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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2024 - * 51

Amendment No. (req. for Amendments *)

Filing by MIAX PEARL, LLC

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"/>
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Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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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) *

Section 806(e)(2) *

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) *

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

The Exchange proposes to harmonize Exchange Rule 2300 (Supervision) with certain changes by the Financial Industry Regulatory Authority, Inc. (FINRA) to FINRA Rule 3110 to permit eligible Members to participate in FINRAs remote inspections program and to adopt FINRAs Residential Supervisory Location classification.

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Tanya Last Name * Kitaigorovski

Title * AVP, Associate Counsel

E-mail * tkitaigorovski@MIAXGlobal.com

Telephone * (609) 413-5787 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, MIAX PEARL, LLC has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 11/01/2024

(Title *)

By Tanya Kitaigorovski

AVP, Associate 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.

Tanya Kitaigorovski Date: 2024.11.01
16:34:43 -0400

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information *

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SR-PEARL-2024-51 19b4.docx

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

Exhibit 1 - Notice of Proposed Rule Change *

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SR-PEARL-2024-51- 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.

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.

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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SR-PEARL-2024-51 - 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 Proposed Rule Change

(a) MIAX PEARL, LLC (“MIAX Pearl” or the “Exchange”), pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² proposes to harmonize Exchange Rule 2300 (Supervision) with certain changes by the Financial Industry Regulatory Authority, Inc. (“FINRA”) to FINRA Rule 3110 to permit eligible Members³ to participate in FINRA’s remote inspections program (“FINRA Pilot Program”) and to adopt FINRA’s Residential Supervisory Location (“RSL”) classification.

Notice of the proposed rule change for publication in the Federal Register is attached hereto as Exhibit 1, and a copy of the proposed amended rule text is attached hereto as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Chief Executive Officer of the Exchange or his designee pursuant to authority delegated by the Exchange Board of Directors on January 19, 2024. Exchange staff will advise the Board of Directors of any action taken pursuant to delegated authority. No other action by the Exchange is necessary for the filing of the proposed rule change.

Questions and comments on the proposed rule change may be directed to Tanya Kitaigorovski, AVP, Associate Counsel, at (609) 413-5787.

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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “Member” herein refers to “Equity Member.” The term “Equity Member” is a Member authorized by the Exchange to transact business on MIAX Pearl Equities. See Exchange Rule 1901.

a. Purpose

The Exchange proposes to harmonize Exchange Rule 2300 (Supervision) with certain changes by FINRA to FINRA Rule 3110 to permit eligible Members to participate in the FINRA Pilot Program and to adopt FINRA's RSL classification. The proposed rule change would harmonize the Exchange's office and other location inspection rules with those of FINRA and thus promote uniform inspection standards across the securities industry. Additionally, because proposed Interpretations and Policies .18 and .19 of Rule 2300 would be substantially similar to FINRA Rule 3110.18 and FINRA Rule 3110.19, respectively, this rule change enables Rule 2300 to continue to be incorporated into the agreement between the Exchange and FINRA to allocate regulatory responsibility for common rules (the "17d-2 Agreement").⁴

Background and Proposed Rule Change

Exchange Rule 2300 is based on FINRA Rule 3110⁵ and requires Members to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable Exchange rules, and sets forth the minimum requirements for such supervisory system.⁶ Under Exchange Rule 2300, final responsibility for proper supervision rests with the Member.

As part of an overall supervisory system, Members must conduct inspections of each of their offices or locations on a designated frequency depending on the classification of the

⁴ See Securities Exchange Act Release No. 79929 (February 2, 2017), 82 FR 9757 (February 8, 2017). The 17d-2 Agreement includes a certification by the Exchange that states that the requirements contained in certain Exchange rules are identical to, or substantially similar to, certain FINRA rules that have been identified as comparable.

⁵ See Securities Exchange Act Release No. 91303 (March 11, 2021), 86 FR 14659 (March 17, 2021) (SR-PEARL-2021-04).

⁶ See Exchange Rule 2300(a).

location or the nature of the activities that take place: an office of supervisory jurisdiction (“OSJ”) and supervisory branch offices must be inspected at least annually;⁷ non-supervisory branch offices, at least every three years;⁸ and non-branch locations on a periodic schedule, presumed to be at least every three years.⁹ Moreover, Members must retain a written record of the date upon which each review and inspection occurred, reduce a location’s inspection to a written report and keep each inspection report on file either for a minimum of three years or, if the location’s inspection schedule is longer than three years, until the next inspection report has been written.¹⁰ If applicable to the location being inspected, the inspection report must include the testing and verification of the Member’s policies and procedures, including supervisory policies and procedures, in specified areas.¹¹ Finally, the rule requires a member to ensure that the person conducting the inspection is not an associated person assigned to the location or is not directly or indirectly supervised by, or otherwise reporting to, an associated person assigned to the location.¹² The factors governing what constitutes a reasonable review are set out in Interpretations and Policies .12 of Exchange Rule 2300 (Standards for Reasonable Review).

In 2023, recognizing how operations and business models within the financial services industry have evolved with changes in technology that were accelerated by the COVID-19 pandemic, including in particular the implementation by a large number of firms of a hybrid work environment during the public health crisis, FINRA adopted two amendments to FINRA

⁷ See Exchange Rule 2300(c)(1)(A).

⁸ See Exchange Rule 2300(c)(1)(B).

⁹ See Exchange Rule 2300(c)(1)(C) and Interpretations and Policies .13 of Exchange Rule 2300 (General Presumption of Three-Year Limit for Periodic Inspection Schedules).

¹⁰ See Exchange Rule 2300(c)(2).

¹¹ See Exchange Rule 2300(c)(2)(A).

¹² See Exchange Rule 2300(c)(3)(B).

Rule 3110. First, FINRA established a voluntary, three-year remote inspections pilot program to allow eligible members to fulfill their FINRA 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 certain conditions and criteria.¹³ The FINRA Pilot Program is set forth in Supplementary Material .18 of FINRA Rule 3110. Second, FINRA adopted new Supplementary Material .19 to FINRA Rule 3110 that treats an associated person's private residence where specified supervisory activities are conducted, subject to certain safeguards and limitations, as a non-branch location (i.e., unregistered office). As a non-branch location under FINRA Rule 3110(c), the RSL would be subject to inspections on a regular periodic schedule instead of the annual inspection currently required for every OSJ and supervisory branch offices.¹⁴

The Exchange proposes to incorporate each of these amendments into Exchange Rule 2300, as follows.

Interpretations and Policies .18 of Exchange Rule 2300¹⁵

The Exchange proposes, consistent with current FINRA Rule 3110, Supplementary Material .18, to adopt new Interpretations and Policies .18 of Exchange Rule 2300 in order to provide eligible Members that are also FINRA members¹⁶ with the flexibility to opt into the

¹³ See Securities Exchange Act Release No. 98982 (November 17, 2023), 88 FR 82464 (November 24, 2023) (File No. SR-FINRA-2023-007) (Order Approving a Proposed Rule Change To Adopt Supplementary Material .18 (Remote Inspections Pilot Program) Under FINRA Rule 3110 (Supervision)). Pursuant to FINRA Rule 3110.18(m), on the sunset of Rule 3110.18, if FINRA Rule 3110.18 has not already expired by its own terms, FINRA Rule 3110.18 will automatically sunset on June 30, 2024.

¹⁴ See Securities Exchange Act Release No. 98980 (November 17, 2023), 88 FR 82447 (November 24, 2023) (File No. SR-FINRA-2023-006) (Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Adopt Supplementary Material .19 (Residential Supervisory Location) Under FINRA Rule 3110 (Supervision)).

¹⁵ The Exchange would add new Interpretations and Policies .15, .16, and .17 marked "Reserved" in order to maintain consistency with FINRA.

¹⁶ Currently, all Exchange Members with one exception are also FINRA members.

FINRA Pilot Program, consisting of a voluntary, three-year remote inspections pilot program to fulfill their office inspection obligations under Exchange Rule 2300(c) by conducting inspections of eligible OSJs, branch offices, and non-branch locations remotely without an on-site visit to such locations, subject to certain conditions and criteria. The requirements in connection with the participation in the FINRA Pilot Program under proposed Interpretations and Policies .18 of Exchange Rule 2300 would mirror in all material respects the requirements with respect to a FINRA member's participation under FINRA rules in the FINRA Pilot Program. Members opting into the FINRA Pilot Program would do so pursuant to the provisions of proposed Interpretations and Policies .18 of Exchange Rule 2300 and through the mechanisms and processes established by FINRA in connection with the FINRA Pilot Program. The proposed rule change also re-orders and streamlines some of the provisions of FINRA Rule 3110.18, as described below.

