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Page 1 of * 75		SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4		File No. * SR 2025 - * 006 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"/>		
<b>Description</b> Provide a brief description of the action (limit 250 characters, required when Initial is checked *). <div>Proposed Rule Change Relating to the Effectiveness of Certain Immediately Effective FINRA Sanctions and Actions</div>					
<b>Contact Information</b> 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					
<b>Signature</b> 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 06/04/2025 (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: 2025.06.04 14:50:36 -04'00'					

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

**Form 19b-4 Information \***

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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 \***

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FINRA-2025-006 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 \***

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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**

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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.

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Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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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.

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Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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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**

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FINRA-2025-006 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**

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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” or “SEA” or “Exchange Act”),<sup>1</sup> the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend provisions of the FINRA Rule 9000 Series (Code of Procedure) and Funding Portal Rule 900 Series (Code of Procedure) that require or allow for a sanction (e.g., a suspension or bar) or other regulatory measure (such as a denial of a statutory disqualification application, imposition of a cease and desist order, or imposition of conditions, requirements or restrictions) to take effect immediately. The proposed amendments would provide FINRA staff and adjudicators authority to grant respondents and applicants, where appropriate, the opportunity to seek a stay from the SEC or take other appropriate action before the sanction or other regulatory measure takes effect, and in certain instances, would expressly prescribe such amount of time by rule.

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.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

FINRA has filed the proposed rule change for immediate effectiveness. The operative date will be 30 days after the date of the filing.

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

(a) Purpose

Summary

FINRA is proposing amendments to rules addressing disciplinary, expedited, eligibility, temporary cease and desist order ("TCDO") and permanent cease and desist order ("PCDO") proceedings that currently allow for a sanction (e.g., a suspension or bar) or other regulatory measure (such as a denial of a statutory disqualification application, imposition of a cease and desist order, or imposition of conditions, requirements or restrictions) to take effect immediately without the opportunity for respondents or applicants to seek a stay or take other appropriate action. The proposed rule change would provide authority for FINRA staff and adjudicators, including Hearing Officers, Hearing Panels, the National Adjudicatory Council (the "NAC") and the FINRA Board of Governors (the "Board"), to grant respondents and applicants the opportunity to seek a stay from the SEC or take other appropriate action (such as comply with a FINRA notice of requirements or restrictions or file a request with FINRA adjudicators for a hearing and stay) before the sanction or other regulatory measure takes effect. In certain instances, the proposed rule change would expressly prescribe such amount of time by rule. The proposed amendments are consistent with current FINRA rules that contemplate a brief delay before sanctions become effective, as well as SEC precedent granting interim stays to preserve the status quo pending review of an action by a self-regulatory organization ("SRO").

Specifically, the proposed rule change would amend Rules 9269 (Default Decisions), 9285 (Interim Orders and Mandatory Heightened Supervision While on Appeal or on Discretionary Review), 9524 (National Adjudicatory Council Consideration), 9525 (Discretionary Review by the FINRA Board), 9557 (Procedures for Regulating Activities Under Rules 4110, 4120 and 4130 Regarding a Member Experiencing Financial or Operational Difficulties), 9558 (Summary Proceedings for Actions Authorized by Section 15A(h)(3) of the Exchange Act), 9559 (Hearing Procedures for Expedited Proceedings Under the Rule 9550 Series), 9561 (Procedures for Regulating Activities Under Rule 4111) (with conforming changes to related Rule 4111 (Restricted Firm Obligations)), 9840 (Issuance of Order by Hearing Panel), 9850 (Review by Hearing Panel), 9870 (Application to SEC for Review) and Funding Portal Rule 900(b) (Eligibility Proceedings).

Some sanctions and other regulatory measures that are immediately effective under current FINRA rules could have significant near-term effects, for example, if FINRA staff suspends part of a member's business operations to address operational or financial difficulties under Rule 9557.<sup>2</sup> Accordingly, FINRA believes it is appropriate for FINRA staff and adjudicators to have authority to briefly delay the effectiveness of sanctions and other regulatory measures, where appropriate. However, the proposed rule change is not intended to operate as a delay of such sanctions and other regulatory measures in all cases. FINRA anticipates that there will continue to be instances in which imposed sanctions and other regulatory measures, including ones that could have significant near-term effects, take effect immediately in accordance with FINRA protocol

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<sup>2</sup> See *infra* note 3.

and precedent, for example, where the member or associated person poses a risk to investors.<sup>3</sup>

The specific proposed amendments are discussed in greater detail below.<sup>4</sup>

### Disciplinary Proceedings

FINRA rules addressing disciplinary proceedings under the Rule 9200 Series and Rule 9300 Series generally automatically stay, or authorize FINRA adjudicators to provide respondents time to seek a stay of, sanctions or other regulatory measures before they take effect. A Hearing Panel (or Hearing Officer, in the case of default decisions)

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<sup>3</sup> FINRA Rules 9360, 9370, 9524, 9525, 9527 and 9559, and Funding Portal Rule 900(b), as discussed herein, incorporate amendments made in proposed rule change SR-FINRA-2025-004 to stay the effectiveness of certain expulsions of members, cancellations of membership, and denials of applications for continued membership of disqualified members to allow for SEC review. SR-FINRA-2025-004 aligns FINRA rules relating to expulsions in expedited proceedings, and other FINRA actions against members that may result in a sanction or action that shares the relevant characteristics of such expulsions, with the ruling of the United States Court of Appeals for the D.C. Circuit in Alpine Securities Corp. v. FINRA (the “Alpine Preliminary Injunction Decision”). 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. The instant filing would amend rules relating to the effectiveness of sanctions and other regulatory measures that do not share the relevant characteristics of the sanction at issue in the Alpine Preliminary Injunction Decision and thus are not in scope for the stay of effectiveness proposed in SR-FINRA-2025-004.

<sup>4</sup> 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, with limited exceptions. However, the proposed changes to Rules 9557 and 9561 do not affect funding portals because Rules 9557 and 9561 are not incorporated in the Funding Portal Rules (see Funding Portal Rule 900(a)). Further, 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.

must specify the effective date of any sanctions, including, fines, suspensions, bars, or orders to pay restitution,<sup>5</sup> imposed in a disciplinary decision.<sup>6</sup>

A member seeking review of a decision under the Rule 9200 Series must appeal to the National Adjudicatory Council (“NAC”)<sup>7</sup> in the first instance and not directly to the SEC.<sup>8</sup> With limited exceptions, all sanctions imposed by a Hearing Panel or Hearing Officer, including bars, expulsions, and suspensions, are automatically stayed during the pendency of an appeal to or call for review by the NAC.<sup>9</sup> Under Rules 9349(b)(6) and 9360, the NAC may set an effective date of any sanction that affords the respondent an

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<sup>5</sup> See FINRA Rules 8310, 9268 and 9269. See also FINRA’s Sanction Guidelines.

<sup>6</sup> See FINRA Rules 9268(b)(6) and 9269(b).

<sup>7</sup> 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.

<sup>8</sup> 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, at \*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).

<sup>9</sup> See FINRA Rules 9311(b) and 9312(b). An appeal to the NAC, or call for review by the NAC, will not stay a decision, or that part of a decision, that imposes a permanent cease and desist order.

opportunity to seek a stay from the SEC before the sanction takes effect.<sup>10</sup> If the Board calls the matter for review, the stay entered under Rule 9311(b) or Rule 9312(b) shall continue<sup>11</sup> and, in its decision, the Board may set an effective date of any sanction that affords the respondent an opportunity to seek a stay from the SEC before the sanction takes effect.<sup>12</sup>

#### Proposed Amendments to Rule 9269

Under current Rule 9269(d), in the case of default decisions issued by a Hearing Officer, “[u]nless otherwise provided in the default decision, the sanctions shall become effective on a date to be determined by FINRA staff, except that a bar or expulsion shall become effective immediately upon the default decision becoming the final disciplinary action of FINRA.” FINRA believes that the rule as currently structured could potentially be confusing. Accordingly, FINRA is proposing to make a conforming change to Rule 9269(d) to clarify that the phrase “unless otherwise provided in the default decision” also applies to bars and expulsions.

Specifically, the amendment would restructure Rule 9269(d) into three subparagraphs, and new subparagraph (d)(2) would state that unless otherwise provided in the default decision, “a sanction (other than a bar or expulsion) specified in a decision

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<sup>10</sup> See, e.g., Dep’t of Enf’t. v. Sandlapper Sec., LLC, Complaint No. 2014041860801, 2020 FINRA Discip. LEXIS 30, at \*72 (FINRA NAC June 23, 2020) (providing that expulsion and bars imposed on firm and its officers were effective seven calendar days after issuance of the NAC decision, per the terms of the NAC’s decision).

<sup>11</sup> If the Board calls a matter for review, the review shall not stay a decision, or part of that decision, that imposes a permanent cease and desist order.

<sup>12</sup> See FINRA Rules 9349(b)(6) and 9351(d).



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” and “a bar or expulsion specified in a decision shall become effective immediately upon the default decision becoming the final disciplinary action of FINRA for purposes of SEA Rule 19d-1(c)(1).” This amendment would achieve consistency with the structure of existing Rule 9268(f), which governs the effectiveness of sanctions in other disciplinary decisions.

Proposed Amendments to Rule 9285

Pursuant to 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 that the Hearing Officer considers reasonably necessary to prevent customer harm. Such conditions or restrictions are effective even though the sanctions imposed by a Hearing Panel or Hearing Officer are stayed during the pendency of the NAC’s review. A respondent may file a motion with the Review Subcommittee<sup>13</sup> to modify or remove any or all of the conditions or restrictions under Rule 9285(b). Under current Rule 9285(d), interim conditions or restrictions imposed by a Hearing Officer that are not subject to any stay, or imposed by the Review Subcommittee, may take effect immediately and remain effective until FINRA’s final decision in the underlying disciplinary proceeding takes effect and all appeals, including an appeal to the SEC, are exhausted.

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<sup>13</sup> The Review Subcommittee is appointed by the NAC pursuant to FINRA By-Laws to determine whether disciplinary and membership proceedings decisions should be called for review and perform other functions authorized by FINRA rules. See FINRA Reg By-Laws Art. V, Sec. 5.13.

Rule 9285(d) would be amended to provide that “[c]onditions or restrictions imposed by a Hearing Officer that are not subject to any stay shall become effective 10 days after issuance of the Hearing Officer’s written order.” This proposed amendment would provide respondents a brief amount of time to take appropriate action (i.e., file a motion with the Review Subcommittee) before the conditions or restrictions imposed by a Hearing Officer become effective.

#### Expedited Proceedings

Certain actions against members or associated persons may be brought as expedited proceedings under the Rule 9550 Series. These actions include, among others, proceedings for failure to provide information or keep information current; failure to pay FINRA dues, fees, and other charges; failure to comply with an arbitration award or related settlement; and failure to comply with temporary or permanent cease and desist orders or orders that impose conditions or restrictions.<sup>14</sup> In most expedited proceedings, the respondent may be afforded an opportunity to seek a stay from the SEC or take other appropriate action before a sanction or other regulatory measure takes effect.

