

Regulatory Notice

24-02

Branch Office Registration, Designation and Inspections

FINRA Adopts FINRA Rule 3110.19 (Residential Supervisory Location) and FINRA Rule 3110.18 (Remote Inspections Pilot Program), and Announces End of Temporary Relief Related to Updates of Office Information on Forms U4 and BR

Effective Dates:

- ▶ Effective Date of Rule 3110.19 (Residential Supervisory Location): June 1, 2024
- ▶ Effective Date of Rule 3110.18 (Remote Inspections Pilot Program): July 1, 2024
- ▶ End of Regulatory Relief Described in *Regulatory Notice 20-08*: May 31, 2024

Summary

FINRA is issuing this *Notice* to announce the effective dates of two new supplementary materials under FINRA Rule 3110 (Supervision) as follows:

- ▶ Rule 3110.19 (Residential Supervisory Location) becomes effective on June 1, 2024; and
- ▶ Rule 3110.18 (Remote Inspections Pilot Program) becomes effective on July 1, 2024.

FINRA expects to publish additional guidance outlining in greater detail operational processes for compliance with the data and information requirements of Rules 3110.18 and 3110.19.

The rule text for Rules 3110.18 and 3110.19 is available in [Attachment A](#).

In addition, FINRA is announcing May 31, 2024, as the end date of the regulatory relief set forth in [Regulatory Notice 20-08](#) (March 2020) (*Notice 20-08* Relief) with respect to the obligation of firms to maintain current information for employment addresses and branch offices on specified uniform registration forms. In light of these changes, firms are

January 23, 2024

Notice Type

- ▶ Guidance
- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Registered Representatives
- ▶ Registration
- ▶ Regulatory Reporting
- ▶ Risk
- ▶ Senior Management
- ▶ Systems

Key Topics

- ▶ Branch Office Definition
- ▶ Branch Office Registration
- ▶ Central Registration Depository (CRD® or Web CRD)
- ▶ Form BR (Uniform Branch Office Registration Form)
- ▶ Form U4 (Uniform Application for Securities Industry Registration or Transfer)
- ▶ Membership Rules
- ▶ Supervision

Referenced Rules & Notices

- ▶ FINRA IM-1011-1
- ▶ FINRA Rule 1017
- ▶ FINRA Rule 3110
- ▶ Notice to Members 00-73
- ▶ Regulatory Notice 20-08

encouraged to consult with FINRA's Membership Application Program (MAP) Group as they consider the materiality of any potential increase in the number of offices or locations.

Questions concerning this *Notice* should be directed to:

- ▶ Kosha Dalal, Vice President and Associate General Counsel, Office of General Counsel (OGC), at (202) 728-6903 or [email](#);
- ▶ Sarah Kwak, Associate General Counsel, OGC, at (202) 728-8471 or [email](#); or
- ▶ Patricia Ledesma Liebana, Senior Economist, Office of the Chief Economist, at (202) 728-8461 or [email](#).

Background & Discussion

Residential Supervisory Location Designation (Rule 3110.19) Becomes Effective on June 1, 2024

FINRA recently adopted new Rule 3110.19,¹ which will treat a private residence at which an associated person engages in specified supervisory activities, subject to certain safeguards and limitations, as a non-branch location. As a non-branch location, this newly defined residential supervisory location (or RSL) will be subject to inspections on a regular periodic schedule (presumed to be at least every three years)² instead of the annual inspections currently required for an office of supervisory jurisdiction (OSJ) and "supervisory branch office."³ To use this RSL designation under Rule 3110.19, a firm and the associated person at each location must meet specified conditions and eligibility requirements. Among other requirements, a firm must conduct and document a risk assessment,⁴ and provide a list of RSLs to FINRA on a periodic basis. Rule 3110.19(d) requires a member firm that elects to designate any of its offices or locations as RSLs to provide FINRA with a current list of them by the 15th day of the month following each calendar quarter in the manner and format (*e.g.*, through an electronic process or such other process) as FINRA may prescribe.