Proposed Interpretations and Policies .18(a) of Exchange Rule 2300 (Scope)

Proposed Interpretations and Policies .18(a) of Exchange Rule 2300 would establish the standards by which a Member that is also a FINRA member may participate in the FINRA Pilot Program.

Proposed Interpretations and Policies .18(a) of Exchange Rule 2300 would permit Members to avail themselves of the FINRA Pilot Program for the required inspection of OSJs, branch offices and non-branch locations pursuant to, as applicable, paragraphs (c)(1)(A), (B) and (C) of Rule 2300 for a period starting on the effective date of the proposed rule filing and expiring on June 30, 2027. If FINRA extends the pilot program and the proposed Interpretations and Policies .18 is not amended to allow continued participation by Members in the FINRA Pilot

Program, Members would not be able to participate in the FINRA Pilot Program after the prescribed provisions under the proposed Interpretations and Policies .18 sunset.

With the exception of conforming and technical changes,¹⁷ proposed Interpretations and Policies .18(a) of Exchange Rule 2300 is substantially the same as FINRA Rule 3110.18(a).

Proposed Interpretations and Policies .18(b) of Exchange Rule 2300 (Risk Assessment)

Proposed Interpretations and Policies .18(b) of Exchange Rule 2300 governing risk assessment would outline the need for Members to undertake a risk assessment in order to participate in the FINRA Pilot Program.

Proposed Interpretations and Policies .18(b) of Exchange Rule 2300 would set forth the applicable standard for review and would provide that a Member could elect to conduct the applicable inspection remotely, without an on-site visit for an office or location, when such Member reasonably determines that the purposes of the Interpretations and Policies .18 can be accomplished by conducting such required inspection remotely. The Member would be required to develop a reasonable risk-based approach to using remote inspections and conduct and document a risk assessment for an office or location prior to conducting a remote inspection. The risk assessment must document the factors considered, including, among other things, the factors set forth in current Rule Interpretations and Policies .12 of Exchange Rule 2300 such as a firm's size, organizational structure, scope of business activities, number and location of the firm's offices, the nature and complexity of the products and services offered by the firm, the volume of business done, the number of associated persons assigned to a location, the disciplinary history of registered representatives or associated persons, and any indicators of

¹⁷ Where the Exchange states herein that only conforming and technical changes have been made, the Exchange is referring to instances in which it changed FINRA's "member" to the Exchange's equivalent "Member;" changed cross-references to FINRA rules to cross-references to Exchange rules unless there was no equivalent Exchange rule; and made other non-substantive technical or grammatical changes.

irregularities or misconduct (i.e., “red flags”), and must take into account any higher-risk activities that take place at, or higher-risk associated persons that are assigned to, that office or location. Additionally, proposed Interpretations and Policies .18(b)(1) of Exchange Rule 2300 would require a Member to conduct an on-site inspection on the required cycle for such offices or locations that are ineligible for remote office inspections because of not having met the firm or location level requirements under proposed Interpretations and Policies .18(f) or (g), respectively. Notwithstanding proposed Interpretations and Policies .18 of Exchange 2300, a Member would remain subject to the other requirements of Rule 2300(c).

Proposed Interpretations and Policies .18(b)(2) would address other risk assessment factors and would provide that when conducting the risk assessment of each office or location in accordance with proposed paragraph (b)(1) of Interpretations and Policies .18, a Member must consider, among other things, the following factors with respect to an office or location in making its risk assessment for remotely inspecting an office or location:

- the volume and nature of customer complaints;¹⁸
- the volume and nature of outside business activities, particularly investment-related;¹⁹
- the volume and complexity of products offered;²⁰
- the nature of the customer base, including vulnerable adult investors;²¹
- whether associated persons are subject to heightened supervision;²²

¹⁸ See proposed Interpretations and Policies .18(b)(2)(A), mirroring FINRA Rule 3110.18(b)(2)(A).

¹⁹ See proposed Interpretations and Policies .18(b)(2)(B), mirroring FINRA Rule 3110.18(b)(2)(B).

²⁰ See proposed Interpretations and Policies .18(b)(2)(C), mirroring FINRA Rule 3110.18(b)(2)(C).

²¹ See proposed Interpretations and Policies .18(b)(2)(D), mirroring FINRA Rule 3110.18(b)(2)(D).

²² See proposed Interpretations and Policies .18(b)(2)(E), mirroring FINRA Rule 3110.18(b)(2)(E).

- failures by associated persons to comply with the Member's written supervisory procedures;²³ and
- any recordkeeping violations.²⁴

Further, proposed Interpretations and Policies .18(b)(2) would prescribe that Members should conduct on-site inspections or make more frequent use of unannounced, on-site inspections for high-risk offices or locations or when there are red flags, and supervisory systems must take into consideration any red flags when determining whether to conduct a remote inspection of an office or location, consistent with Exchange Rule 2300(a).

With the exception of conforming and technical changes, proposed Interpretations and Policies .18(b) is substantially the same as FINRA Rule 3110.18(b).

Proposed Interpretations and Policies .18(c) of Exchange Rule 2300 (Written Supervisory Procedures for Remote Inspections)

Proposed Interpretations and Policies .18(c) would provide that, consistent with a Member's obligation under Exchange Rule 2300(b), a Member that elects to participate in the FINRA Pilot Program must establish, maintain, and enforce written supervisory procedures regarding remote inspections that are reasonably designed to detect and prevent violations of and achieve compliance with applicable securities laws and regulations, and with applicable FINRA and Exchange rules.

As proposed, reasonably designed procedures for conducting remote inspections of offices or locations must address, among other things:

²³ See proposed Interpretations and Policies .18(b)(2)(F), mirroring FINRA Rule 3110.18(b)(2)(F).

²⁴ See proposed Interpretations and Policies .18(b)(2)(G), mirroring FINRA Rule 3110.18(b)(2)(G).

- the methodology, including technology, that may be used to conduct remote inspections;²⁵
- the factors considered in the risk assessment made for each applicable office or location pursuant to paragraph (b) of these Interpretations and Policies .18;²⁶
- the procedures specified in paragraph (h)(1)(G) and (h)(4) of FINRA Rule 3310.18;²⁷ and
- the use of other risk-based systems employed generally by the Member to identify and prioritize for review those areas that pose the greatest risk of potential violations of applicable securities laws and regulations, and of applicable FINRA and Exchange rules.²⁸

With the exception of conforming and technical changes and the addition of a reference to Exchange rules in proposed Interpretations and Policies .18(c)(4), proposed Interpretations and Policies .18(c) of Exchange Rule 2300 is substantially the same as FINRA Rule 3110.18(c).

Proposed Interpretations and Policies .18(d) of Exchange Rule 2300 (Effective Supervisory System)

Proposed Interpretations and Policies .18(d) would provide that the requirement to conduct inspections of offices and locations is one part of the Member's overall obligation to have an effective supervisory system and therefore the Member must maintain its ongoing review of the activities and functions occurring at all offices and locations, whether or not the Member conducts inspections remotely.

²⁵ See proposed Interpretations and Policies .18(c)(1), mirroring FINRA Rule 3110.18(c)(1).

²⁶ See proposed Interpretations and Policies .18(c)(2), mirroring FINRA Rule 3110.18(c)(2).

²⁷ See proposed Interpretations and Policies .18(c)(3), mirroring FINRA Rule 3110.18(c)(3).

²⁸ See proposed Interpretations and Policies .18(c)(4), mirroring FINRA Rule 3110.18(c)(4).

Further, a Member's use of a remote inspection of an office or location will be held to the same standards for review as set forth under Interpretations and Policies .12 of Exchange Rule 2300. Where a Member's remote inspection of an office or location identifies any "red flags," the Member may need to impose additional supervisory procedures for that office or location or may need to provide for more frequent monitoring of that office or location, including potentially a subsequent on-site visit on an announced or unannounced basis.

With the exception of conforming and technical changes, proposed Interpretations and Policies .18(d) is substantially the same as FINRA Rule 3110.18(d).

Proposed Interpretations and Policies .18(e) of Exchange Rule 2300 (Documentation Requirement)

Proposed Interpretations and Policies .18(e) would set forth documentation requirements for a Member's participating in the FINRA Pilot Program. In particular, Interpretations and Policies .18(e) would require Members to maintain and preserve a centralized record for each of the Pilot Years specified in this FINRA Pilot Program that separately identifies all offices or locations that were inspected remotely.²⁹ In addition, proposed Interpretations and Policies .18(e) would require documentation of the results of a remote inspection for any offices or locations for which the Member determined to impose additional supervisory procedures or more frequent monitoring, as provided in proposed Interpretations and Policies .18(d). Further, a Member's documentation of the results of a remote inspection for an office or location must identify any additional supervisory procedures or more frequent monitoring for that office or location that

²⁹ See proposed Interpretations and Policies .18(e)(1), mirroring FINRA Rule 3110.18(e)(1).

were imposed as a result of the remote inspection, including whether an on-site inspection was conducted at such office or location.³⁰

With the exception of conforming and technical changes, proposed Interpretations and Policies .18(e) is substantially the same as FINRA Rule 3110.18(e).