Upon receipt of notice, a respondent facing a sanction or other regulatory measure in an expedited proceeding may request a hearing before a Hearing Officer or Hearing Panel. In many expedited proceedings, a respondent’s timely filing of a request for a hearing will automatically stay the sanction or other regulatory measure provided in the notice.<sup>15</sup> If the respondent does not request a hearing within the time prescribed in the

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<sup>14</sup> See generally FINRA Rule 9550 Series.

<sup>15</sup> Pursuant to Rule 9559(c), a timely request for a hearing shall stay the effectiveness of a notice issued under Rules 9551 through 9557 and 9561(b), with limited exceptions. However, a respondent’s timely filing of a hearing request

notice, the notice shall constitute final FINRA action.<sup>16</sup> With limited exceptions, a Hearing Officer or Hearing Panel may approve, modify or withdraw any sanctions, requirements, restrictions or limitations imposed by the notice and, pursuant to Rule 8310(a), may also impose any other fitting sanction. The Hearing Officer or Hearing Panel (or the NAC, in matters that the NAC calls for review under Rule 9559(q)) generally may delay the effective date of any sanction pursuant to Rule 9559(p)(6), which provides that the written decision in an expedited proceeding shall include the date upon which such sanction or measure shall become effective, if they are not already effective.<sup>17</sup>

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will not stay the effectiveness of a notice under Rules 9555(a)(2) (a notice regarding failure to meet the eligibility or qualification standards or prerequisites for access to services with respect to services to which the member or person does not already have access), 9558 (summary proceedings for actions authorized by Section 15A(h)(3) of the Act), or 9561(a) (notices under Rule 4111). In addition, the stay provided for in Rule 9559(c) does not apply to a petition filed by FINRA staff for subsequent proceedings in connection with a failure to comply with a TCDO or PCDO pursuant to Rule 9556(h).

<sup>16</sup> See Rules 9551(f), 9553(f), 9554(f), 9555(f), 9556(f), and 9558(f). See also, e.g., Rule 9552(h) (providing that a member or person that is suspended under Rule 9552 after receiving notice and failing to timely request a hearing and that subsequently fails to request termination of such suspension within three months of issuance of the notice shall be automatically expelled or barred) and Rule 9559(m) (providing that failure to appear at a pre-hearing conference or hearing or to comply with a Hearing Officer order requiring the production of information shall be considered an abandonment of the respondent's defense and waiver of any opportunity for a hearing provided by the Rule 9550 Series and such action shall result in a notice issued under the Rule 9550 Series to be deemed a final FINRA action).

<sup>17</sup> As amended in SR-FINRA-2025-004, Rule 9559(p)(6) provides 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.

Rules 9557, 9558 and 9561, however, currently contemplate immediately effective sanctions or other regulatory measures and do not provide FINRA staff and adjudicators authority to afford parties time to seek a stay from the SEC or take other appropriate action.

Proposed Amendments to Rules 9557 and 9559

Rule 9557 outlines FINRA's process for issuing a notice to a member experiencing financial or operational difficulties that may have led to noncompliance with provisions of Rules 4110, 4120 or 4130. Pursuant to Rule 9557(a) and (c), FINRA will issue a notice setting forth the specific grounds and factual basis for the action and the requirements or restrictions being imposed on the member. Under current Rule 9557(d), such requirements or restrictions are immediately effective. Pursuant to Rule 9557(f), the failure to comply with these requirements or restrictions shall be deemed to "result in automatic and immediate suspension" without further notice, unless FINRA staff issues a letter of withdrawal of the requirements or restrictions.

A member served with a Rule 9557 notice may file a written request for a hearing with the Office of Hearing Officers,<sup>18</sup> and under Rule 9557(d), a timely request for a hearing stays the effectiveness of the notice, unless FINRA's Chief Executive Officer (or such other senior officer as the Chief Executive Officer may designate) determines otherwise. Under current Rule 9559(n)(3), if a Hearing Panel approves the requirements or restrictions imposed in the Rule 9557 notice and finds that the respondent has not

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<sup>18</sup> See FINRA Rule 9557(e). A member may also request from FINRA staff a letter of withdrawal of the notice pursuant to Rule 9557(g)(2).

complied with them, the Hearing Panel must impose an immediate suspension. Under current Rule 9559(o)(4)(A), the Hearing Panel's written order is effective when issued.

Rule 9557(d) would be amended to provide that the requirements and restrictions imposed by a notice under Rule 9557(a) are immediately effective "[u]nless otherwise specified therein." Therefore, the proposed rule change would give FINRA staff authority to afford the member an opportunity to take action before a requirement or restriction takes effect. FINRA is proposing a conforming change to Rule 9557(c)(3), which addresses the contents of a notice issued under Rule 9557, to reflect amended paragraph (d). Specifically, paragraph (c)(3) would provide that the notice will state that the requirements and restrictions imposed by the notice are immediately effective "unless otherwise specified therein."

Rule 9557(f) would be amended to provide that FINRA staff will issue a notice of suspension in the event the member fails to comply with the requirements or restrictions imposed under the Rule. FINRA is proposing that such suspension would be effective five business days after service of the notice pursuant to paragraph (b). Thus, firms would no longer be subject to automatic and immediate suspension under the Rule and would have an opportunity to take action before the sanction takes effect. FINRA believes that five business days is a reasonable and sufficient amount of time for a firm to take action (such as comply with the original notice of requirements or restrictions, or file a notice of appeal and request a stay with the SEC) without undermining the purpose of Rule 9557, which is designed to ensure that FINRA can respond to emergency circumstances, such as when a firm is experiencing financial or operational difficulty.

Rule 9557(f) also would be amended to include certain procedural requirements for issuance and service of a notice of suspension.

Specifically, FINRA is proposing the following changes to Rule 9557(f). First, the title of this paragraph would be changed to “Notice of Suspension for Failure to Comply with Requirements or Restrictions under this Rule.” In addition, the amended rule would comprise five new subparagraphs:

- Rule 9557(f)(1): The proposed title for Rule 9557(f)(1) is “Notice of Suspension” and the phrases “without further notice from FINRA staff” and “and immediately” would be removed and the phrase “effective five business days after service of a notice of suspension issued by FINRA staff” would be added.
- Rule 9557(f)(2): The proposed title for Rule 9557(f)(2) is “Service of Notice of Suspension.” The proposed rule text provides that FINRA staff shall serve the member subject to a notice of suspension issued under new paragraph (f) in accordance with the service provisions in Rule 9557(b).
- Rule 9557(f)(3): The proposed title for Rule 9557(f)(3) is “Contents of Notice of Suspension.” This proposed provision is substantially similar to the requirements relating to the contents of notices relating to disciplinary proceedings and other expedited proceedings under existing rules.

Specifically, the proposed rule text states that, “[a] notice of suspension issued and served under this paragraph (f) shall identify the requirements and restrictions with which the member is alleged to have not complied and shall contain a statement of facts specifying the alleged failure. The notice of

suspension shall state when the FINRA action will take effect and explain what the respondent must do to avoid such action.” Thus, the notice of suspension must inform the member that the effective date of the suspension will be five business days after service of the notice, in accordance with paragraph (f)(4).

- Rule 9557(f)(4): The proposed title for Rule 9557(f)(4) is “Effective Date.”

The proposed text states that the effective date for a notice of suspension issued and served under new Rule 9557(f) shall become effective five business days after service of such notice.

- Rule 9557(f)(5): The proposed title for Rule 9557(f)(5) is “Application to SEC for Review.” The proposed text mirrors that of Rule 9559(r) and states that, “[a] notice of suspension issued and served under this paragraph (f) constitutes final action by FINRA. The right to have any action under this paragraph reviewed by the SEC is governed by Section 19 of the Exchange Act.”

FINRA is proposing a conforming change to Rule 9557(c)(5) relating to contents of a notice to reflect amended paragraph (f). Specifically, the phrase “without further notice from FINRA staff” would be removed and the phrase “effective five business days after service of a notice of suspension” would be added. Thus, the member will be on notice that if they fail to comply with the requirements or restrictions, they will receive a subsequent notice and have a limited period in which to take action before they are suspended.

Finally, FINRA is proposing several additional conforming and clarifying changes to Rule 9557. First, in connection with Rule 9557(c), the proposed rule change would add the phrase “of requirements or restrictions” to the title and introductory text and the phrase “paragraph a” to the introductory text to clarify that this paragraph addresses the initial notice issued under Rule 9557 prescribing the requirements or restrictions imposed under the Rule. Second, the proposed rule change removes the word “immediate” from Rule 9557(c)(9) to reflect proposed amendments to Rule 9559(n) discussed below. Third, in Rule 9557(e), FINRA proposes to add the phrase “other than a notice of suspension under paragraph (f)” to clarify that paragraph (e) does not apply to notices of suspension. In other words, a member would not be able to request a withdrawal or a hearing in connection with a notice of suspension issued under paragraph (f). Finally, Rule 9557(g)(2)(B) would be amended to remove the phrase “by a notice” and the word “immediately” and to add the phrase “in accordance with this Rule” to account for the two types of notices that can be issued under the proposed changes to Rule 9557(f) and the revisions throughout Rule 9557 that will provide a brief period of time for respondents to seek a stay before a suspension takes effect.

In connection with the proposed amendments to Rule 9557, FINRA is proposing changes to applicable provisions of Rule 9559. The proposed rule change would remove the word “immediate” from Rule 9559(n)(3) and add the phrase “unless otherwise specified therein” to Rule 9559(o)(4)(A) to provide adjudicators authority to grant respondents a brief amount of time to seek a stay from the SEC before a suspension becomes effective.



Proposed Amendments to Rule 9558

Rule 9558 authorizes FINRA's Chief Executive Officer, or such other senior officer as the Chief Executive Officer may designate, to provide written authorization to FINRA staff to issue on a case-by-case basis a written notice that "summarily": (1) suspends a member, person associated with a member, or person subject to FINRA's jurisdiction who has been expelled or suspended from any SRO or barred or suspended from being associated with a member of any SRO; (2) suspends a member who is in such financial or operational difficulty that FINRA staff determines the member cannot be permitted to continue to do business as a member with safety to investors, creditors, other members, or FINRA; or (3) limits or prohibits any person with respect to access to services offered by FINRA in the aforementioned situations or, in the case of a person who is not a member, if FINRA's CEO or such other senior officer as the CEO may designate determines that such person does not meet the qualification requirements or other prerequisites for such access and cannot be permitted to continue to have such access with safety to investors, creditors, members or FINRA. Under current Rule 9558(d), a prohibition or suspension set forth in the notice is immediately effective.

Under Rule 9558(e), a member or person served with a notice may file a written request for a hearing with the Office of Hearing Officers. A timely request for a hearing shall not stay the effectiveness of a Rule 9558 notice, unless the Chief Hearing Officer or the Hearing Officer assigned to the matter orders otherwise for good cause shown,<sup>19</sup> and the member or person must separately request a stay.

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<sup>19</sup> See FINRA Rule 9559(c)(3).

FINRA is proposing to amend Rule 9558(d) to add the phrase “unless otherwise specified therein” to provide FINRA authority to afford respondents an opportunity to take appropriate action before the requirements or restrictions imposed in the notice take effect.