On June 1, 2024, firms may start using the RSL designation in accordance with Rule 3110.19.⁵ The first RSL list is due to FINRA on October 15, 2024, covering all locations firms designate as RSLs during the period June 1, 2024, through September 30, 2024.⁶

FINRA is currently developing a technological process in FINRA Gateway through which firms will be able to identify their RSLs and meet the obligation to provide their quarterly RSL lists to FINRA in an efficient manner. FINRA expects such technological process to be ready no later than May 31, 2024. As noted above, FINRA expects to publish additional guidance detailing the operational process for the submission of the quarterly RSL list to FINRA.⁷

MAP Rules

As firms prepare for the end of the temporary relief provided through *Notice 20-08* and the effective date of Rule 3110.19, FINRA reminds firms that they should consider whether any potential increase in the number of offices or locations may implicate Rule 1017 (Application for Approval of Change in Ownership, Control, or Business Operations), which requires a firm to seek FINRA's approval for a "material change in business operations,"⁸ or IM-1011-1 (Safe Harbor for Business Expansions). IM-1011-1 specifies the thresholds and conditions for increases in the number of offices (registered or unregistered) that, if met, are presumed not to be material for purposes of Rule 1017. Consistent with guidance provided in *Notice to Members 00-73* (October 2000), if a change in a member's business falls outside of the non-exhaustive list included in the definition of a "material change in business operations" or the terms of the safe harbor provision because, for example, the contemplated expansion exceeds the safe harbor thresholds or the member has a defined "disciplinary history,"⁹ the member must determine whether, based upon all facts and circumstances, the change is material. An assessment of all relevant facts and circumstances may include, among others:

- ▶ the nature of the proposed expansion;
- ▶ the qualifications and experience of the firm's personnel; and
- ▶ the degree to which the firm's existing financial, operational, supervisory and compliance systems can accommodate the change.¹⁰

The member firm is responsible for compliance with Rule 1017. If a member firm is uncertain whether an increase in its number of offices or locations is a material change in business operations, it is encouraged to seek guidance from FINRA's MAP Group through the materiality consultation process.¹¹

Remote Inspections Pilot Program (Rule 3110.18) Becomes Effective on July 1, 2024

In addition to Rule 3110.19, FINRA also adopted new Rule 3110.18.¹² Rule 3110.18 establishes a voluntary, three-year remote inspections pilot program (Pilot Program) to allow eligible member firms to fulfill their Rule 3110(c)(1) inspection obligation of qualified branch offices, including OSJs and non-branch locations remotely, without an on-site visit to such offices or locations, subject to specified terms.

Under Rule 3110.18(i), a firm must affirmatively elect to participate in the Pilot Program by providing FINRA with an "opt-in notice" and once enrolled, must affirmatively elect to withdraw from the Pilot Program by providing FINRA with an "opt-out notice," in the form and manner prescribed by FINRA. FINRA is currently developing a technological process in FINRA Gateway through which firms will be

able to provide FINRA the requisite notices electronically, in an efficient manner. FINRA will provide further details about the manner and format of these notices in subsequent guidance. Notwithstanding the development of this process, the timeframes for firms to opt in or opt out of the Pilot Program are below.¹³

Open Enrollment Periods for Eligible Firms to Opt in to the Pilot Program

An eligible firm that elects to join the Pilot Program in any Pilot Year¹⁴ agrees to participate for the entire duration of that Pilot Year and will be automatically deemed to have elected and agreed to participate in the Pilot Program for each subsequent Pilot Year unless such firm affirmatively notifies FINRA of the firm's withdrawal from the Pilot Program in such subsequent Pilot Year in accordance with Rule 3110.18(i) and the timeframes outlined below.¹⁵

For Pilot Year 1, which starts on July 1, 2024, and ends on December 31, 2024, the timeframe in which an eligible firm may elect to opt in to the Pilot Program is June 1, 2024, through June 26, 2024.¹⁶

An eligible firm that does not elect to join Pilot Year 1 between June 1, 2024, through June 26, 2024, may choose to join the Pilot Program in accordance with the requirements of Rule 3110.18(i) for a subsequent Pilot Year on or before these dates:

- ▶ December 27, 2024, to join Pilot Year 2 (January 1, 2025, to December 31, 2025);
- ▶ December 27, 2025, to join Pilot Year 3 (January 1, 2026, to December 31, 2026); and
- ▶ December 27, 2026, to join Pilot Year 4 (January 1, 2027, to June 30, 2027).