Proposed Interpretations and Policies .18(f) of Exchange Rule 2300 (Firm Level Requirements)

Proposed Interpretations and Policies .18(f)(1) would set forth certain firm level ineligibility conditions for further participation in the FINRA Pilot Program. As proposed, a Member would be ineligible to conduct remote inspections of any of its offices or locations under the FINRA Pilot Program if at any time during the Pilot Period that Member:

- is or becomes designated as a Restricted Firm under FINRA Rule 4111;³¹
- is or become designated a taping firm under FINRA Rule 3170;³²
- receives a notice pursuant to FINRA Rule 9557 regarding capital compliance related matters under FINRA Rules 4110 (Capital Compliance), FINRA 4120 (Regulatory Notification and Business Curtailment) or FINRA Rule 4130 (Regulation of Activities of Section 15C Members Experiencing Financial and/or Operational Difficulties);³³
- is or becomes suspended from Exchange or FINRA membership;³⁴

³⁰ See proposed Interpretations and Policies .18(e)(2), mirroring FINRA Rule 3110.18(e)(2).

³¹ See proposed Interpretations and Policies .18(f)(1)(A), mirroring FINRA Rule 3110.18(f)(1)(A). The Exchange has not adopted FINRA Rule 4111.

³² See proposed Interpretations and Policies .18(f)(1)(B), mirroring FINRA Rule 3110.18(f)(1)(B). The Exchange has not adopted FINRA Rule 3170.

³³ See proposed Interpretations and Policies .18(f)(1)(C), mirroring FINRA Rule 3110.18(f)(1)(C). The Exchange has not adopted FINRA Rule 9557, 4110, 4120, or 4130.

³⁴ See proposed Interpretations and Policies .18(f)(1)(D), mirroring FINRA Rule 3110.18(f)(1)(D).

- based on the date in the Central Registration Depository (CRD), had its FINRA membership become effective within the prior 12 months;³⁵ or
- is or has been found by the Securities and Exchange Commission (“the Commission”), FINRA or the Exchange to be in violation of office inspection obligations under FINRA or Exchange Rule 2300(c) within the past three years.³⁶

Proposed Interpretations and Policies .18(f)(2) would set forth the firm-level conditions a Member must satisfy as part of the requirements in Interpretations and Policies .18(b) to develop a reasonably designed risk-based approach to using remote inspections and to conduct and document a risk assessment for each office or location. Specifically, Members must have a recordkeeping system:

- to make and keep current, and preserve records required to be made and kept current, and preserved under applicable securities laws and regulations, Exchange rules, and the Member’s own written supervisory procedures under Exchange Rule 2300;³⁷
- such records are not physically or electronically maintained and preserved at the office or location subject to the remote inspection;³⁸ and
- the Member has prompt access to such records.³⁹

³⁵ See proposed Interpretations and Policies .18(f)(1)(E), mirroring FINRA Rule 3110.18(f)(1)(E).

³⁶ See proposed Interpretations and Policies .18(f)(1)(F), mirroring FINRA Rule 3110.18(f)(1)(F).

³⁷ See proposed Interpretations and Policies .18(f)(2)(A)(i), mirroring FINRA Rule 3110.18(f)(2)(A)(i).

³⁸ See proposed Interpretations and Policies .18(f)(2)(A)(ii), mirroring FINRA Rule 3110.18(f)(2)(A)(ii).

³⁹ See proposed Interpretations and Policies .18(f)(2)(A)(iii), mirroring FINRA Rule 3110.18(f)(2)(A)(iii).

In addition, Members must determine that the surveillance and technology tools are appropriate to supervise the types of risks presented by each such remotely supervised office or location. As proposed, these tools may include but are not limited to:

- firm-wide tools such as electronic recordkeeping systems; electronic surveillance of e-mail and correspondence; electronic trade blotters; regular activity-based sampling reviews; and tools for visual inspections;⁴⁰
- tools specifically applied to such office or location based on the activities of associated persons, products offered, restrictions on the activity of the office or location (including holding out to customers and handling of customer funds or securities);⁴¹ and
- system security tools such as secure network connections and effective cybersecurity protocols.⁴²

With the exception of conforming and technical changes and the addition of a reference to Exchange rules in proposed Interpretations and Policies .18(f)(2)(A)(i), proposed Interpretations and Policies .18(f)(1) and (2) are substantially the same as FINRA Rule 3110.18(f)(1) and (2).

Proposed Interpretations and Policies .18(g) of Exchange Rule 2300 (Location Level Requirements)

Proposed Interpretations and Policies .18(g) would set forth the criteria under the FINRA Pilot Program that would render a particular office or location ineligible for remote office

⁴⁰ See proposed Interpretations and Policies .18(f)(2)(B)(i), mirroring FINRA Rule 3110.18(f)(2)(B)(i).

⁴¹ See proposed Interpretations and Policies .18(f)(2)(B)(ii), mirroring FINRA Rule 3110.18(f)(2)(B)(ii).

⁴² See proposed Interpretations and Policies .18(f)(2)(B)(iii), mirroring FINRA Rule 3110.18(f)(2)(B)(iii).

inspection. As proposed, Interpretations and Policies .18(g)(1), offices or locations would be ineligible for a remote office inspection if at any time during the FINRA Pilot Period:

- one or more associated persons at such office or location is or becomes subject to a mandatory heightened supervisory plan under the rules of the SEC, FINRA, the Exchange or a state regulatory agency;⁴³
- one or more associated persons at such office or location is or becomes statutorily disqualified, unless such disqualified person has been approved (or is otherwise permitted pursuant to FINRA or Exchange rules and the federal securities laws) to associate with a Member and is not subject to a mandatory heightened supervisory plan under paragraph (g)(1)(A) of Interpretations and Policies .18 or otherwise as a condition to approval or permission for such association;⁴⁴
- the firm is or becomes subject to FINRA Rule 1017(a)(7) as a result of one or more associated persons at such office or location;⁴⁵
- one or more associated persons at such office or location has an event in the prior three years that required a “yes” response to any item in Questions 14A(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D and 14E on Form U4;⁴⁶
- one or more associated persons at such office or location is or becomes subject to a disciplinary action taken by the Member that is or was reportable under FINRA Rule 4530(a)(2);⁴⁷

⁴³ See proposed Interpretations and Policies .18(g)(1)(A), mirroring FINRA Rule 3110.18(g)(1)(A).

⁴⁴ See proposed Interpretations and Policies .18(g)(1)(B), mirroring FINRA Rule 3110.18(g)(1)(B).

⁴⁵ See proposed Interpretations and Policies .18(g)(1)(C), mirroring FINRA Rule 3110.18(g)(1)(C).

⁴⁶ See proposed Interpretations and Policies .18(g)(1)(D), mirroring FINRA Rule 3110.18(g)(1)(D).

⁴⁷ See proposed Interpretations and Policies .18(g)(1)(E), mirroring FINRA Rule 3110.18(g)(1)(E). The Exchange has not adopted FINRA Rule 4530.

- one or more associated persons at such office or location is engaged in proprietary trading, including the incidental crossing of customer orders, or the direct supervision of such activities;⁴⁸ or
- the office or location handles customer funds or securities.⁴⁹

In addition, as part of the requirement to develop a reasonably designed risk-based approach to using remote inspections, and the requirement to conduct and document a risk assessment, proposed Interpretations and Policies .18(g)(2) would require that a specific office or location satisfy the following conditions to be eligible for remote inspections under the Pilot Program:

- electronic communications (e.g., e-mail) are made through the Member's electronic system;⁵⁰
- the associated person's correspondence and communications with the public are subject to the firm's supervision in accordance with Exchange Rule 2300;⁵¹ and
- no books or records of the Member required to be made and kept current, and preserved under applicable securities laws and regulations, FINRA and Exchange rules and the Member's own written supervisory procedures under Exchange Rule 2300 are physically or electronically maintained and preserved at such office or location.⁵²

⁴⁸ See proposed Interpretations and Policies .18(g)(1)(F), mirroring FINRA Rule 3110.18(g)(1)(F).

⁴⁹ See proposed Interpretations and Policies .18(g)(1)(G), mirroring FINRA Rule 3110.18(g)(1)(G).

⁵⁰ See proposed Interpretations and Policies .18(g)(2)(A), mirroring FINRA Rule 3110.18(g)(2)(A).

⁵¹ See proposed Interpretations and Policies .18(g)(2)(B), mirroring FINRA Rule 3110.18(g)(2)(B).

⁵² See proposed Interpretations and Policies .18(g)(2)(C), mirroring FINRA Rule 3110.18(g)(2)(C).