Proposed Amendments to Rules 9561 and 9559

Rule 9561 provides procedures for notices issued under Rule 4111, which addresses risks from members with a significant history of misconduct. Under Rule 9561(a)(1), FINRA’s Department of Member Supervision (formerly known as and referred to in FINRA rules as “Member Regulation”) will issue a notice of its determination under Rule 4111 that a firm is a “Restricted Firm” and the requirements, conditions or restrictions to which the firm is subject. Under current Rule 9561(a)(4), such requirements, conditions or restrictions are immediately effective. If the member fails to comply with them, the member will be issued a notice under Rule 9561(b) that failure to comply within seven days of service will result in a suspension or cancellation of membership.

Under Rule 9559, a member can request a hearing in connection with a notice issued under Rule 9561(a) (Notice of Requirements or Restrictions) within seven days after service or, if the notice is issued under Rule 9561(b) (Notice of Suspension or Cancellation), before the effective date of the notice. Pursuant to Rule 9559(c)(4), a timely request for a hearing shall not stay the effectiveness of the Rule 9561(a) notice.<sup>20</sup>

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<sup>20</sup> However, if the firm requests review of Member Supervision’s determination that imposes a deposit requirement on the firm for the first time, the firm shall be required to deposit only 25 percent of its restricted deposit requirement or 25 percent of its average excess net capital over the prior year, whichever is less, while the hearing is pending.

By contrast, however, a timely request for a hearing in connection with a Rule 9561(b) notice shall stay the suspension or cancellation under Rule 9559(c)(1).

FINRA is proposing to amend Rule 9561(a)(4) to provide that the Rule 4111 requirements, conditions or restrictions imposed by a notice under paragraph (a) are immediately effective, “unless otherwise specified therein.” In the proposal to adopt Rule 9561, FINRA recognized the importance of making requirements imposed by a notice issued under Rule 9561 immediately effective to protect investors during the pendency of an expedited proceeding given the nature and risk of firms identified as Restricted Firms.<sup>21</sup> Under the proposed rule change, FINRA staff would continue to have authority to impose immediately effective Rule 4111 requirements, conditions or restrictions where even a short delay would pose a risk to investors.

In addition, FINRA is proposing to amend Rule 9559(c)(4) to add “unless the Chief Hearing Officer or the Hearing Officer assigned to the matter orders otherwise for good cause shown,” to provide authority, upon written request, to stay the notice and afford respondents an opportunity to take appropriate action before the requirements or restrictions take effect. FINRA notes that the proposed language mirrors current Rule 9559(c)(3) relating to hearing procedures for Rule 9558 expedited proceedings.

Finally, FINRA is proposing to make conforming changes to Rule 4111. The proposed changes remove the phrase “No Stays” from the title of Rule 4111(e)(2) and add the phrase “unless otherwise ordered pursuant to Rule 9559(c)(4)” to align with the proposed changes to Rule 9559(c)(4).

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<sup>21</sup> See Securities Exchange Act Release No. 90527 (November 27, 2020), 85 FR 78540 (December 4, 2020) (Notice of Filing of File No. SR-FINRA-2020-041).

### Eligibility Proceedings

The Rule 9520 Series sets forth eligibility proceedings under which FINRA may allow a firm or individual subject to statutory disqualification to become or remain a FINRA member, or associate or continue to associate with a FINRA member, respectively. Rules 9524 and 9525 govern NAC and Board decisions addressing statutory disqualification applications.

Pursuant to Rule 9524, in the event that Member Supervision recommends denial of an application, an applicant may request a hearing before the NAC. Under Rule 9524(b)(3), a decision to deny a disqualified member's application for 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," and a decision to deny any other application under the Rule 9520 Series (e.g., an individual's application for continued association) shall be effective immediately.<sup>22</sup> If the Board calls the proceeding for review, under Rule 9525(e), the Board's decision to deny the application (other than an application for continued membership) is effective immediately.

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 Rules 9524(b)(3) and 9525(e). Funding

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<sup>22</sup> As amended in SR-FINRA-2025-004, Rules 9524 and 9525 provide that a decision to deny an application for 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.

Portal Rule 900(b) provides that a funding portal member or associated person who becomes statutorily disqualified may apply to maintain membership or association notwithstanding the disqualification. Like Rules 9524 and 9525, current Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) provide that the NAC's or the Board's decision to deny a statutory disqualification application other than an application for continued membership shall be effective immediately.<sup>23</sup>

Proposed Amendments to Rules 9524 and 9525

FINRA is proposing to amend Rules 9524(b)(3) and 9525(e) to add the phrase “unless otherwise specified therein” after “[a] decision to deny any other application under the Rule 9520 Series shall be effective immediately.” The proposed change would provide the NAC and Board, respectively, authority to grant applicants, other than for continued membership, an opportunity to take action, such as seek a stay from the SEC, before the denial takes effect.

Proposed Amendments to Funding Portal Rule 900

Consistent with the amendments to Rules 9524 and 9525, the proposed rule change would add the phrase “unless otherwise specified therein” to Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) to provide the NAC and the Board, respectively,

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<sup>23</sup> As amended in SR-FINRA-2025-004, Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) provide that 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.

authority to grant applicants, other than for continued membership, an opportunity to seek a stay from the SEC before the denial takes effect.<sup>24</sup>

Temporary and Permanent Cease and Desist Order Proceedings

FINRA may initiate a TCDO proceeding (“TCDO Proceeding”) or PCDO proceeding (“PCDO Proceeding”) under the Rule 9800 Series when a member or associated person is alleged to have violated certain rules.<sup>25</sup> TCDOs and PCDOs issued pursuant to the Rule 9800 Series constitute final and immediately effective disciplinary sanctions imposed by FINRA.<sup>26</sup>

Under current Rule 9840(f), a TCDO or PCDO shall become effective when service of the Hearing Panel’s written decision is complete. At any time after the Office of Hearing Officers serves the TCDO or PCDO, a party may apply to have the order modified, set aside, limited or suspended.<sup>27</sup> Under current Rule 9850, the filing of an application for review of a TCDO or PCDO with a Hearing Panel shall not stay the effectiveness of the order. Under current Rule 9870, the filing of an application for

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<sup>24</sup> The attached Exhibit 5 reflects the text of Rules 9524 and 9525 and Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E), as amended in SR-FINRA-2025-004.

<sup>25</sup> Specifically, FINRA may initiate a TCDO Proceeding with respect to alleged violations of Section 10(b) of the Exchange Act and SEA Rule 10b-5 thereunder; SEA Rules 15g-1 through 15g-9; FINRA Rule 2010 (if the alleged violation is unauthorized trading, or misuse or conversion of customer assets, or based on violations of Section 17(a) of the Securities Act); Rule 2020; or Rule 4330 (if the alleged violation is misuse or conversion of customer assets) or a PCDO Proceeding with respect to alleged violations of Supplementary Material .03 to Rule 5210. See FINRA Rule 9810.

<sup>26</sup> See FINRA Rule 9870.

<sup>27</sup> See FINRA Rule 9850.

review of a TCDO or PCDO with the SEC shall not stay the effectiveness of the order unless the SEC otherwise orders.

Proposed Amendments to Rules 9840, 9850 and 9870

The proposed rule change would add the phrase “unless otherwise specified therein” to Rules 9840(f) and 9870 to provide FINRA adjudicators authority to grant applicants an opportunity to seek a stay from the SEC or take other appropriate action before the TCDO or PCDO takes effect. In addition, the proposed rule change would add the phrase “unless the Chief Hearing Officer or the Deputy Hearing Officer assigned to the matter orders otherwise for good cause shown” to Rule 9850 to provide authority to stay the effectiveness of a TCDO or PCDO upon the filing of an application for review by the Hearing Panel, where appropriate. This language mirrors language in current Rule 9559(c) relating to hearing requests on notices under current Rule 9558 and, as amended in the proposed rule change, Rule 9561(a).

In sum, the proposed amendments to Rules 9269, 9285, 9524, 9525, 9557, 9558, 9559, 9561 (with a conforming change to related Rule 4111), 9840, 9850, 9870, and Funding Portal Rule 900 are consistent with other FINRA rules addressing disciplinary and expedited proceedings that either expressly prescribe a brief delay of effectiveness<sup>28</sup> or provide FINRA staff and adjudicators authority to grant respondents and applicants an opportunity to seek a stay from the SEC or otherwise take appropriate action before a sanction or other regulatory measure takes effect. In addition, the proposed amendments

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<sup>28</sup>

But see supra note 3.

are consistent with SEC precedent granting interim stays in appropriate cases to preserve the status quo pending review of an action by an SRO.<sup>29</sup>

The proposed rule change affects a small number of cases. A review of FINRA records from January 2020 through March 31, 2025, found that there was a total of 15 cases involving one of the amended provisions: nine instances where conditions and restrictions were imposed under Rule 9285, three instances where an individual's statutory disqualification application was denied under Rule 9524 and three instances where notices were issued under Rule 9557.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The operative date will be 30 days after the date of filing.

(b) Statutory Basis

FINRA believes the proposed rule change is consistent with Section 15A(b)(6) of the Act,<sup>30</sup> 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. FINRA believes that

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<sup>29</sup> See, e.g., High Speed Net Solutions, Inc., Exchange Act Release No. 43434, 2000 SEC LEXIS 2942, at \*1 (Oct. 12, 2000) (stating that the SEC previously had granted “an interim stay of the NASD’s decision [to remove the quotation of applicant’s securities from the OTCBB] to provide an opportunity to determine whether a stay should be granted pending review”); Intelispan, Inc., 54 S.E.C. 629, 629 (2000) (stating that the SEC earlier had granted an interim stay of the NASD’s prohibition on members posting quotations in applicant’s securities “to preserve the status quo ante”). See also Securities Exchange Act Release No. 43102 (August 1, 2000), 65 FR 48266, 48269 (August 7, 2000) (Order Approving File No. SR-NASD-99-76) (noting, among other things, that denials of statutory disqualification applications are effective upon service on applicants, subject to the applicant’s requesting a stay of effectiveness from the Commission).

<sup>30</sup> 15 U.S.C. 78o-3(b)(6).



the proposed rule change is consistent with the provisions of Section 15A(b)(8) of the Act,<sup>31</sup> 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 would further the goal of providing a fair process for members and associated persons because it would provide FINRA staff and adjudicators authority to grant respondents and applicants an opportunity to seek a stay from the SEC or take other appropriate action before a sanction (e.g., a suspension or a bar) or other regulatory measure (such as a statutory disqualification denial, imposition of a cease and desist order or imposition of conditions, requirements or restrictions) takes effect. FINRA believes that such authority is appropriate given that some sanctions and other regulatory measures that are immediately effective under current FINRA rules could have significant near-term effects. The proposed rule change is consistent with other FINRA rules that contemplate a brief delay before sanctions become effective<sup>32</sup> and align with SEC precedent granting interim stays to maintain the status quo pending review of an action by an SRO.