Opt-Out Notification Periods for Firm Participants to Withdraw From the Pilot Program

An eligible firm participant that joined in Pilot Year 1 but elects to withdraw or opt out of a subsequent Pilot Year must affirmatively notify FINRA at least five calendar days before that subsequent Pilot Year. Accordingly, FINRA must receive any such notification on or before these dates:

- ▶ December 27, 2024, to withdraw from participating in Pilot Year 2;
- ▶ December 27, 2025, to withdraw from participating in Pilot Year 3; and
- ▶ December 27, 2026, to withdraw from participating in Pilot Year 4.

A firm participant that does not provide such timely notice to FINRA will be deemed to have elected and agreed to participate for the duration of the subsequent Pilot Year.

Data and Information Requirement

In addition to conducting and documenting a risk assessment for using remote inspections,¹⁷ the terms of the Pilot Program include, among others, providing FINRA with specified data and information.

A firm that elects to participate in the Pilot Program for any amount of time will be required to provide the following data and information to FINRA in the form and manner determined by FINRA:

- ▶ quarterly data for each Pilot Year as specified in Rule 3110.18(h)(1)(A) – (F);
- ▶ supplemental written supervisory procedures for conducting remote inspections in compliance with Rule 3110.18(h)(1)(G), and if applicable, any subsequently amended procedures;¹⁸
- ▶ for a firm participating in Pilot Year 1, additional data and information covering January 1, 2024, through June 30, 2024, the period preceding the effective date of Rule 3110.18, as set forth under Rule 3110.18(h)(2); and
- ▶ acting in good faith using best efforts, calendar year 2019 inspection data and information as specified under Rule 3110.18(h)(3).

FINRA is currently developing a technological process in FINRA Gateway through which firm participants will be able to provide the aggregated data and information to FINRA in an efficient manner. FINRA will provide further details about the process in subsequent guidance.

Firm participants may conduct remote inspections under the Pilot Program starting on July 1, 2024, subject to compliance with the requirements of Rule 3110.18. As of July 1, 2024, firms will no longer be able to rely on Rule 3110.17 to fulfill their Rule 3110(c)(1) obligations, and firms that are ineligible under Rule 3110.18 or that do not elect to participate in the Pilot Program in any given Pilot Year will not be able to conduct any remote inspections during such Pilot Year.¹⁹

Notice 20-08 Relief Ends on May 31, 2024

At the onset of the COVID-19 pandemic, FINRA issued *Regulatory Notice 20-08*, which, among other things, temporarily suspended the requirements that member firms: (1) maintain updated Form U4 (Uniform Application for Securities Industry Registration or Transfer) information regarding the office of employment address for registered persons who temporarily relocated due to the pandemic; and (2) submit branch office applications on Form BR (Uniform Branch Office Registration Form) to report any newly opened temporary office locations or space-sharing arrangements established as a result of the pandemic. FINRA also conveyed in *Regulatory Notice 20-08* and subsequent guidance that as coronavirus-related risks decreased member firms should expect to return to meeting any regulatory obligations for which relief has been provided and that FINRA would announce the end date for the *Notice 20-08 Relief*.²⁰

As the public health emergency due to COVID-19 has officially ended,²¹ FINRA is announcing May 31, 2024, as the date on which the *Notice 20-08* Relief related to the uniform registration forms will end. Starting on June 1, 2024, a member firm that has been relying on the *Notice 20-08* Relief must resume its continuing obligation to: (1) maintain updated Form U4 information regarding the office of employment address for registered persons who relocated due to COVID-19 within the specified timeframe by filing an appropriate amendment as prescribed in Article V, Section 2 of the FINRA By-Laws²²; and (2) submit or update branch office applications on Form BR for any office locations or space-sharing arrangements established as a result of COVID-19 that have not otherwise been registered or updated with FINRA through Form BR as prescribed in Article IV, Section 8 of the FINRA By-Laws.²³ FINRA reminds member firms and registered persons of the obligation to keep information disclosed on such forms current at all times and that amended forms must be filed with FINRA and other applicable regulators not later than 30 days after learning of the facts or circumstances giving rise to the change.²⁴

For firms that relied on the *Notice 20-08* Relief, as of July 1, 2024, Forms U4 and BR must reflect current registration and address information for each office or location.