With the exception of conforming and technical changes and the inclusion of references to Exchange rules in proposed Interpretations and Policies .18(g)(2)(B) and (C), proposed Interpretations and Policies .18(g)(1) and (2) are substantially the same as FINRA Rule 3110.18(g)(1) and (2).

Proposed Interpretations and Policies .18(h) of Exchange Rule 2300 (Data and Information Collection Requirement)

FINRA Rule 3110.18(h) outlines requirements for FINRA members that elect to participate in the Pilot Program to collect specific data and information as part of the FINRA Pilot Program. Specifically, FINRA Rule 3110.18(h) requires firms to collect specific data points and to provide such data and information to FINRA on a quarterly basis, in the manner and format determined by FINRA, including:

- the number of offices and locations with an inspection completed during each calendar quarter;⁵³
- the number of those offices or locations in each calendar quarter that were inspected remotely;⁵⁴
- the number of those offices or locations in each calendar quarter that were the subject of an on-site inspection, as well as the number of such inspections that were on-site because of a finding;⁵⁵

⁵³ See FINRA Rule 3110.18(h)(1)(A).

⁵⁴ See FINRA Rule 3110.18(h)(1)(B).

⁵⁵ See FINRA Rule 3110.18(h)(1)(C) and (D). Pursuant to FINRA Rule 3110.18(h)(1), a finding means a discovery made during an inspection that led to a remedial action or was listed on the member's inspection report.

- the number of offices and locations for which a remote office inspection was conducted in the calendar quarter that identified a finding, the number of findings, a list of the significant findings;⁵⁶ and
- the number of locations for which an on-site inspection was conducted in the calendar quarter that identified a finding, the number of findings, and a list of the significant findings.⁵⁷

Moreover, FINRA members are required to provide FINRA with their written supervisory procedures for remote inspections that account for escalating significant findings; new hires; supervising brokers with a significant history of misconduct; and outside business activities and “doing business as” (or DBA) designations.⁵⁸ In addition, FINRA Rule 3110.18(h)(2) outlines requirements for FINRA member firms electing to participate in the Pilot Program to provide certain data and information for Pilot Year 1 if it is less than a full calendar year and FINRA Rule 3110.18(h)(3) lists additional data and information to be provided to FINRA for calendar year 2019 for member firms electing to participate in the FINRA Pilot Program.

Proposed Interpretations and Policies .18(h) on data and information collection requirement would require Members to comply with the FINRA requirements with respect to the collection and submission of specified data and information, and in the manner and format required under the Pilot Program. In addition, proposed Interpretations and Policies .18(h) which substantially mirrors FINRA Rule 3110.18(h)(4) would require Members that elect to participate in the Pilot Program to establish, maintain and enforce written policies and procedures that are

⁵⁶ See FINRA Rule 3110.18(h)(1)(E).

⁵⁷ See FINRA Rule 3110.18(h)(1)(F).

⁵⁸ See FINRA Rule 3110.18(h)(1)(G).

reasonably designed to comply with any specified data and information collection, and transmission requirements prescribed by FINRA.

Proposed Interpretations and Policies .18(i) of Exchange Rule 2300 (Election to Participate in Pilot Program)

FINRA Rule 3110.18(i) specifies how a firm elects to participate in, or subsequently withdraws from, the FINRA Pilot Program. Specifically, FINRA Rule 3110.18(i) states that a firm must, at least five calendar days before the beginning of a Pilot Year, provide FINRA an “opt-in notice” in the manner and format determined by FINRA.⁵⁹ Moreover, FINRA Rule 3110.18(i) specifies that a FINRA member that elects to withdraw from subsequent Pilot Years (i.e., Pilot Year 2, Pilot Year 3, and Pilot Year 4, if applicable) shall, at least five calendar days before the end of the then current Pilot Year, provide FINRA with an “opt-out notice” in the manner and format determined by FINRA.

Proposed Interpretations and Policies .18(i) would govern elections to participate in the Pilot Program and would require Members electing to participate in the Pilot Program to make their election in the manner and format as prescribed, in accordance with FINRA Rule 3110.18(i). In addition, the proposed rule would require Members that elect to withdraw from the Pilot Program for subsequent years to provide such notice in the manner and format as prescribed in accordance with FINRA Rule 3110.18(i). These requirements will ensure that Members can properly elect to participate in, or subsequently withdraw from, the Pilot Program.

Proposed Interpretations and Policies .18(j) of Exchange Rule 2300 (Failure to Satisfy Conditions)

⁵⁹ FINRA Rule 3110.18(i) contains provisions for firms wishing to opt-in of the FINRA Pilot Program.

FINRA Rule 3110.18(j) governs failure to satisfy conditions and addresses situations in which a member fails to satisfy the requirements for participating in the FINRA Pilot Program. Specifically, FINRA Rule 3110.18(j) provides that FINRA members that fail to satisfy the conditions set forth to avail themselves of the FINRA Pilot Program, including the requirement to timely collect and submit the data and information to FINRA as set forth under FINRA Rule 3110.18(h), shall be ineligible to participate in the FINRA Pilot Program. Such FINRA members would be required to conduct on-site inspections of each office and location on the required cycle in accordance with FINRA Rule 3110(c) on internal inspections.

Consistent with FINRA Rule 3110.18(j), proposed Interpretations and Policies .18(j) on failure to satisfy conditions would specify that any Member that fails to satisfy the conditions of proposed Interpretations and Policies .18 and of FINRA Rule 3110.18, including the specified requirement to timely collect and submit data, would no longer be eligible to participate in the FINRA Pilot Program. Such Members would need to conduct on-site inspections of each office and location on the required cycle in accordance with Exchange Rule 2300(c).

Proposed Interpretations and Policies .18(k) (Determination of Ineligibility)

FINRA Rule 3110.18(k) governs determinations of ineligibility and provides that FINRA may make a determination in the public interest and for the protection of investors that a FINRA member is no longer eligible to participate in the FINRA Pilot Program if the FINRA member fails to comply with the requirements of FINRA Rule 3110.18. In such instances, FINRA will provide written notice to the FINRA member of such determination and the member would no longer be eligible to participate in the FINRA Pilot Program and must conduct on-site inspections of required offices and locations in accordance with FINRA Rule 3110(c).

Consistent with FINRA Rule 3110.18(k), proposed Interpretations and Policies .18(k) would govern ineligibility determinations and provide that FINRA or the Exchange may make a determination in the public interest and for the protection of investors that a Member is no longer eligible to participate in the FINRA Pilot Program if the Member fails to comply with the requirements of FINRA or Interpretations and Policies .18 of Exchange Rule 2300. The proposed rule would further provide that, in such instances, FINRA or the Exchange will provide written notice to the Member of such determination and the Member would no longer be eligible to participate in the FINRA Pilot Program and must conduct on-site inspections of required offices and locations in accordance with FINRA or Exchange Rule 2300(c). With the exception of conforming and technical changes, proposed Interpretations and Policies .18(k) is substantially the same as FINRA Rule 3110.18(k).

Proposed Interpretations and Policies .18(l) of Exchange Rule 2300 (Definitions)

The Exchange proposes to adopt FINRA Rule 3110.18(l) setting forth definitions applicable to Interpretations and Policies .18 verbatim. As proposed, Interpretations and Policies .18(l) would provide that for purposes of Interpretations and Policies .18, the term “Pilot Year” shall mean the following:

- Pilot Year 1 is the period beginning on July 1, 2024 and ending on December 31 of the same year;
- Pilot Year 2 means the calendar year period following Pilot Year 1, beginning on January 1 and ending on December 31;
- Pilot Year 3 means the calendar year period following Pilot Year 2, beginning on January 1 and ending on December 31; and

- If applicable, where Pilot Year 1 covers a period that is less than a full calendar year, then Pilot Year 4 means the period following Pilot Year 3, beginning on January 1 and ending on June 30, 2027.

Finally, FINRA also adopted FINRA Rule 3110.18(m) describing the sunset of FINRA Rule 3110.17, which the Exchange has not adopted. The Exchange accordingly does not propose to incorporate a provision similar to FINRA Rule 3110.18(m).

Interpretations and Policies .19 of Exchange Rule 2300

Interpretations and Policies .19(a) of Exchange Rule 2300 (Conditions for Designation as a Residential Supervisory Location (RSL))

FINRA Rule 3110.19(a) lists the conditions for FINRA members to designate an office or location as an RSL. Proposed Interpretations and Policies .19(a) would set forth the conditions for designation as an RSL that would mirror the conditions set forth in FINRA Rule 3110.19(a) for Members to designate a location that is the associated person's private residence where specified supervisory activities are conducted as an RSL.