In certain instances, the proposed rule change would prescribe such time by rule. FINRA believes that the proposed changes to Rule 9557(f) (and conforming changes to Rule 9559) provide a fair process for issuing a notice of suspension to members experiencing financial or operational difficulties in the event that they fail to comply with restrictions or requirements imposed by FINRA staff. Similarly, the proposed changes to Rule 9285 further the goal of providing a fair process for members and associated

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<sup>31</sup> 15 U.S.C. 78o-3(b)(8).

<sup>32</sup> But see supra note 3.

persons in that the changes provide a brief amount of time for respondents to request review of a Hearing Officer's order imposing conditions or restrictions on their activities before they become effective.

FINRA believes the proposed amendments will not impede the prompt resolution of cases and the remediation of issues the rules are designed to address because the proposed rule change provides FINRA staff and adjudicators authority to briefly delay the effectiveness of sanctions and other regulatory measures; it does not mandate a delay in every case. Thus, where appropriate, FINRA would have authority under the amended rules to allow the sanctions or other regulatory measures to take effect immediately in accordance with FINRA protocol and precedent. Further, FINRA believes that the proposed changes to Rule 9557 (and conforming changes to Rule 9559) provide a streamlined process for suspending members, if necessary, to address the potential risks posed by members experiencing financial or operational difficulties.

FINRA's disciplinary, expedited, eligibility, TCDO and PCDO proceedings and other review processes serve a critical role in providing investor protection and maintaining fair and orderly markets by, for example, sanctioning misconduct and preventing further customer harm by members and associated persons. While the immediately effective provisions that FINRA is proposing to amend have investor-protection benefits, FINRA contemplates that any delay would be brief and reasonably tailored to prevent the imposition of a sanction or other regulatory measure before a respondent or applicant has a chance to seek a stay or take other appropriate action. And, as noted above, where appropriate to protect investors and the public, including, for example, in instances where the member or associated person poses a risk to investors,

FINRA would have authority under the amended rules to allow the sanctions or other regulatory measures to take effect immediately in accordance with FINRA protocol and precedent. Further, the proposed procedures for a notice of suspension under Rule 9557 in the event of a member's non-compliance under the Rule will continue to allow for the efficient and expeditious handling of emergency situations where a firm is experiencing certain financial or operational failures. Accordingly, FINRA does not believe that the proposed rule change would harm investor protection.

**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 provides FINRA staff and adjudicators the authority to grant parties subject to certain types of proceedings an opportunity to seek a stay from the SEC or take other appropriate action before a sanction or other regulatory measure takes effect. The proposed rule change would make these rules consistent with other FINRA rules that contemplate a brief delay before sanctions become effective<sup>33</sup> and align with SEC precedent concerning interim stays. In so doing, FINRA is not imposing new or additional costs or impacts on members or investors.

**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.

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<sup>33</sup> But see supra note 3.

**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) of the Act<sup>34</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>35</sup> 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),<sup>36</sup> 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 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.<sup>37</sup>

FINRA believes that the filing is appropriately filed pursuant to Rule 19b-4(f)(6)(iii) under the Act<sup>38</sup> because the proposed rule change provides authority for FINRA staff and adjudicators to afford members and individuals subject to certain types of proceedings an opportunity to take action before a sanction or other regulatory measure takes effect, and in certain instances, the proposed rule change expressly prescribes the amount of time to take action. The proposed amendments are consistent with existing FINRA rules governing disciplinary and expedited proceedings, and certain

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<sup>34</sup> 15 U.S.C 78s(b)(3)

<sup>35</sup> 17 CFR 240.19b-4(f)(6).

<sup>36</sup> 17 CFR 240.19b-4(f)(6).

<sup>37</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>38</sup> 17 CFR 240.19b-4(f)(6)(iii).

of the proposed amendments are merely clarifying additions and updates to cross-references.

Under existing rules, Hearing Officers, Hearing Panels, the NAC and the Board generally have the ability to provide, in the context of a decision or notice, the date upon which sanctions shall take effect and therefore can provide for a delayed effectiveness, where appropriate. The proposed amendments similarly provide FINRA staff and adjudicators authority to provide for delayed effectiveness, where appropriate. However, FINRA staff and adjudicators will continue to have the ability to impose immediately effective sanctions and other regulatory measures where even a short delay would pose a risk to investor protection. Thus, FINRA does not believe that the proposed rule change would significantly impact the expeditious resolution of a disciplinary, expedited, eligibility, TCDO or PCDO proceeding because any time afforded applicants and respondents under the amended rules would be limited.

The proposed rule change would amend rules relating to the effectiveness of sanctions and other regulatory measures that do not share the relevant characteristics of the sanction at issue in the Alpine Preliminary Injunction Decision and thus are not in scope for the stay of effectiveness proposed in SR-FINRA-2025-004.<sup>39</sup> Nonetheless, FINRA believes that the filing is appropriately filed pursuant to Rule 19b-4(f)(6)(iii) under the Act<sup>40</sup> in that the proposed rule change provides authority for FINRA staff and adjudicators to afford members and individuals subject to certain types of proceedings an

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<sup>39</sup> See supra note 3.

<sup>40</sup> 17 CFR 240.19b-4(f)(6)(iii).

opportunity to take action before a sanction or other regulatory measure takes effect, and in certain instances, expressly prescribes the amount of time to take action.

Finally, FINRA notes that the proposed rule change does not impose any new obligations on firms and is not removing any rights or procedural protections to which firms are currently entitled.

**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-2025-006)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to the Effectiveness of Certain Immediately Effective FINRA Sanctions and Actions

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> 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,<sup>3</sup> 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 amend provisions of the FINRA Rule 9000 Series (Code of Procedure) and Funding Portal Rule 900 Series (Code of Procedure) that require or allow for a sanction (e.g., a suspension or bar) or other regulatory measure (such as a denial of a statutory disqualification application, imposition of a cease and desist order,

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

or imposition of conditions, requirements or restrictions) to take effect immediately. The proposed amendments would provide FINRA staff and adjudicators authority to grant respondents and applicants, where appropriate, the opportunity to seek a stay from the SEC or take other appropriate action before the sanction or other regulatory measure takes effect, and in certain instances, would expressly prescribe such amount of time by rule.

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

Summary

FINRA is proposing amendments to rules addressing disciplinary, expedited, eligibility, temporary cease and desist order ("TCDO") and permanent cease and desist order ("PCDO") proceedings that currently allow for a sanction (e.g., a suspension or bar) or other regulatory measure (such as a denial of a statutory disqualification application,



imposition of a cease and desist order, or imposition of conditions, requirements or restrictions) to take effect immediately without the opportunity for respondents or applicants to seek a stay or take other appropriate action. The proposed rule change would provide authority for FINRA staff and adjudicators, including Hearing Officers, Hearing Panels, the National Adjudicatory Council (the “NAC”) and the FINRA Board of Governors (the “Board”), to grant respondents and applicants the opportunity to seek a stay from the SEC or take other appropriate action (such as comply with a FINRA notice of requirements or restrictions or file a request with FINRA adjudicators for a hearing and stay) before the sanction or other regulatory measure takes effect. In certain instances, the proposed rule change would expressly prescribe such amount of time by rule. The proposed amendments are consistent with current FINRA rules that contemplate a brief delay before sanctions become effective, as well as SEC precedent granting interim stays to preserve the status quo pending review of an action by a self-regulatory organization (“SRO”).

Specifically, the proposed rule change would amend Rules 9269 (Default Decisions), 9285 (Interim Orders and Mandatory Heightened Supervision While on Appeal or on Discretionary Review), 9524 (National Adjudicatory Council Consideration), 9525 (Discretionary Review by the FINRA Board), 9557 (Procedures for Regulating Activities Under Rules 4110, 4120 and 4130 Regarding a Member Experiencing Financial or Operational Difficulties), 9558 (Summary Proceedings for Actions Authorized by Section 15A(h)(3) of the Exchange Act), 9559 (Hearing Procedures for Expedited Proceedings Under the Rule 9550 Series), 9561 (Procedures for Regulating Activities Under Rule 4111) (with conforming changes to related Rule 4111

(Restricted Firm Obligations)), 9840 (Issuance of Order by Hearing Panel), 9850 (Review by Hearing Panel), 9870 (Application to SEC for Review) and Funding Portal Rule 900(b) (Eligibility Proceedings).

Some sanctions and other regulatory measures that are immediately effective under current FINRA rules could have significant near-term effects, for example, if FINRA staff suspends part of a member's business operations to address operational or financial difficulties under Rule 9557.<sup>4</sup> Accordingly, FINRA believes it is appropriate for FINRA staff and adjudicators to have authority to briefly delay the effectiveness of sanctions and other regulatory measures, where appropriate. However, the proposed rule change is not intended to operate as a delay of such sanctions and other regulatory measures in all cases. FINRA anticipates that there will continue to be instances in which imposed sanctions and other regulatory measures, including ones that could have significant near-term effects, take effect immediately in accordance with FINRA protocol and precedent, for example, where the member or associated person poses a risk to investors.<sup>5</sup>

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<sup>4</sup> See infra note 5.

<sup>5</sup> FINRA Rules 9360, 9370, 9524, 9525, 9527 and 9559, and Funding Portal Rule 900(b), as discussed herein, incorporate amendments made in proposed rule change SR-FINRA-2025-004 to stay the effectiveness of certain expulsions of members, cancellations of membership, and denials of applications for continued membership of disqualified members to allow for SEC review. SR-FINRA-2025-004 aligns FINRA rules relating to expulsions in expedited proceedings, and other FINRA actions against members that may result in a sanction or action that shares the relevant characteristics of such expulsions, with the ruling of the United States Court of Appeals for the D.C. Circuit in Alpine Securities Corp. v. FINRA (the "Alpine Preliminary Injunction Decision"). 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. The instant filing would amend rules relating to the

The specific proposed amendments are discussed in greater detail below.<sup>6</sup>

### Disciplinary Proceedings

FINRA rules addressing disciplinary proceedings under the Rule 9200 Series and Rule 9300 Series generally automatically stay, or authorize FINRA adjudicators to provide respondents time to seek a stay of, sanctions or other regulatory measures before they take effect. A Hearing Panel (or Hearing Officer, in the case of default decisions) must specify the effective date of any sanctions, including, fines, suspensions, bars, or orders to pay restitution,<sup>7</sup> imposed in a disciplinary decision.<sup>8</sup>

A member seeking review of a decision under the Rule 9200 Series must appeal to the National Adjudicatory Council (“NAC”)<sup>9</sup> in the first instance and not directly to

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effectiveness of sanctions and other regulatory measures that do not share the relevant characteristics of the sanction at issue in the Alpine Preliminary Injunction Decision and thus are not in scope for the stay of effectiveness proposed in SR-FINRA-2025-004.

<sup>6</sup> 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, with limited exceptions. However, the proposed changes to Rules 9557 and 9561 do not affect funding portals because Rules 9557 and 9561 are not incorporated in the Funding Portal Rules (See Funding Portal Rule 900(a)). Further, 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.

<sup>7</sup> See FINRA Rules 8310, 9268 and 9269. See also FINRA’s Sanction Guidelines.

<sup>8</sup> See FINRA Rules 9268(b)(6) and 9269(b).