Key Dates at a Glance

<i>Notice 20-08</i> Relief and RSL	
May 31, 2024	End of <i>Notice 20-08</i> Relief
May 31, 2024	Release of FINRA Gateway functionality for firms to identify their RSLs and meet the obligation to provide their quarterly RSL lists to FINRA in accordance with Rule 3110.19(d)
June 1, 2024	Rule 3110.19 effective date <i>The first day a firm may use the RSL designation.</i>
June 1, 2024	Date on which firms previously relying on the <i>Notice 20-08</i> Relief must comply with the timeframes specified in Article V, Section 2 or Article IV, Section 8 of the FINRA By-Laws

July 1, 2024	Date by which firms previously relying on the <i>Notice 20-08 Relief</i> must file supplementary amendments to Form U4 and BR with FINRA in accordance with Article V, Section 2 or Article IV, Section 8 of the FINRA By-Laws
October 15, 2024	Date by which firms must submit the first RSL list to FINRA <i>The first list will reflect all locations a firm designates as RSLs during the period June 1, 2024, through September 30, 2024.</i>

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Remote Inspections Pilot Program for Pilot Year 1	
June 1, 2024 through June 26, 2024 ²⁵	Period in which a firm may elect to participate in the Pilot Program for Pilot Year 1 (beginning on July 1, 2024, and ending on December 31, 2024) by providing FINRA with an “opt-in notice” in the manner and format prescribed by FINRA ²⁶
June 30, 2024	Sunset of Rule 3110.17 ²⁷ <i>Firms can no longer rely on Rule 3110.17 to conduct remote inspections to satisfy Rule 3110(c)(1).</i>
July 1, 2024	Rule 3110.18 effective date <i>The first day a firm participant may conduct a remote inspection of eligible offices and locations under the specified terms and conditions.</i>
October 15, 2024	Date by which a firm participant’s first set of Pilot Year 1 data and information must be provided to FINRA: <ul style="list-style-type: none"> ▶ Pilot Year 1’s third quarter 2024 data²⁸ and ▶ written supervisory procedures related to remote inspections²⁹

December 27, 2024	<p><u>Notification Deadline to Affirmatively Withdraw from Automatic Participation in Pilot Year 2</u></p> <p>Date by which a firm participant must affirmatively withdraw from the Pilot Program for Pilot Year 2 by providing FINRA with an “opt-out notice” in the manner and format prescribed by FINRA; otherwise, such firm will be automatically deemed to have elected and agreed to participate in the Pilot Program for Pilot Year 2³⁰</p>
December 31, 2024	<p>Deadline by which a firm participant in Pilot Year 1 must provide FINRA:</p> <ul style="list-style-type: none"> ▶ Data covering January 1, 2024, through June 30, 2024;³¹ and ▶ Data for 2019, if available (acting in good faith using best efforts)³²

Remote Inspections Pilot Program for Subsequent Pilot Years

Open enrollment deadlines for an eligible firm to opt in to the Pilot Program after Pilot Year 1 are as follows:

- ▶ December 27, 2024, to join Pilot Year 2
- ▶ December 27, 2025, to join Pilot Year 3
- ▶ December 27, 2026, to join Pilot Year 4

Opt-out notification deadlines for an eligible firm to withdraw from the Pilot Program after completing Pilot Year 1 are as follows:

- ▶ December 27, 2024, to withdraw from participating in Pilot Year 2
- ▶ December 27, 2025, to withdraw from participating in Pilot Year 3
- ▶ December 27, 2026, to withdraw from participating in Pilot Year 4