As proposed, Interpretations and Policies .19 would provide that, notwithstanding any other provisions of Exchange Rule 2300(f) and subject to paragraphs (b) through (d) of the proposed Interpretations and Policies .19, a location that is the associated person's private residence where supervisory activities are conducted, including those described in Exchange Rule 2300(f)(1)(D) through (G) or in Exchange Rule 2300(f)(4), shall be considered for those activities a non-branch location, provided that:

- only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location;⁶⁰
- the location is not held out to the public as an office;⁶¹
- the associated person does not meet with customers or prospective customers at the location;⁶²
- any sales activity that takes place at the location complies with the conditions set forth under Exchange Rule 2300(f)(2)(B) or (C);⁶³
- neither customer funds nor securities are handled at that location;⁶⁴
- the associated person is assigned to a designated branch office, and such designated branch office is reflected on all business cards, stationery, retail communications and other communications to the public by such associated person;⁶⁵
- the associated persons correspondence and communications with the public are subject to the firm's supervision in accordance with this Rule;⁶⁶
- the associated persons electronic communications (e.g., e-mail) are made through the Member's electronic system;⁶⁷

⁶⁰ See proposed Interpretations and Policies .19(a)(1), mirroring FINRA Rule 3110.19(a)(1).

⁶¹ See proposed Interpretations and Policies .19(a)(2), mirroring FINRA Rule 3110.19(a)(2).

⁶² See proposed Interpretations and Policies .19(a)(3), mirroring FINRA Rule 3110.19(a)(3).

⁶³ See proposed Interpretations and Policies .19(a)(4), mirroring FINRA Rule 3110.19(a)(4).

⁶⁴ See proposed Interpretations and Policies .19(a)(5), mirroring FINRA Rule 3110.19(a)(5).

⁶⁵ See proposed Interpretations and Policies .19(a)(6), mirroring FINRA Rule 3110.19(a)(6).

⁶⁶ See proposed Interpretations and Policies .19(a)(7), mirroring FINRA Rule 3110.19(a)(7).

⁶⁷ See proposed Interpretations and Policies .19(a)(8), mirroring FINRA Rule 3110.19(a)(8).

- the Member must have a recordkeeping system to make and keep current, and preserve records required to be made and kept current, and preserved under applicable securities laws and regulations, Exchange rules, and the Member's own written supervisory procedures under Exchange Rule 2300; (B) such records are not physically or electronically maintained and preserved at the office or location; and (C) the Member has prompt access to such records;⁶⁸ and
- the Member must determine that its surveillance and technology tools are appropriate to supervise the types of risks presented by each Residential Supervisory Location, and these tools may include but are not limited to: (A) firm-wide tools such as, electronic recordkeeping system; electronic surveillance of e-mail and correspondence; electronic trade blotters; regular activity-based sampling reviews; and tools for visual inspections; (B) tools specific to the RSL based on the activities of associated person assigned to the location, products offered, restrictions on the activity of the RSL; and (C) system tools such as secure network connections and effective cybersecurity protocols.⁶⁹

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(a) is substantially the same as FINRA Rule 3110.19(a).

Interpretations and Policies .19(b) of Exchange Rule 2300 (Member Ineligibility Criteria)

FINRA Rule 3110.19(b) outlines the conditions that would render its members ineligible from designating an office as an RSL. As proposed, Interpretations and Policies .19(b) would

⁶⁸ See proposed Interpretations and Policies .19(a)(9), mirroring FINRA Rule 3110.19(a)(9).

⁶⁹ See proposed Interpretations and Policies .19(a)(10), mirroring FINRA Rule 3110.19(a)(10).

mirror these criteria and provide that a Member is ineligible from designating an office or location as an RSL if the Member:

- is currently designated as a restricted firm under FINRA Rule 4111;⁷⁰
- is currently designated as a taping firm under FINRA Rule 3170;⁷¹
- is currently undergoing, or is required to undergo, a review under FINRA Rule 1017(a)(7) as a result of one or more associated persons at such location;⁷²
- receives a notice pursuant to FINRA Rule 9557, regarding capital compliance related matters under FINRA Rules 4110, 4120 and 4130, unless the Exchange has otherwise permitted such activities in writing pursuant to such rule;⁷³
- is or becomes suspended by the Exchange or FINRA;⁷⁴
- based on the date in the Central Registration Depository (CRD), had its FINRA membership become effective within the prior 12 months;⁷⁵ or
- is or has been found to be in violation of office inspection obligations under Exchange Rule 2300(c) or FINRA Rule 3110(c) within the past three years.⁷⁶

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(b) is substantially the same as FINRA Rule 3110.19(b).

Interpretations and Policies .19(c) of Exchange Rule 2300 (Location Ineligibility Criteria)

⁷⁰ See proposed Interpretations and Policies .19(b)(1), mirroring FINRA Rule 3110.19(b)(1). The Exchange has not adopted FINRA Rule 4111.

⁷¹ See proposed Interpretations and Policies .19(b)(2), mirroring FINRA Rule 3110.19(b)(2). The Exchange has not adopted FINRA Rule 3170.

⁷² See proposed Interpretations and Policies .19(b)(3), mirroring FINRA Rule 3110.19(b)(3).

⁷³ See proposed Interpretations and Policies .19(b)(4), mirroring FINRA Rule 3110.19(b)(4). The Exchange has not adopted FINRA Rule 9557, 4110, 4120, or 4130.

⁷⁴ See proposed Interpretations and Policies .19(b)(5), mirroring FINRA Rule 3110.19(b)(5).

⁷⁵ See proposed Interpretations and Policies .19(b)(6), mirroring FINRA Rule 3110.19(b)(6).

⁷⁶ See proposed Interpretations and Policies .19(b)(7), mirroring FINRA Rule 3110.19(b)(7).

FINRA Rule 3110.19(c) sets forth the criteria that would render a particular office or location that is an associated person's private residence where specified supervisory activities are conducted ineligible for an RSL designation. Proposed Interpretations and Policies .19(c) would mirror these criteria. As proposed, Interpretations and Policies .19(c) would make an office ineligible for the RSL designation if one or more associated persons at such office or location:

- is a designated supervisor who has less than one year of direct supervisory experience with the Member, or an affiliate or subsidiary of the Member that is registered as a broker-dealer or investment adviser;⁷⁷
- is functioning as a principal for a limited period in accordance with Interpretations and Policies .04 of Exchange Rule 3100;⁷⁸
- is subject to a mandatory heightened supervisory plan under the rules of the SEC, FINRA, the Exchange or state regulatory agency;⁷⁹
- is statutorily disqualified, unless such disqualified person has been approved (or is otherwise permitted pursuant to FINRA or Exchange rules and the federal securities laws) to associate with a Member and is not subject to a mandatory heightened supervisory plan under paragraph (c)(3) of Interpretations and Policies .19 or otherwise as a condition to approval or permission for such association;⁸⁰

⁷⁷ See proposed Interpretations and Policies .19(c)(1), mirroring FINRA Rule 3110.19(c)(1).

⁷⁸ See proposed Interpretations and Policies .19(c)(2), mirroring FINRA Rule 3110.19(c)(2).

⁷⁹ See proposed Interpretations and Policies .19(c)(3), mirroring FINRA Rule 3110.19(c)(3).

⁸⁰ See proposed Interpretations and Policies .19(c)(4), mirroring FINRA Rule 3110.19(c)(4).

- has an event in the prior three years that required a “yes” response to any item in Questions 14A(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D and 14E on Form U4;⁸¹ or
- has been notified in writing that such associated person is now subject to, any Investigation or Proceeding, as such terms are defined in the Explanation of Terms for the Form U4 (Uniform Application for Securities Industry Registration or Transfer), by the SEC, a self-regulatory organization, including the Exchange, or state securities commission (or agency or office performing like functions) (each, a “Regulator”) expressly alleging they have failed reasonably to supervise another person subject to their supervision, with a view to preventing the violation of any provision of the Securities Act, the Act, the Investment Advisers Act, the Investment Company Act, the Commodity Exchange Act, any state law pertaining to the regulation of securities or any rule or regulation under any of such Acts or laws, or any of the rules of the Exchange or other self-regulatory organization, including the Exchange; provided, however, such office or location may be designated or redesignated as an RSL subject to the requirements of Interpretations and Policies .19 upon the earlier of: (i) the Member’s receipt of written notification from the applicable Regulator that such Investigation has concluded without further action; or (ii) one year from the date of the last communication from such Regulator relating to such Investigation.⁸²

⁸¹ See proposed Interpretations and Policies .19(c)(5), mirroring FINRA Rule 3110.19(c)(5).

⁸² See proposed Interpretations and Policies .19(c)(6), mirroring FINRA Rule 3110.19(c)(6).

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(c) is substantially the same as FINRA Rule 3110.19(c).