<sup>9</sup> 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

the SEC.<sup>10</sup> With limited exceptions, all sanctions imposed by a Hearing Panel or Hearing Officer, including bars, expulsions, and suspensions, are automatically stayed during the pendency of an appeal to or call for review by the NAC.<sup>11</sup> Under Rules 9349(b)(6) and 9360, the NAC may set an effective date of any sanction that affords the respondent an opportunity to seek a stay from the SEC before the sanction takes effect.<sup>12</sup> If the Board calls the matter for review, the stay entered under Rule 9311(b) or Rule 9312(b) shall continue<sup>13</sup> and, in its decision, the Board may set an effective date of any sanction that

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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.

<sup>10</sup> 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, at \*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).

<sup>11</sup> See FINRA Rules 9311(b) and 9312(b). An appeal to the NAC, or call for review by the NAC, will not stay a decision, or that part of a decision, that imposes a permanent cease and desist order.

<sup>12</sup> See, e.g., Dep't of Enf't. v. Sandlapper Sec., LLC, Complaint No. 2014041860801, 2020 FINRA Discip. LEXIS 30, at \*72 (FINRA NAC June 23, 2020) (providing that expulsion and bars imposed on firm and its officers were effective seven calendar days after issuance of the NAC decision, per the terms of the NAC's decision).

<sup>13</sup> If the Board calls a matter for review, the review shall not stay a decision, or part of that decision, that imposes a permanent cease and desist order.

affords the respondent an opportunity to seek a stay from the SEC before the sanction takes effect.<sup>14</sup>

Proposed Amendments to Rule 9269

Under current Rule 9269(d), in the case of default decisions issued by a Hearing Officer, “[u]nless otherwise provided in the default decision, the sanctions shall become effective on a date to be determined by FINRA staff, except that a bar or expulsion shall become effective immediately upon the default decision becoming the final disciplinary action of FINRA.” FINRA believes that the rule as currently structured could potentially be confusing. Accordingly, FINRA is proposing to make a conforming change to Rule 9269(d) to clarify that the phrase “unless otherwise provided in the default decision” also applies to bars and expulsions.

Specifically, the amendment would restructure Rule 9269(d) into three subparagraphs, and new subparagraph (d)(2) would state that unless otherwise provided in the default decision, “a sanction (other than a bar or expulsion) 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” and “a bar or expulsion specified in a decision shall become effective immediately upon the default decision becoming the final disciplinary action of FINRA for purposes of SEA Rule 19d-1(c)(1).” This amendment would achieve consistency with the structure of existing Rule 9268(f), which governs the effectiveness of sanctions in other disciplinary decisions.

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<sup>14</sup> See FINRA Rules 9349(b)(6) and 9351(d).

Proposed Amendments to Rule 9285

Pursuant to 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 that the Hearing Officer considers reasonably necessary to prevent customer harm. Such conditions or restrictions are effective even though the sanctions imposed by a Hearing Panel or Hearing Officer are stayed during the pendency of the NAC's review. A respondent may file a motion with the Review Subcommittee<sup>15</sup> to modify or remove any or all of the conditions or restrictions under Rule 9285(b). Under current Rule 9285(d), interim conditions or restrictions imposed by a Hearing Officer that are not subject to any stay, or imposed by the Review Subcommittee, may take effect immediately and remain effective until FINRA's final decision in the underlying disciplinary proceeding takes effect and all appeals, including an appeal to the SEC, are exhausted.

Rule 9285(d) would be amended to provide that "[c]onditions or restrictions imposed by a Hearing Officer that are not subject to any stay shall become effective 10 days after issuance of the Hearing Officer's written order." This proposed amendment would provide respondents a brief amount of time to take appropriate action (i.e., file a motion with the Review Subcommittee) before the conditions or restrictions imposed by a Hearing Officer become effective.

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<sup>15</sup> The Review Subcommittee is appointed by the NAC pursuant to FINRA By-Laws to determine whether disciplinary and membership proceedings decisions should be called for review and perform other functions authorized by FINRA rules. See FINRA Reg By-Laws Art. V, Sec. 5.13.

### Expedited Proceedings

Certain actions against members or associated persons may be brought as expedited proceedings under the Rule 9550 Series. These actions include, among others, proceedings for failure to provide information or keep information current; failure to pay FINRA dues, fees, and other charges; failure to comply with an arbitration award or related settlement; and failure to comply with temporary or permanent cease and desist orders or orders that impose conditions or restrictions.<sup>16</sup> In most expedited proceedings, the respondent may be afforded an opportunity to seek a stay from the SEC or take other appropriate action before a sanction or other regulatory measure takes effect.

Upon receipt of notice, a respondent facing a sanction or other regulatory measure in an expedited proceeding may request a hearing before a Hearing Officer or Hearing Panel. In many expedited proceedings, a respondent's timely filing of a request for a hearing will automatically stay the sanction or other regulatory measure provided in the notice.<sup>17</sup> If the respondent does not request a hearing within the time prescribed in the notice, the notice shall constitute final FINRA action.<sup>18</sup> With limited exceptions, a

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<sup>16</sup> See generally FINRA Rule 9550 Series.

<sup>17</sup> Pursuant to Rule 9559(c), a timely request for a hearing shall stay the effectiveness of a notice issued under Rules 9551 through 9557 and 9561(b), with limited exceptions. However, a respondent's timely filing of a hearing request will not stay the effectiveness of a notice under Rules 9555(a)(2) (a notice regarding failure to meet the eligibility or qualification standards or prerequisites for access to services with respect to services to which the member or person does not already have access), 9558 (summary proceedings for actions authorized by Section 15A(h)(3) of the Act), or 9561(a) (notices under Rule 4111). In addition, the stay provided for in Rule 9559(c) does not apply to a petition filed by FINRA staff for subsequent proceedings in connection with a failure to comply with a TCDO or PCDO pursuant to Rule 9556(h).

<sup>18</sup> See Rules 9551(f), 9553(f), 9554(f), 9555(f), 9556(f), and 9558(f). See also, e.g., Rule 9552(h) (providing that a member or person that is suspended under Rule

Hearing Officer or Hearing Panel may approve, modify or withdraw any sanctions, requirements, restrictions or limitations imposed by the notice and, pursuant to Rule 8310(a), may also impose any other fitting sanction. The Hearing Officer or Hearing Panel (or the NAC, in matters that the NAC calls for review under Rule 9559(q)) generally may delay the effective date of any sanction pursuant to Rule 9559(p)(6), which provides that the written decision in an expedited proceeding shall include the date upon which such sanction or measure shall become effective, if they are not already effective.<sup>19</sup>

Rules 9557, 9558 and 9561, however, currently contemplate immediately effective sanctions or other regulatory measures and do not provide FINRA staff and adjudicators authority to afford parties time to seek a stay from the SEC or take other appropriate action.

#### Proposed Amendments to Rules 9557 and 9559

Rule 9557 outlines FINRA's process for issuing a notice to a member experiencing financial or operational difficulties that may have led to noncompliance with provisions of Rules 4110, 4120 or 4130. Pursuant to Rule 9557(a) and (c), FINRA

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9552 after receiving notice and failing to timely request a hearing and that subsequently fails to request termination of such suspension within three months of issuance of the notice shall be automatically expelled or barred) and Rule 9559(m) (providing that failure to appear at a pre-hearing conference or hearing or to comply with a Hearing Officer order requiring the production of information shall be considered an abandonment of the respondent's defense and waiver of any opportunity for a hearing provided by the Rule 9550 Series and such action shall result in a notice issued under the Rule 9550 Series to be deemed a final FINRA action).

<sup>19</sup> As amended in SR-FINRA-2025-004, Rule 9559(p)(6) provides 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.



will issue a notice setting forth the specific grounds and factual basis for the action and the requirements or restrictions being imposed on the member. Under current Rule 9557(d), such requirements or restrictions are immediately effective. Pursuant to Rule 9557(f), the failure to comply with these requirements or restrictions shall be deemed to “result in automatic and immediate suspension” without further notice, unless FINRA staff issues a letter of withdrawal of the requirements or restrictions.

A member served with a Rule 9557 notice may file a written request for a hearing with the Office of Hearing Officers,<sup>20</sup> and under Rule 9557(d), a timely request for a hearing stays the effectiveness of the notice, unless FINRA’s Chief Executive Officer (or such other senior officer as the Chief Executive Officer may designate) determines otherwise. Under current Rule 9559(n)(3), if a Hearing Panel approves the requirements or restrictions imposed in the Rule 9557 notice and finds that the respondent has not complied with them, the Hearing Panel must impose an immediate suspension. Under current Rule 9559(o)(4)(A), the Hearing Panel’s written order is effective when issued.

Rule 9557(d) would be amended to provide that the requirements and restrictions imposed by a notice under Rule 9557(a) are immediately effective “[u]nless otherwise specified therein.” Therefore, the proposed rule change would give FINRA staff authority to afford the member an opportunity to take action before a requirement or restriction takes effect. FINRA is proposing a conforming change to Rule 9557(c)(3), which addresses the contents of a notice issued under Rule 9557, to reflect amended paragraph (d). Specifically, paragraph (c)(3) would provide that the notice will state that

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<sup>20</sup> See FINRA Rule 9557(e). A member may also request from FINRA staff a letter of withdrawal of the notice pursuant to Rule 9557(g)(2).

the requirements and restrictions imposed by the notice are immediately effective “unless otherwise specified therein.”

Rule 9557(f) would be amended to provide that FINRA staff will issue a notice of suspension in the event the member fails to comply with the requirements or restrictions imposed under the Rule. FINRA is proposing that such suspension would be effective five business days after service of the notice pursuant to paragraph (b). Thus, firms would no longer be subject to automatic and immediate suspension under the Rule and would have an opportunity to take action before the sanction takes effect. FINRA believes that five business days is a reasonable and sufficient amount of time for a firm to take action (such as comply with the original notice of requirements or restrictions, or file a notice of appeal and request a stay with the SEC) without undermining the purpose of Rule 9557, which is designed to ensure that FINRA can respond to emergency circumstances, such as when a firm is experiencing financial or operational difficulty. Rule 9557(f) also would be amended to include certain procedural requirements for issuance and service of a notice of suspension.

Specifically, FINRA is proposing the following changes to Rule 9557(f). First, the title of this paragraph would be changed to “Notice of Suspension for Failure to Comply with Requirements or Restrictions under this Rule.” In addition, the amended rule would comprise five new subparagraphs:

- Rule 9557(f)(1): The proposed title for Rule 9557(f)(1) is “Notice of Suspension” and the phrases “without further notice from FINRA staff” and “and immediately” would be removed and the phrase “effective five business

days after service of a notice of suspension issued by FINRA staff” would be added.

