have any action taken pursuant to this Rule Series reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of final action by FINRA, unless the SEC otherwise orders. Pursuant to paragraphs (b)(12)(M) and (b)(13)(E) of this Rule, a decision to deny an application for a disqualified funding portal member's continued membership shall not become effective until the time for filing an application for review with the SEC has expired and no such application is filed or, if such an application is timely filed, until the SEC completes its review under Exchange Act Section 19.

* * * * *