Interpretations and Policies .19(d) of Exchange Rule 2300 (Obligation to Provide List of RSLs)

Proposed Interpretations and Policies .19(d) setting forth the obligations to provide RSL list would fully mirror the provisions of FINRA Rule 3110.19(d) and would require Members electing to designate any office or location of that Member as an RSL to provide a current list of all offices or locations designated as RSLs by the 15th day of the month following each calendar quarter to FINRA in the manner and format as FINRA may prescribe.

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(d) is substantially the same as FINRA Rule 3110.19(d).

Interpretations and Policies .19(e) of Exchange Rule 2300 (Risk Assessment)

FINRA Rule 3110.19(e) requires its members, prior to designating an office or location as an RSL, to develop a reasonable risk-based approach to designating such office or location as an RSL, and conduct and document a risk assessment for the associated person assigned to that office or location. Proposed Interpretations and Policies .19(e) would mirror the provisions of FINRA Rule 3110.19(e). Specifically, a Member would be required, prior to designating an office or location as an RSL, to develop a reasonable risk-based approach to designating such office or location as an RSL and conduct and document a risk assessment for the associated person(s) assigned to that office or location. In line with FINRA Rule 3110.19(e), the proposed rule would list certain factors, among others, that Members must consider in the risk assessment that include whether each associated person at such office or location is subject to:

- customer complaints, taking into account the volume and nature of the complaints;⁸³
- heightened supervision other than where such office or location is ineligible for RSL designation under paragraph (c)(3) of Interpretations and Policies .19;⁸⁴
- any failure to comply with the Member’s written supervisory procedures;⁸⁵
- any recordkeeping violation;⁸⁶ and
- any regulatory communications from a Regulator, indicating that the associated person at such office or location failed reasonably to supervise another person subject to their supervision, including but not limited to, subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, “blue sheet” requests or other trading questionnaires, or examinations. The Member must take into account any higher risk activities that take place or a higher risk associated person that is assigned to that office or location. Consistent with its obligation under Exchange Rule 2300(a), the Member’s supervisory system must take into consideration any indicators of irregularities or misconduct (i.e., “red flags”) when designating an office or location as an RSL. Red flags should also be reviewed in determining whether it is reasonable to maintain the RSL designation of such office or location in accordance with the requirements of

⁸³ See proposed Interpretations and Policies .19(e)(1), mirroring FINRA Rule 3110.19(e)(1).

⁸⁴ See proposed Interpretations and Policies .19(e)(2), mirroring FINRA Rule 3110.19(e)(2).

⁸⁵ See proposed Interpretations and Policies .19(e)(3), mirroring FINRA Rule 3110.19(e)(3).

⁸⁶ See proposed Interpretations and Policies .19(e)(4), mirroring FINRA Rule 3110.19(e)(4).

Interpretations and Policies .19 and the Member should consider evidencing steps taken to address those red flags where appropriate.⁸⁷

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(e) is substantially the same as FINRA Rule 3110.19(e).

b. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁸⁸ in general, and furthers the objectives of Section 6(b)(5),⁸⁹ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change furthers the objectives of the Act by permitting Members that are FINRA members to participate in the FINRA Pilot Program and for all Members to utilize the RSL designation in order to continue to meet the core regulatory obligation to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations and applicable Exchange rules that directly serve investor protection. The Exchange believes that the proposed changes, taken together, reasonably account for evolving work models while maintaining effective supervision. The Exchange believes that the proposed safeguards and controls built into both the remote inspection program and the RSL designation will, as FINRA noted,⁹⁰ provide Members with

⁸⁷ See proposed Interpretations and Policies .19(e)(5), mirroring FINRA Rule 3110.19(e)(5).

⁸⁸ 15 U.S.C. 78f(b).

⁸⁹ 15 U.S.C. 78f(b)(5).

⁹⁰ See Securities Exchange Act Release No. 97398 (November 17, 2023), 88 FR 28620, 28635 (May 4, 2023) (SR-FINRA-2023-007) (Notice of Filing of a Proposed Rule Change To Adopt Supplementary Material.18

greater flexibility to adapt to changing work conditions without compromising investor protection. The robust nature of the criteria that must be satisfied and circumstances that would make a location ineligible for remote office inspections, as well as requirements for supplemental written supervisory procedures related to remote inspections, documentation requirements, and obligations to share data with FINRA to allow for assessment of the pilot program, serve an important role in reducing the potential for fraud and manipulative acts. Similarly, important safeguards such as requiring risk assessments in connection with the RSL designation in addition to delineating specific criteria for locations that would be ineligible for designation as an RSL furthers the prevention of manipulative acts and practices and the protection of investors and the public interest.

As discussed in the Purpose section, because proposed Interpretations and Policies .18 and Interpretations of Exchange Rule 2300 and Policies .19 of Exchange Rule 2300 are substantially similar to FINRA Rule 3110.18 and FINRA Rule 3110.19, respectively, this rule change enables Exchange Rule 2300 to continue to be incorporated into the 17d-2 Agreement, resulting in less burdensome and more efficient regulatory compliance. Specifically, the proposed change will conform the Exchange's rules to changes made to corresponding FINRA rules insofar as a Member's compliance with FINRA Rules 3110.18 and 3110.19 shall mean the Member is also in compliance with proposed Interpretations and Policies .18 and Interpretations of Exchange Rule 2300 and Policies .19 of Exchange Rule 2300, thus promoting the application of consistent regulatory standards with respect to rules that FINRA enforces pursuant to the 17d-2 Agreement. As previously noted, except for conforming and technical changes, the proposed

(Remote Inspections Pilot Program) Under FINRA Rule 3110 (Supervision)); Securities Exchange Act Release No. 97237 (March 31, 2023), 88 FR 20568 (April 6, 2023) (SR-FINRA-2023-006) (Notice of Filing of a Proposed Rule Change To Adopt Supplementary Material .19 (Residential Supervisory Location) Under FINRA Rule 3110 (Supervision)).

text of proposed Interpretations and Policies .18 and .19 of Exchange Rule 2300 is substantially the same as the text of FINRA Supplementary Material .18 and .19, respectively, to FINRA Rule 3110. As such, the proposed rule change would facilitate rule harmonization among self-regulatory organizations with respect to inspection of Members and a consistent and uniform regulatory framework for which Members can avail themselves of the RSL designation, thereby fostering cooperation and coordination with persons engaged in facilitating transactions in securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system.

4. Self-Regulatory Organization’s Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The proposed rule change is not intended to address competitive issues but rather is intended solely to reduce potential compliance burdens on Members by aligning Exchange Rule 2300 with FINRA Rule 3110, resulting in less burdensome and more efficient regulatory compliance for common members and facilitating FINRA’s performance under the 17d-2 Agreement.

5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

6. Extension of Time Period for Commission Action

Not Applicable

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

The Exchange believes that the proposal qualifies for immediate effectiveness upon filing as a “non-controversial” rule change in accordance with Section 19(b)(3)(A) of the Act⁹¹ and Rule 19b-4(f)(6) thereunder.⁹²

The Exchange asserts that the proposed rule change (i) will not significantly affect the protection of investors or the public interest, (ii) will not impose any significant burden on competition, and (iii) by its terms, will not become operative for 30 days after the date of this filing, or such shorter time as the Commission may designate, if consistent with the protection of investors and the public interest. In addition, the Exchange provided the Commission with 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.

The Exchange believes that this filing is non-controversial and eligible to become effective immediately because the proposal promotes uniformity in regulatory inspection of remote work locations and the designation of certain locations as RSLs across self-regulatory organizations. The Exchange believes that the proposed rule change would not significantly affect the protection of investors or the public interest or impose any significant burden on competition because the changes are based on FINRA rules and would align Exchange rules with those FINRA rules, which the Exchange proposes to adopt in substantially similar form that they were adopted by FINRA. Moreover, the Exchange believes that the proposed rule change would enable the Exchange to close a regulatory gap between Exchange Rule 2300 and FINRA’s rule of similar purpose, and thus qualifies for immediate effectiveness. The Exchange further

⁹¹ 15 U.S.C. 78s(b)(3)(A).

⁹² 17 CFR 240.19b-4(f)(6).

believes that the proposed rule change would not significantly affect the protection of investors or the public interest or impose any significant burden on competition because the changes are based on approved rules of FINRA. Finally, the proposed rule change is not intended to address competitive issues but rather is concerned solely with reducing potential compliance burdens on Members by aligning Exchange Rule 2300 with FINRA Rule 3110 to permit participation in FINRA's remote office inspections pilot and the designation of certain locations as RSLs, thereby providing greater harmonization with FINRA rules of similar purpose.