- Rule 9557(f)(2): The proposed title for Rule 9557(f)(2) is “Service of Notice of Suspension.” The proposed rule text provides that FINRA staff shall serve the member subject to a notice of suspension issued under new paragraph (f) in accordance with the service provisions in Rule 9557(b).
- Rule 9557(f)(3): The proposed title for Rule 9557(f)(3) is “Contents of Notice of Suspension.” This proposed provision is substantially similar to the requirements relating to the contents of notices relating to disciplinary proceedings and other expedited proceedings under existing rules. Specifically, the proposed rule text states that, “[a] notice of suspension issued and served under this paragraph (f) shall identify the requirements and restrictions with which the member is alleged to have not complied and shall contain a statement of facts specifying the alleged failure. The notice of suspension shall state when the FINRA action will take effect and explain what the respondent must do to avoid such action.” Thus, the notice of suspension must inform the member that the effective date of the suspension will be five business days after service of the notice, in accordance with paragraph (f)(4).
- Rule 9557(f)(4): The proposed title for Rule 9557(f)(4) is “Effective Date.” The proposed text states that the effective date for a notice of suspension issued and served under new Rule 9557(f) shall become effective five business days after service of such notice.

- Rule 9557(f)(5): The proposed title for Rule 9557(f)(5) is “Application to SEC for Review.” The proposed text mirrors that of Rule 9559(r) and states that, “[a] notice of suspension issued and served under this paragraph (f) constitutes final action by FINRA. The right to have any action under this paragraph reviewed by the SEC is governed by Section 19 of the Exchange Act.”

FINRA is proposing a conforming change to Rule 9557(c)(5) relating to contents of a notice to reflect amended paragraph (f). Specifically, the phrase “without further notice from FINRA staff” would be removed and the phrase “effective five business days after service of a notice of suspension” would be added. Thus, the member will be on notice that if they fail to comply with the requirements or restrictions, they will receive a subsequent notice and have a limited period in which to take action before they are suspended.

Finally, FINRA is proposing several additional conforming and clarifying changes to Rule 9557. First, in connection with Rule 9557(c), the proposed rule change would add the phrase “of requirements or restrictions” to the title and introductory text and the phrase “paragraph a” to the introductory text to clarify that this paragraph addresses the initial notice issued under Rule 9557 prescribing the requirements or restrictions imposed under the Rule. Second, the proposed rule change removes the word “immediate” from Rule 9557(c)(9) to reflect proposed amendments to Rule 9559(n) discussed below. Third, in Rule 9557(e), FINRA proposes to add the phrase “other than a notice of suspension under paragraph (f)” to clarify that paragraph (e) does not apply to notices of suspension. In other words, a member would not be able to request a

withdrawal or a hearing in connection with a notice of suspension issued under paragraph (f). Finally, Rule 9557(g)(2)(B) would be amended to remove the phrase “by a notice” and the word “immediately” and to add the phrase “in accordance with this Rule” to account for the two types of notices that can be issued under the proposed changes to Rule 9557(f) and the revisions throughout Rule 9557 that will provide a brief period of time for respondents to seek a stay before a suspension takes effect.

In connection with the proposed amendments to Rule 9557, FINRA is proposing changes to applicable provisions of Rule 9559. The proposed rule change would remove the word “immediate” from Rule 9559(n)(3) and add the phrase “unless otherwise specified therein” to Rule 9559(o)(4)(A) to provide adjudicators authority to grant respondents a brief amount of time to seek a stay from the SEC before a suspension becomes effective.

#### Proposed Amendments to Rule 9558

Rule 9558 authorizes FINRA’s Chief Executive Officer, or such other senior officer as the Chief Executive Officer may designate, to provide written authorization to FINRA staff to issue on a case-by-case basis a written notice that “summarily”: (1) suspends a member, person associated with a member, or person subject to FINRA’s jurisdiction who has been expelled or suspended from any SRO or barred or suspended from being associated with a member of any SRO; (2) suspends a member who is in such financial or operational difficulty that FINRA staff determines the member cannot be permitted to continue to do business as a member with safety to investors, creditors, other members, or FINRA; or (3) limits or prohibits any person with respect to access to services offered by FINRA in the aforementioned situations or, in the case of a person

who is not a member, if FINRA's CEO or such other senior officer as the CEO may designate determines that such person does not meet the qualification requirements or other prerequisites for such access and cannot be permitted to continue to have such access with safety to investors, creditors, members or FINRA. Under current Rule 9558(d), a prohibition or suspension set forth in the notice is immediately effective.

Under Rule 9558(e), a member or person served with a notice may file a written request for a hearing with the Office of Hearing Officers. A timely request for a hearing shall not stay the effectiveness of a Rule 9558 notice, unless the Chief Hearing Officer or the Hearing Officer assigned to the matter orders otherwise for good cause shown,<sup>21</sup> and the member or person must separately request a stay.

FINRA is proposing to amend Rule 9558(d) to add the phrase "unless otherwise specified therein" to provide FINRA authority to afford respondents an opportunity to take appropriate action before the requirements or restrictions imposed in the notice take effect.

#### Proposed Amendments to Rules 9561 and 9559

Rule 9561 provides procedures for notices issued under Rule 4111, which addresses risks from members with a significant history of misconduct. Under Rule 9561(a)(1), FINRA's Department of Member Supervision (formerly known as and referred to in FINRA rules as "Member Regulation") will issue a notice of its determination under Rule 4111 that a firm is a "Restricted Firm" and the requirements, conditions or restrictions to which the firm is subject. Under current Rule 9561(a)(4), such requirements, conditions or restrictions are immediately effective. If the member

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<sup>21</sup> See FINRA Rule 9559(c)(3).

fails to comply with them, the member will be issued a notice under Rule 9561(b) that failure to comply within seven days of service will result in a suspension or cancellation of membership.

Under Rule 9559, a member can request a hearing in connection with a notice issued under Rule 9561(a) (Notice of Requirements or Restrictions) within seven days after service or, if the notice is issued under Rule 9561(b) (Notice of Suspension or Cancellation), before the effective date of the notice. Pursuant to Rule 9559(c)(4), a timely request for a hearing shall not stay the effectiveness of the Rule 9561(a) notice.<sup>22</sup> By contrast, however, a timely request for a hearing in connection with a Rule 9561(b) notice shall stay the suspension or cancellation under Rule 9559(c)(1).

FINRA is proposing to amend Rule 9561(a)(4) to provide that the Rule 4111 requirements, conditions or restrictions imposed by a notice under paragraph (a) are immediately effective, “unless otherwise specified therein.” In the proposal to adopt Rule 9561, FINRA recognized the importance of making requirements imposed by a notice issued under Rule 9561 immediately effective to protect investors during the pendency of an expedited proceeding given the nature and risk of firms identified as Restricted Firms.<sup>23</sup> Under the proposed rule change, FINRA staff would continue to

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<sup>22</sup> However, if the firm requests review of Member Supervision’s determination that imposes a deposit requirement on the firm for the first time, the firm shall be required to deposit only 25 percent of its restricted deposit requirement or 25 percent of its average excess net capital over the prior year, whichever is less, while the hearing is pending.

<sup>23</sup> See Securities Exchange Act Release No. 90527 (November 27, 2020), 85 FR 78540 (December 4, 2020) (Notice of Filing of File No. SR-FINRA-2020-041).

have authority to impose immediately effective Rule 4111 requirements, conditions or restrictions where even a short delay would pose a risk to investors.

In addition, FINRA is proposing to amend Rule 9559(c)(4) to add “unless the Chief Hearing Officer or the Hearing Officer assigned to the matter orders otherwise for good cause shown,” to provide authority, upon written request, to stay the notice and afford respondents an opportunity to take appropriate action before the requirements or restrictions take effect. FINRA notes that the proposed language mirrors current Rule 9559(c)(3) relating to hearing procedures for Rule 9558 expedited proceedings.

Finally, FINRA is proposing to make conforming changes to Rule 4111. The proposed changes remove the phrase “No Stays” from the title of Rule 4111(e)(2) and add the phrase “unless otherwise ordered pursuant to Rule 9559(c)(4)” to align with the proposed changes to Rule 9559(c)(4).

#### Eligibility Proceedings

The Rule 9520 Series sets forth eligibility proceedings under which FINRA may allow a firm or individual subject to statutory disqualification to become or remain a FINRA member, or associate or continue to associate with a FINRA member, respectively. Rules 9524 and 9525 govern NAC and Board decisions addressing statutory disqualification applications.

Pursuant to Rule 9524, in the event that Member Supervision recommends denial of an application, an applicant may request a hearing before the NAC. Under Rule 9524(b)(3), a decision to deny a disqualified member’s application for 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,” and a decision to deny any other application under the Rule 9520 Series (e.g., an individual’s application for continued association) shall be effective immediately.<sup>24</sup> If the Board calls the proceeding for review, under Rule 9525(e), the Board’s decision to deny the application (other than an application for continued membership) is effective immediately.

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 Rules 9524(b)(3) and 9525(e). Funding Portal Rule 900(b) provides that a funding portal member or associated person who becomes statutorily disqualified may apply to maintain membership or association notwithstanding the disqualification. Like Rules 9524 and 9525, current Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) provide that the NAC’s or the Board’s decision to deny a statutory disqualification application other than an application for continued membership shall be effective immediately.<sup>25</sup>

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<sup>24</sup> As amended in SR-FINRA-2025-004, Rules 9524 and 9525 provide that a decision to deny an application for 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.

<sup>25</sup> As amended in SR-FINRA-2025-004, Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) provide that 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.

Proposed Amendments to Rules 9524 and 9525

FINRA is proposing to amend Rules 9524(b)(3) and 9525(e) to add the phrase “unless otherwise specified therein” after “[a] decision to deny any other application under the Rule 9520 Series shall be effective immediately.” The proposed change would provide the NAC and Board, respectively, authority to grant applicants, other than for continued membership, an opportunity to take action, such as seek a stay from the SEC, before the denial takes effect.

Proposed Amendments to Funding Portal Rule 900

Consistent with the amendments to Rules 9524 and 9525, the proposed rule change would add the phrase “unless otherwise specified therein” to Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) to provide the NAC and the Board, respectively, authority to grant applicants, other than for continued membership, an opportunity to seek a stay from the SEC before the denial takes effect.<sup>26</sup>

Temporary and Permanent Cease and Desist Order Proceedings

FINRA may initiate a TCDO proceeding (“TCDO Proceeding”) or PCDO proceeding (“PCDO Proceeding”) under the Rule 9800 Series when a member or associated person is alleged to have violated certain rules.<sup>27</sup> TCDOs and PCDOs issued

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<sup>26</sup> The attached Exhibit 5 reflects the text of Rules 9524 and 9525 and Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E), as amended in SR-FINRA-2025-004.

<sup>27</sup> Specifically, FINRA may initiate a TCDO Proceeding with respect to alleged violations of Section 10(b) of the Exchange Act and SEA Rule 10b-5 thereunder; SEA Rules 15g-1 through 15g-9; FINRA Rule 2010 (if the alleged violation is unauthorized trading, or misuse or conversion of customer assets, or based on violations of Section 17(a) of the Securities Act); Rule 2020; or Rule 4330 (if the alleged violation is misuse or conversion of customer assets) or a PCDO

pursuant to the Rule 9800 Series constitute final and immediately effective disciplinary sanctions imposed by FINRA.<sup>28</sup>

Under current Rule 9840(f), a TCDO or PCDO shall become effective when service of the Hearing Panel's written decision is complete. At any time after the Office of Hearing Officers serves the TCDO or PCDO, a party may apply to have the order modified, set aside, limited or suspended.<sup>29</sup> Under current Rule 9850, the filing of an application for review of a TCDO or PCDO with a Hearing Panel shall not stay the effectiveness of the order. Under current Rule 9870, the filing of an application for review of a TCDO or PCDO with the SEC shall not stay the effectiveness of the order unless the SEC otherwise orders.