Endnotes

- 1 See Exchange Act Release No. 98980 (November 17, 2023), 88 FR 82447 (November 24, 2023) (Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of File No. SR-FINRA-2023-006).
- 2 See Rules 3110(c)(1)(C) and 3110.13.
- 3 See Rule 3110(c)(1)(A).
- 4 See Rule 3110.19(e).
- 5 Forms U4 and BR must reflect current registration and address information for each office or location. See discussion regarding the end of the *Notice 20-08 Relief*.
- 6 The first RSL list due to FINRA will cover a four-month period because of the June 1, 2024, effective date of Rule 3110.19. Subsequent RSL lists due in accordance with Rule 3110.19(d) will cover the usual calendar quarter timeframe. For example, the remaining RSL list for calendar year 2024 will cover the period October 1, 2024, through December 31, 2024, and the RSL list would be due on January 15, 2025.
- 7 The Central Registration Depository (CRD) currently provides regulators with information regarding the offices and locations (registered and unregistered) to which associated persons required to be registered are assigned. As part of FINRA's development of a technological process using FINRA Gateway for the collection and submission of the quarterly RSL list, FINRA is also exploring ways to provide this information to state regulators in a practical format. See note 1, *supra*, 88 FR 82447.
- 8 See Rules 1017(a)(5) and 1011(m).
- 9 See IM-1011-1, defining "disciplinary history" to mean "a finding of a violation by the member or a principal of the member in the past five years by the SEC, a self-regulatory organization, or a foreign financial regulatory authority of one or more of the following provisions (or a comparable foreign provision) or rules or regulations thereunder: violations of the types enumerated in Section 15(b)(4)(E) and Section 15(c) of the Exchange Act; Section 17(a) of the Securities Act; SEA Rules 10b-5 and 15g-1 through 15g-9; FINRA Rules 2010 (only if the finding of a violation is for unauthorized trading, churning, conversion, material misrepresentations or omissions to a customer, frontrunning, trading ahead of research reports or excessive markups), 2020, 2111, 2121, 2150, 4330, 3110 (failure to supervise only), 5210, and 5230; and MSRB Rules G-19, G-30, and G-37(b) and (c), and all predecessor NASD rules to such FINRA rules."
- 10 See *generally Notice to Members 00-73* (October 2000); see also FINRA's guidance on the [Materiality Consultation process](#).
- 11 See note 10, *supra*.
- 12 See Exchange Act Release No. 98982 (November 17, 2023), 88 FR 82464 (November 24, 2023) (Ordering Approval of File No. SR-FINRA-2023-007).
- 13 FINRA may, in exceptional cases and where good cause is shown, waive the applicable timeframes for the required opt-in or opt-out notices. See Rule 3110.18(i). As part of any such determination, FINRA may condition granting such waiver to a firm on the provision of specified data and information to FINRA consistent with the Pilot Program.
- 14 See Rule 3110.18(l) (defining "Pilot Year").
- 15 Any such firm must otherwise remain eligible to participate in the Pilot Program in each subsequent Pilot Year subject to the terms of Rule 3110.18(f).

- 16 As referenced above, FINRA is currently developing the process through which firms will be able to provide FINRA the requisite notices in an efficient manner. If the process becomes available before June 1, 2024, FINRA may adjust this timeframe.
- 17 See Rule 3110.18(b).
- 18 See also Rule 3110.18(c).
- 19 Consistent with Rule 3110.18(m), Rule 3110.17 will automatically sunset on June 30, 2024.
- 20 See Key Topics, [COVID-19/Coronavirus Frequency Asked Questions Related to Regulatory Relief Due to the Coronavirus Pandemic](#).
- 21 In May 2023, the World Health Organization (WHO) declared an end to the COVID-19 pandemic, and the U.S. Department of Health and Human Services declared the same for the United States. See WHO, [Statement on the fifteenth meeting of the IHR \(2005\) Emergency Committee on the COVID-19 pandemic](#) (May 5, 2023); and U.S. Health and Human Services (HHS), HHS Secretary Xavier Becerra [Statement on End of the COVID-19 Public Health Emergency](#) (May 11, 2023).
- 22 Article V, Section 2 of the FINRA By-Laws provides, among other things, that “[e]very application for registration filed with [FINRA] shall be kept current at all times by supplementary amendments . . . Such amendment to the application shall be filed with [FINRA] not later than 30 days after learning of the facts or circumstances giving rise to the amendment.”
- 23 Article IV, Section 8 of the FINRA By-Laws provides, among other things, that a member firm “shall promptly advise [FINRA] . . . of the opening, closing, relocation, change in designated supervisor, or change in designated activities of any branch office of such member not later than 30 days after the effective date of such change.”
- 24 See notes 22 and 23, *supra*.
- 25 See note 16, *supra*.
- 26 See Rule 3110.18(i).
- 27 See note 19, *supra*.
- 28 See Rule 3110.19(h)(1)(A) – (F).
- 29 See Rule 3110.18(h)(1)(G); see also Rule 3110.18(c).
- 30 See note 26, *supra*.
- 31 See Rule 3110.18(h)(2).
- 32 See Rule 3110.18(h)(3).