Accordingly, the Exchange believes that these proposed rule changes are eligible for immediately effective treatment under the Commission's current procedures for processing rule filings.⁹³

The Exchange respectfully requests that the Commission waive the 30-day operative delay so that the proposed rule change may become immediately operative pursuant to Section 19(b)(3)(A) of the Act⁹⁴ and Rule 19b-4(f)(6) thereunder.⁹⁵ The Exchange believes that waiver of the operative delay would be consistent with the protection of investors and the public interest because such waiver would allow the Exchange to immediately harmonize its supervision rule with the FINRA rule on which it is based without delay. Waiver of the operative delay would allow the Exchange to implement the proposed changes to its remote inspection rules without delay, thereby eliminating the possibility of a significant regulatory gap between the FINRA and the Exchange rules, providing more uniform inspection standards across the securities industry, and helping to avoid confusion for Exchange Members that are also FINRA members.

⁹³ 17 CFR 240.19b-4(f)(6).

⁹⁴ 15 U.S.C. 78s(b)(3)(A).

⁹⁵ 17 CFR 240.19b-4(f)(6).

The Exchange further believes that the proposed rule change would not significantly affect the protection of investors or the public interest or impose any significant burden on competition because it is substantially based on recent approved FINRA rule changes.

For the foregoing reasons, this rule filing qualifies for immediate effectiveness as a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4.⁹⁶ 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.

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

The proposed rule change is based on FINRA Rule 3110.18 and FINRA Rule 3110.19. Except for the conforming changes noted above, the proposed rules and their FINRA counterpart rules are substantially the same.

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

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

⁹⁶ 17 CFR 240.19b-4(f)(6).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-PEARL-2024-51)

November __, 2024

Self-Regulatory Organizations: Notice of Filing and Immediate Effectiveness of a Proposed Rule Change by MIA X PEARL, LLC to Amend Exchange Rule 2300 (Supervision)

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on November ____ 2024, MIA X PEARL, LLC (“MIA X Pearl” or “Exchange”) filed with the Securities and Exchange Commission (“Commission”) a proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. 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

The Exchange proposes to amend Exchange Rule 2300 (Supervision) with certain changes by the Financial Industry Regulatory Authority, Inc. (“FINRA”) to FINRA Rule 3110 to permit eligible Members³ to participate in FINRA’s remote inspections program (“FINRA Pilot Program”) and to adopt FINRA’s Residential Supervisory Location (“RSL”) classification.

The text of the proposed rule change is available on the Exchange’s website at <https://www.miaxglobal.com/markets/us-equities/pearl-equities/rule-filings>, at MIA X Pearl’s principal office, 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

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ The term “Member” herein refers to “Equity Member.” The term “Equity Member” is a Member authorized by the Exchange to transact business on MIA X Pearl Equities. See Exchange Rule 1901.

In its filing with the Commission, the Exchange 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. The Exchange 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

The Exchange proposes to harmonize Exchange Rule 2300 (Supervision) with certain changes by FINRA to FINRA Rule 3110 to permit eligible Members to participate in the FINRA Pilot Program and to adopt FINRA's RSL classification. The proposed rule change would harmonize the Exchange's office and other location inspection rules with those of FINRA and thus promote uniform inspection standards across the securities industry. Additionally, because proposed Interpretations and Policies .18 and .19 of Rule 2300 would be substantially similar to FINRA Rule 3110.18 and FINRA Rule 3110.19, respectively, this rule change enables Rule 2300 to continue to be incorporated into the agreement between the Exchange and FINRA to allocate regulatory responsibility for common rules (the "17d-2 Agreement").⁴

Background and Proposed Rule Change

Exchange Rule 2300 is based on FINRA Rule 3110⁵ and requires Members to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with

⁴ See Securities Exchange Act Release No. 79929 (February 2, 2017), [82 FR 9757](#) (February 8, 2017). The 17d-2 Agreement includes a certification by the Exchange that states that the requirements contained in certain Exchange rules are identical to, or substantially similar to, certain FINRA rules that have been identified as comparable.

⁵ See Securities Exchange Act Release No. 91303 (March 11, 2021), 86 FR 14659 (March 17, 2021) (SR-PEARL-2021-04).

applicable Exchange rules, and sets forth the minimum requirements for such supervisory system.⁶ Under Exchange Rule 2300, final responsibility for proper supervision rests with the Member.

As part of an overall supervisory system, Members must conduct inspections of each of their offices or locations on a designated frequency depending on the classification of the location or the nature of the activities that take place: an office of supervisory jurisdiction (“OSJ”) and supervisory branch offices must be inspected at least annually;⁷ non-supervisory branch offices, at least every three years;⁸ and non-branch locations on a periodic schedule, presumed to be at least every three years.⁹ Moreover, Members must retain a written record of the date upon which each review and inspection occurred, reduce a location’s inspection to a written report and keep each inspection report on file either for a minimum of three years or, if the location’s inspection schedule is longer than three years, until the next inspection report has been written.¹⁰ If applicable to the location being inspected, the inspection report must include the testing and verification of the Member’s policies and procedures, including supervisory policies and procedures, in specified areas.¹¹ Finally, the rule requires a member to ensure that the person conducting the inspection is not an associated person assigned to the location or is not directly or indirectly supervised by, or otherwise reporting to, an associated person assigned to

⁶ See Exchange Rule 2300(a).

⁷ See Exchange Rule 2300(c)(1)(A).

⁸ See Exchange Rule 2300(c)(1)(B).

⁹ See Exchange Rule 2300(c)(1)(C) and Interpretations and Policies .13 of Exchange Rule 2300 (General Presumption of Three-Year Limit for Periodic Inspection Schedules).

¹⁰ See Exchange Rule 2300(c)(2).

¹¹ See Exchange Rule 2300(c)(2)(A).

the location.¹² The factors governing what constitutes a reasonable review are set out in Interpretations and Policies .12 of Exchange Rule 2300 (Standards for Reasonable Review).

In 2023, recognizing how operations and business models within the financial services industry have evolved with changes in technology that were accelerated by the COVID-19 pandemic, including in particular the implementation by a large number of firms of a hybrid work environment during the public health crisis, FINRA adopted two amendments to FINRA Rule 3110. First, FINRA established a voluntary, three-year remote inspections pilot program to allow eligible members to fulfill their FINRA 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 certain conditions and criteria.¹³ The FINRA Pilot Program is set forth in Supplementary Material .18 of FINRA Rule 3110. Second, FINRA adopted new Supplementary Material .19 to FINRA Rule 3110 that treats an associated person's private residence where specified supervisory activities are conducted, subject to certain safeguards and limitations, as a non-branch location (i.e., unregistered office). As a non-branch location under FINRA Rule 3110(c), the RSL would be subject to inspections on a regular periodic schedule instead of the annual inspection currently required for every OSJ and supervisory branch offices.¹⁴

¹² See Exchange Rule 2300(c)(3)(B).

¹³ See Securities Exchange Act Release No. 98982 (November 17, 2023), 88 FR 82464 (November 24, 2023) (File No. SR-FINRA-2023-007) (Order Approving a Proposed Rule Change To Adopt Supplementary Material .18 (Remote Inspections Pilot Program) Under FINRA Rule 3110 (Supervision)). Pursuant to FINRA Rule 3110.18(m), on the sunset of Rule 3110.18, if FINRA Rule 3110.18 has not already expired by its own terms, FINRA Rule 3110.18 will automatically sunset on June 30, 2024.

¹⁴ See Securities Exchange Act Release No. 98980 (November 17, 2023), 88 FR 82447 (November 24, 2023) (File No. SR-FINRA-2023-006) (Notice of Filing of Amendment No. 2 and Order Granting Accelerated Approval of a Proposed Rule Change, as Modified by Amendment Nos. 1 and 2, To Adopt Supplementary Material .19 (Residential Supervisory Location) Under FINRA Rule 3110 (Supervision)).

The Exchange proposes to incorporate each of these amendments into Exchange Rule 2300, as follows.

Interpretations and Policies .18 of Exchange Rule 2300¹⁵

The Exchange proposes, consistent with current FINRA Rule 3110, Supplementary Material .18, to adopt new Interpretations and Policies .18 of Exchange Rule 2300 in order to provide eligible Members that are also FINRA members¹⁶ with the flexibility to opt into the FINRA Pilot Program, consisting of a voluntary, three-year remote inspections pilot program to fulfill their office inspection obligations under Exchange Rule 2300(c) by conducting inspections of eligible OSJs, branch offices, and non-branch locations remotely without an on-site visit to such locations, subject to certain conditions and criteria. The requirements in connection with the participation in the FINRA Pilot Program under proposed Interpretations and Policies .18 of Exchange Rule 2300 would mirror in all material respects the requirements with respect to a FINRA member's participation under FINRA rules in the FINRA Pilot Program. Members opting into the FINRA Pilot Program would do so pursuant to the provisions of proposed Interpretations and Policies .18 of Exchange Rule 2300 and through the mechanisms and processes established by FINRA in connection with the FINRA Pilot Program. The proposed rule change also re-orders and streamlines some of the provisions of FINRA Rule 3110.18, as described below.