Proposed Amendments to Rules 9840, 9850 and 9870

The proposed rule change would add the phrase "unless otherwise specified therein" to Rules 9840(f) and 9870 to provide FINRA adjudicators authority to grant applicants an opportunity to seek a stay from the SEC or take other appropriate action before the TCDO or PCDO takes effect. In addition, the proposed rule change would add the phrase "unless the Chief Hearing Officer or the Deputy Hearing Officer assigned to the matter orders otherwise for good cause shown" to Rule 9850 to provide authority to stay the effectiveness of a TCDO or PCDO upon the filing of an application for review by the Hearing Panel, where appropriate. This language mirrors language in current Rule

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Proceeding with respect to alleged violations of Supplementary Material .03 to Rule 5210. See FINRA Rule 9810.

<sup>28</sup> See FINRA Rule 9870.

<sup>29</sup> See FINRA Rule 9850.

9559(c) relating to hearing requests on notices under current Rule 9558 and, as amended in the proposed rule change, Rule 9561(a).

In sum, the proposed amendments to Rules 9269, 9285, 9524, 9525, 9557, 9558, 9559, 9561 (with a conforming change to related Rule 4111), 9840, 9850, 9870, and Funding Portal Rule 900 are consistent with other FINRA rules addressing disciplinary and expedited proceedings that either expressly prescribe a brief delay of effectiveness<sup>30</sup> or provide FINRA staff and adjudicators authority to grant respondents and applicants an opportunity to seek a stay from the SEC or otherwise take appropriate action before a sanction or other regulatory measure takes effect. In addition, the proposed amendments are consistent with SEC precedent granting interim stays in appropriate cases to preserve the status quo pending review of an action by an SRO.<sup>31</sup>

The proposed rule change affects a small number of cases. A review of FINRA records from January 2020 through March 31, 2025, found that there was a total of 15 cases involving one of the amended provisions: nine instances where conditions and restrictions were imposed under Rule 9285, three instances where an individual's

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<sup>30</sup> But see supra note 5.

<sup>31</sup> See, e.g., High Speed Net Solutions, Inc., Exchange Act Release No. 43434, 2000 SEC LEXIS 2942, at \*1 (Oct. 12, 2000) (stating that the SEC previously had granted “an interim stay of the NASD’s decision [to remove the quotation of applicant’s securities from the OTCBB] to provide an opportunity to determine whether a stay should be granted pending review”); Intelispan, Inc., 54 S.E.C. 629, 629 (2000) (stating that the SEC earlier had granted an interim stay of the NASD’s prohibition on members posting quotations in applicant’s securities “to preserve the status quo ante”). See also Securities Exchange Act Release No. 43102 (August 1, 2000), 65 FR 48266, 48269 (August 7, 2000) (Order Approving File No. SR-NASD-99-76) (noting, among other things, that denials of statutory disqualification applications are effective upon service on applicants, subject to the applicant’s requesting a stay of effectiveness from the Commission).

statutory disqualification application was denied under Rule 9524 and three instances where notices were issued under Rule 9557.

FINRA has filed the proposed rule change for immediate effectiveness. The operative date will be 30 days after the date of filing.

## 2. Statutory Basis

FINRA believes the proposed rule change is consistent with Section 15A(b)(6) of the Act,<sup>32</sup> 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. FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(8) of the Act,<sup>33</sup> 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 would further the goal of providing a fair process for members and associated persons because it would provide FINRA staff and adjudicators authority to grant respondents and applicants an opportunity to seek a stay from the SEC or take other appropriate action before a sanction (e.g., a suspension or a bar) or other regulatory measure (such as a statutory disqualification denial, imposition of a cease and desist order or imposition of conditions, requirements or restrictions) takes effect. FINRA believes that such authority is appropriate given that some sanctions and other regulatory measures that are immediately effective under current FINRA rules could have significant near-term effects. The proposed rule change is consistent with

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<sup>32</sup> 15 U.S.C. 78o-3(b)(6).

<sup>33</sup> 15 U.S.C. 78o-3(b)(8).

other FINRA rules that contemplate a brief delay before sanctions become effective<sup>34</sup> and align with SEC precedent granting interim stays to maintain the status quo pending review of an action by an SRO.

In certain instances, the proposed rule change would prescribe such time by rule. FINRA believes that the proposed changes to Rule 9557(f) (and conforming changes to Rule 9559) provide a fair process for issuing a notice of suspension to members experiencing financial or operational difficulties in the event that they fail to comply with restrictions or requirements imposed by FINRA staff. Similarly, the proposed changes to Rule 9285 further the goal of providing a fair process for members and associated persons in that the changes provide a brief amount of time for respondents to request review of a Hearing Officer's order imposing conditions or restrictions on their activities before they become effective.

FINRA believes the proposed amendments will not impede the prompt resolution of cases and the remediation of issues the rules are designed to address because the proposed rule change provides FINRA staff and adjudicators authority to briefly delay the effectiveness of sanctions and other regulatory measures; it does not mandate a delay in every case. Thus, where appropriate, FINRA would have authority under the amended rules to allow the sanctions or other regulatory measures to take effect immediately in accordance with FINRA protocol and precedent. Further, FINRA believes that the proposed changes to Rule 9557 (and conforming changes to Rule 9559) provide a streamlined process for suspending members, if necessary, to address the potential risks posed by members experiencing financial or operational difficulties.

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<sup>34</sup>

But see supra note 5.

FINRA's disciplinary, expedited, eligibility, TCDO and PCDO proceedings and other review processes serve a critical role in providing investor protection and maintaining fair and orderly markets by, for example, sanctioning misconduct and preventing further customer harm by members and associated persons. While the immediately effective provisions that FINRA is proposing to amend have investor-protection benefits, FINRA contemplates that any delay would be brief and reasonably tailored to prevent the imposition of a sanction or other regulatory measure before a respondent or applicant has a chance to seek a stay or take other appropriate action. And, as noted above, where appropriate to protect investors and the public, including, for example, in instances where the member or associated person poses a risk to investors, FINRA would have authority under the amended rules to allow the sanctions or other regulatory measures to take effect immediately in accordance with FINRA protocol and precedent. Further, the proposed procedures for a notice of suspension under Rule 9557 in the event of a member's non-compliance under the Rule will continue to allow for the efficient and expeditious handling of emergency situations where a firm is experiencing certain financial or operational failures. Accordingly, FINRA does not believe that the proposed rule change would harm investor protection.

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 provides FINRA staff and adjudicators the authority to grant parties subject to certain types of proceedings an opportunity to seek a stay from the SEC or take other appropriate action before a sanction or other regulatory measure takes

effect. The proposed rule change would make these rules consistent with other FINRA rules that contemplate a brief delay before sanctions become effective<sup>35</sup> and align with SEC precedent concerning interim stays. In so doing, FINRA is not imposing new or additional costs or impacts on members or investors.

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 Act<sup>36</sup> and Rule 19b-4(f)(6) thereunder.<sup>37</sup>

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.

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<sup>35</sup> But see supra note 5.

<sup>36</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>37</sup> 17 CFR 240.19b-4(f)(6).



#### 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](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2025-006 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-2025-006. 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-2025-006 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.<sup>38</sup>

Jill M. Peterson  
Assistant Secretary

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<sup>38</sup> 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.<sup>1</sup>

\* \* \* \* \*

### FINRA RULES

\* \* \* \* \*

#### 4000. FINANCIAL AND OPERATIONAL RULES

\* \* \* \* \*

#### 4100. FINANCIAL CONDITION

\* \* \* \* \*

#### 4111. Restricted Firm Obligations

(a) through (d) No Change.

##### (e) Department Decision and Notice

(1) No Change.

##### (2) Notice of Department Decision[, No Stays]

No later than 30 days following the Consultation, the Department shall issue a notice of the Department's decision pursuant to Rule 9561(a) that states the obligations to be imposed on the member, if any, under this Rule 4111 and the ability of the member under Rule 9561 to request a hearing with the Office of Hearing Officers. A timely request for a hearing shall not stay the effectiveness of the notice issued under Rule 9561(a), unless otherwise ordered pursuant to Rule 9559(c)(4), except that for a notice under Rule 9561(a) a member subject to a

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<sup>1</sup> This Exhibit 5 reflects Rules 9524(b)(3) and 9525(e) and Funding Portal Rules 900(b)(12)(M) and 900(b)(13)(E) as amended in SR-FINRA-2025-004.

Restricted Deposit Requirement shall be required to deposit in a Restricted Deposit Account the lesser of 25 percent of its Restricted Deposit Requirement or 25 percent of its average excess net capital during the prior calendar year, until the Office of Hearing Officers or the NAC issues a written decision under Rule 9559; provided, however, that a member that has been re-designated as a Restricted Firm as set forth in paragraph (f)(2) of this Rule and is already subject to a previously imposed Restricted Deposit Requirement shall be required to keep in the Restricted Deposit Account the assets then on deposit therein until the Office of Hearing Officers or NAC issues a written decision under Rule 9559.

(f) through (i) No Change.

• • • **Supplementary Material:** -----

.01 through .03 No Change.

\* \* \* \* \*

**9000. CODE OF PROCEDURE**

\* \* \* \* \*

**9200. DISCIPLINARY PROCEEDINGS**

\* \* \* \* \*

**9269. Default Decisions**

(a) through (c) No Change.

**(d) Final Disciplinary Action of FINRA; Effectiveness of Sanctions**

(1) If a default decision is not appealed pursuant to Rule 9311 or called for review pursuant to Rule 9312 within 25 days after the date the Office of

Hearing Officers serves it on the Parties, the default decision shall become the final disciplinary action of FINRA for purposes of SEA Rule 19d-1(c)(1).

(2) Unless otherwise provided in the default decision[, ]:

(A) [the] a sanction[s] (other than a bar or expulsion) 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[,]; and

(B) [except that] a bar or expulsion specified in the decision shall become effective immediately upon the default decision becoming the final disciplinary action of FINRA for purposes of SEA Rule 19d-1(c)(1).

(3) 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 or an expulsion.

\* \* \* \* \*

**9285. Interim Orders and Mandatory Heightened Supervision While on Appeal or on Discretionary Review**

(a) through (c) No Change.

**(d) Duration of Conditions or Restrictions**

Conditions or restrictions imposed by a Hearing Officer that are not subject to any stay shall become effective 10 days after issuance of the Hearing Officer's written order.

Conditions or restrictions imposed by a Hearing Officer [that are not subject to any stay,] or [imposed by] the Review Subcommittee[, ] shall remain effective until FINRA's final decision in the underlying disciplinary proceeding takes effect.

(e) No Change.

\* \* \* \* \*

## **9500. OTHER 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 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, unless otherwise specified therein. 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 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, unless otherwise specified therein. A decision to approve shall be effective after the SEC issues an acknowledgment letter or, in cases involving SEC-ordered sanctions, an order.

\* \* \* \* \*

**9557. Procedures for Regulating Activities Under Rules 4110, 4120 and 4130**

**Regarding a Member Experiencing Financial or Operational Difficulties**

(a) through (b) No Change.

**(c) Contents of Notice of Requirements or Restrictions**

A notice of requirements or restrictions issued under paragraph (a) of this Rule shall:

(1) through (2) No Change.

(3) state that the requirements and/or restrictions imposed by the notice are immediately effective, unless otherwise specified therein;

(4) No Change.

(5) inform the member that, pursuant to paragraph (f) of this Rule, the failure to comply with the requirements and/or restrictions imposed by an effective notice under this Rule shall be deemed [without further notice from FINRA staff,] to result in automatic and immediate suspension, effective five business days after service of a notice of suspension, unless FINRA staff issues a letter of withdrawal of all requirements and/or restrictions imposed by the notice pursuant to paragraph (g)(2) of this Rule;

(6) through (8) No Change.

(9) explain that, pursuant to Rule 9559(n), a Hearing Panel may approve or withdraw the requirements and/or restrictions imposed by the notice, and that if the Hearing Panel approves the requirements and/or restrictions imposed by the notice and finds that the member has not complied with all of them, the Hearing Panel shall impose a[n immediate] suspension on the member.



**(d) Effectiveness of the Requirements and/or Restrictions**

Unless otherwise specified therein, [T]he requirements and/or restrictions imposed by a notice issued and served under this Rule are immediately effective, except that a timely request for a hearing shall stay the effective date for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 9559(o)(4)(A) (whichever period is less), unless FINRA's Chief Executive Officer (or such other senior officer as the Chief Executive Officer may designate) determines that such a stay cannot be permitted with safety to investors, creditors or other members. Such a determination by FINRA's Chief Executive Officer (or such other senior officer as the Chief Executive Officer may designate) cannot be appealed. An extension of the stay period is not permitted. Where a timely request for a hearing stays the action for ten business days after service of the notice or until the Office of Hearing Officers issues a written order under Rule 9559(o)(4)(A) (whichever period is less), the notice shall not be deemed to have taken effect during that entire period.

Any requirements and/or restrictions imposed by an effective notice shall remain in effect unless FINRA staff shall remove or reduce the requirements and/or restrictions pursuant to a letter of withdrawal of the notice issued as set forth in paragraph (g)(2) of this Rule.

**(e) Request for a Letter of Withdrawal of the Notice; Request for a Hearing**

A member served with a notice under this Rule, other than a notice of suspension under paragraph (f), may request from FINRA staff a letter of withdrawal of the notice pursuant to paragraph (g)(2) of this Rule and/or file with the Office of Hearing Officers a written request for a hearing pursuant to Rule 9559.

(1) through (2) No Change.

**(f) [Enforcement of] Notice of Suspension for Failure to Comply with Requirements or Restrictions under this Rule**

**(1) Notice of Suspension**

A member that has failed to comply with the requirements and/or restrictions imposed by an effective notice under this Rule shall be deemed [, without further notice from FINRA staff,] automatically [and immediately] suspended, effective five business days after service of a notice of suspension issued by FINRA staff. Such suspension shall remain in effect unless FINRA staff shall issue a letter, pursuant to paragraph (g)(2) of this Rule, stating that the suspension is lifted.

**(2) Service of Notice of Suspension**

FINRA staff shall serve the member subject to a notice of suspension issued under this paragraph (f) in accordance with the service provisions in paragraph (b) of this Rule.

**(3) Contents of Notice of Suspension**

A notice of suspension issued and served under this paragraph (f) shall identify the requirements and restrictions with which the member is alleged to have not complied and shall contain a statement of facts specifying the alleged failure. The notice of suspension shall state when the FINRA action will take effect and explain what the respondent must do to avoid such action.

**(4) Effective Date**

The suspension referenced in a notice of suspension issued and served under this paragraph (f) shall become effective five business days after service of such notice.

**(5) Application to SEC for Review**

A notice of suspension issued and served under this paragraph (f) constitutes final action by FINRA. The right to have any action under this paragraph reviewed by the SEC is governed by Section 19 of the Exchange Act.

**(g) Additional Requirements and/or Restrictions or the Removal or Reduction of Requirements and/or Restrictions; Letter of Withdrawal of the Notice**

(1) No Change.

**(2) Removal or Reduction of Requirements and/or Restrictions and/or Lifting of Suspension; Letter of Withdrawal**

(A) No Change.

**(B) Lifting of Suspension**

If, upon the member's demonstration to the satisfaction of FINRA staff, FINRA staff determines that a suspension imposed [by a notice] under this Rule should be lifted, FINRA staff shall serve the member, pursuant to paragraph (b) of this Rule, a letter that shall, in the sole discretion of FINRA staff, lift the suspension. Where all or some of the requirements and/or restrictions imposed by a notice issued under this Rule remain in force, the letter shall state that the member's failure to continue to comply with those requirements and/or restrictions that remain

effective shall result in the member being [immediately]suspended in accordance with this Rule.

(h) No Change.

**9558. Summary Proceedings for Actions Authorized by Section 15A(h)(3) of the Exchange Act**

(a) through (c) No Change.

**(d) Effective Date of Limitation, Prohibition or Suspension**

The limitation, prohibition or suspension referenced in a notice issued and served under this Rule is immediately effective, unless otherwise specified therein. The limitation, prohibition or suspension specified in the notice shall remain in effect unless, after a timely written request for a hearing and written request for a stay, the Chief Hearing Officer or Hearing Officer assigned to the matter finds good cause exists to stay the limitation, prohibition or suspension.

(e) through (g) No Change.

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

(a) through (b) No Change.

**(c) Stays**

(1) through (3) No Change.

(4) A timely request for a hearing shall not stay the effectiveness of a notice issued under Rule 9561(a), unless the Chief Hearing Officer or the Hearing Officer assigned to the matter orders otherwise for good cause shown.

(d) through (m) No Change.

**(n) Sanctions, Requirements, Costs and Remands**

(1) through (2) No Change.

(3) In an action brought under Rule 9557, the Hearing Panel shall approve or withdraw the requirements or restrictions imposed by the notice. If the Hearing Panel approves the requirements or restrictions and finds that the respondent has not complied with all of them, the Hearing Panel shall impose a[n immediate] suspension on the respondent that shall remain in effect unless FINRA staff issues a letter of withdrawal of all requirements or restrictions pursuant to Rule 9557(g)(2).

(4) through (6) No Change.

**(o) Timing of Decision**

(1) through (3) No Change.

**(4) Proceedings initiated under Rule 9557**

**(A) Written Order**

Within two business days of the date of the close of the hearing, the Office of Hearing Officers shall issue a written order that reflects the Hearing Panel's summary determinations, as decided by majority vote, and shall serve the Hearing Panel's written order on the Parties. The Hearing Panel's written order under Rule 9557 is effective when issued, unless otherwise specified therein. The Hearing Panel's written order will be followed by a written decision explaining the reasons for the Hearing Panel's summary determinations, as required by paragraphs (o)(4)(B) and (p) of this Rule.

(B) No Change.

(5) through (6) No Change.

(p) through (s) No Change.

**9561. Procedures for Regulating Activities Under Rule 4111**

**(a) Notices Under Rule 4111**

(1) through (3) No Change.

**(4) Effectiveness of the Rule 4111 Requirements**

The Rule 4111 Requirements imposed by a notice issued and served under paragraph (a) of this Rule are immediately effective, unless otherwise specified therein; provided, however, that when a firm requests review of a Department determination under Rule 4111 that imposes a deposit requirement on the firm for the first time, the firm shall be required to deposit only 25 percent of its restricted deposit requirement or 25 percent of its average excess net capital over the prior year, whichever is less, while the hearing is pending. The Rule 4111 Requirements, and the partial deposit requirement required by Rule 4111 and this paragraph, shall remain in effect while the hearing is pending.

(5) through (6) No Change.

(b) No Change.

**••• Supplementary Material: -----**

.01 No Change.

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**9800. TEMPORARY AND PERMANENT CEASE AND DESIST ORDERS**

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**9840. Issuance of Order by Hearing Panel**

(a) though (e) No Change.

**(f) Service and Dissemination Requirements**

The Office of Hearing Officers shall serve the Hearing Panel's decision and any temporary or permanent cease and desist order on the Department of Enforcement and the Respondent (or upon counsel representing the Respondent or person, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the Respondent) by personal service, overnight commercial courier, facsimile, or email. If service is made by facsimile or email, the Office of Hearing Officers shall send an additional copy of the Hearing Panel's decision and any temporary or permanent cease and desist order by personal service or overnight commercial courier. Service is complete upon sending the notice by facsimile or email, sending the notice by overnight courier, or delivering it in person, except that, where duplicate service is required, service is complete when the duplicate service is complete. The temporary or permanent cease and desist order shall be effective when service is complete, unless otherwise specified therein. The Office of Hearing Officers shall provide a copy of a temporary or permanent cease and desist order to each FINRA member with which a Respondent is associated.

(g) No Change.

**9850. Review by Hearing Panel**

At any time after the Office of Hearing Officers serves the Respondent (or counsel representing the Respondent, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141

agrees to accept service for the Respondent) with a temporary or permanent cease and desist order, a Party may apply to the Hearing Panel to have the order modified, set aside, limited, or suspended. The application shall set forth with specificity the facts that support the request. With respect to a temporary cease and desist order, the Hearing Panel that presided over the TCDO Proceeding shall retain jurisdiction to modify, set aside, limit, or suspend the temporary cease and desist order, unless at the time the application is filed a Hearing Panel has already been appointed in the underlying disciplinary proceeding commenced under FINRA Rule 9211 in which case the Hearing Panel appointed in the disciplinary proceeding has jurisdiction. The Hearing Panel shall respond to the request in writing within ten days after receipt of the request, unless otherwise extended by the Chief Hearing Officer or Deputy Chief Hearing Officer for good cause shown. The Hearing Panel's response shall be served on the Respondent (or upon counsel representing the Respondent, or other person authorized to represent others under Rule 9141, when counsel or other person authorized to represent others under Rule 9141 agrees to accept service for the Respondent) via personal service, overnight commercial courier, facsimile, or email. If service is made by facsimile or email, the Office of Hearing Officers shall send an additional copy of the temporary or permanent cease and desist order by personal service or overnight commercial courier. The filing of an application under this Rule shall not stay the effectiveness of a temporary or permanent cease and desist order[.], unless the Chief Hearing Officer or the Deputy Hearing Officer assigned to the matter orders otherwise for good cause shown.

\* \* \* \* \*



**9870. Application to SEC for Review**

Temporary and permanent cease and desist orders issued pursuant to this Rule Series constitute final [and immediately effective] disciplinary sanctions imposed by FINRA and are immediately effective, unless otherwise specified therein. The right to have any action under 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 a temporary or permanent cease and desist order, unless the SEC otherwise orders.

\* \* \* \* \*

**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, unless otherwise specified therein. 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 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, unless otherwise specified therein. A decision to approve shall be effective after the SEC issues an acknowledgment letter or, in cases involving SEC-ordered sanctions, an order.

(14) No Change.

\* \* \* \* \*