Proposed Interpretations and Policies .18(a) of Exchange Rule 2300 (Scope)

¹⁵ The Exchange would add new Interpretations and Policies .15, .16, and .17 marked "Reserved" in order to maintain consistency with FINRA.

¹⁶ Currently, all Exchange Members with one exception are also FINRA members.

Proposed Interpretations and Policies .18(a) of Exchange Rule 2300 would establish the standards by which a Member that is also a FINRA member may participate in the FINRA Pilot Program.

Proposed Interpretations and Policies .18(a) of Exchange Rule 2300 would permit Members to avail themselves of the FINRA Pilot Program for the required inspection of OSJs, branch offices and non-branch locations pursuant to, as applicable, paragraphs (c)(1)(A), (B) and (C) of Rule 2300 for a period starting on the effective date of the proposed rule filing and expiring on June 30, 2027. If FINRA extends the pilot program and the proposed Interpretations and Policies .18 is not amended to allow continued participation by Members in the FINRA Pilot Program, Members would not be able to participate in the FINRA Pilot Program after the prescribed provisions under the proposed Interpretations and Policies .18 sunset.

With the exception of conforming and technical changes,¹⁷ proposed Interpretations and Policies .18(a) of Exchange Rule 2300 is substantially the same as FINRA Rule 3110.18(a).

Proposed Interpretations and Policies .18(b) of Exchange Rule 2300 (Risk Assessment)

Proposed Interpretations and Policies .18(b) of Exchange Rule 2300 governing risk assessment would outline the need for Members to undertake a risk assessment in order to participate in the FINRA Pilot Program.

Proposed Interpretations and Policies .18(b) of Exchange Rule 2300 would set forth the applicable standard for review and would provide that a Member could elect to conduct the applicable inspection remotely, without an on-site visit for an office or location, when such Member reasonably determines that the purposes of the Interpretations and Policies .18 can be

¹⁷ Where the Exchange states herein that only conforming and technical changes have been made, the Exchange is referring to instances in which it changed FINRA's "member" to the Exchange's equivalent "Member;" changed cross-references to FINRA rules to cross-references to Exchange rules unless there was no equivalent Exchange rule; and made other non-substantive technical or grammatical changes.

accomplished by conducting such required inspection remotely. The Member would be required to develop a reasonable risk-based approach to using remote inspections and conduct and document a risk assessment for an office or location prior to conducting a remote inspection. The risk assessment must document the factors considered, including, among other things, the factors set forth in current Rule Interpretations and Policies .12 of Exchange Rule 2300 such as a firm's size, organizational structure, scope of business activities, number and location of the firm's offices, the nature and complexity of the products and services offered by the firm, the volume of business done, the number of associated persons assigned to a location, the disciplinary history of registered representatives or associated persons, and any indicators of irregularities or misconduct (i.e., "red flags"), and must take into account any higher-risk activities that take place at, or higher-risk associated persons that are assigned to, that office or location. Additionally, proposed Interpretations and Policies .18(b)(1) of Exchange Rule 2300 would require a Member to conduct an on-site inspection on the required cycle for such offices or locations that are ineligible for remote office inspections because of not having met the firm or location level requirements under proposed Interpretations and Policies .18(f) or (g), respectively. Notwithstanding proposed Interpretations and Policies .18 of Exchange 2300, a Member would remain subject to the other requirements of Rule 2300(c).

Proposed Interpretations and Policies .18(b)(2) would address other risk assessment factors and would provide that when conducting the risk assessment of each office or location in accordance with proposed paragraph (b)(1) of Interpretations and Policies .18, a Member must consider, among other things, the following factors with respect to an office or location in making its risk assessment for remotely inspecting an office or location:

- the volume and nature of customer complaints;¹⁸
- the volume and nature of outside business activities, particularly investment-related;¹⁹
- the volume and complexity of products offered;²⁰
- the nature of the customer base, including vulnerable adult investors;²¹
- whether associated persons are subject to heightened supervision;²²
- failures by associated persons to comply with the Member's written supervisory procedures;²³ and
- any recordkeeping violations.²⁴

Further, proposed Interpretations and Policies .18(b)(2) would prescribe that Members should conduct on-site inspections or make more frequent use of unannounced, on-site inspections for high-risk offices or locations or when there are red flags, and supervisory systems must take into consideration any red flags when determining whether to conduct a remote inspection of an office or location, consistent with Exchange Rule 2300(a).

With the exception of conforming and technical changes, proposed Interpretations and Policies .18(b) is substantially the same as FINRA Rule 3110.18(b).

Proposed Interpretations and Policies .18(c) of Exchange Rule 2300 (Written Supervisory Procedures for Remote Inspections)

¹⁸ See proposed Interpretations and Policies .18(b)(2)(A), mirroring FINRA Rule 3110.18(b)(2)(A).

¹⁹ See proposed Interpretations and Policies .18(b)(2)(B), mirroring FINRA Rule 3110.18(b)(2)(B).

²⁰ See proposed Interpretations and Policies .18(b)(2)(C), mirroring FINRA Rule 3110.18(b)(2)(C).

²¹ See proposed Interpretations and Policies .18(b)(2)(D), mirroring FINRA Rule 3110.18(b)(2)(D).

²² See proposed Interpretations and Policies .18(b)(2)(E), mirroring FINRA Rule 3110.18(b)(2)(E).

²³ See proposed Interpretations and Policies .18(b)(2)(F), mirroring FINRA Rule 3110.18(b)(2)(F).

²⁴ See proposed Interpretations and Policies .18(b)(2)(G), mirroring FINRA Rule 3110.18(b)(2)(G).

Proposed Interpretations and Policies .18(c) would provide that, consistent with a Member's obligation under Exchange Rule 2300(b), a Member that elects to participate in the FINRA Pilot Program must establish, maintain, and enforce written supervisory procedures regarding remote inspections that are reasonably designed to detect and prevent violations of and achieve compliance with applicable securities laws and regulations, and with applicable FINRA and Exchange rules.

As proposed, reasonably designed procedures for conducting remote inspections of offices or locations must address, among other things:

- the methodology, including technology, that may be used to conduct remote inspections;²⁵
- the factors considered in the risk assessment made for each applicable office or location pursuant to paragraph (b) of these Interpretations and Policies .18;²⁶
- the procedures specified in paragraph (h)(1)(G) and (h)(4) of FINRA Rule 3310.18;²⁷ and
- the use of other risk-based systems employed generally by the Member to identify and prioritize for review those areas that pose the greatest risk of potential violations of applicable securities laws and regulations, and of applicable FINRA and Exchange rules.²⁸

²⁵ See proposed Interpretations and Policies .18(c)(1), mirroring FINRA Rule 3110.18(c)(1).

²⁶ See proposed Interpretations and Policies .18(c)(2), mirroring FINRA Rule 3110.18(c)(2).

²⁷ See proposed Interpretations and Policies .18(c)(3), mirroring FINRA Rule 3110.18(c)(3).

²⁸ See proposed Interpretations and Policies .18(c)(4), mirroring FINRA Rule 3110.18(c)(4).

With the exception of conforming and technical changes and the addition of a reference to Exchange rules in proposed Interpretations and Policies .18(c)(4), proposed Interpretations and Policies .18(c) of Exchange Rule 2300 is substantially the same as FINRA Rule 3110.18(c).

Proposed Interpretations and Policies .18(d) of Exchange Rule 2300 (Effective Supervisory System)

Proposed Interpretations and Policies .18(d) would provide that the requirement to conduct inspections of offices and locations is one part of the Member's overall obligation to have an effective supervisory system and therefore the Member must maintain its ongoing review of the activities and functions occurring at all offices and locations, whether or not the Member conducts inspections remotely.

Further, a Member's use of a remote inspection of an office or location will be held to the same standards for review as set forth under Interpretations and Policies .12 of Exchange Rule 2300. Where a Member's remote inspection of an office or location identifies any "red flags," the Member may need to impose additional supervisory procedures for that office or location or may need to provide for more frequent monitoring of that office or location, including potentially a subsequent on-site visit on an announced or unannounced basis.

With the exception of conforming and technical changes, proposed Interpretations and Policies .18(d) is substantially the same as FINRA Rule 3110.18(d).

Proposed Interpretations and Policies .18(e) of Exchange Rule 2300 (Documentation Requirement)

Proposed Interpretations and Policies .18(e) would set forth documentation requirements for a Member's participating in the FINRA Pilot Program. In particular, Interpretations and Policies .18(e) would require Members to maintain and preserve a centralized record for each of the Pilot Years specified in this FINRA Pilot Program that separately identifies all offices or

locations that were inspected remotely.²⁹ In addition, proposed Interpretations and Policies .18(e) would require documentation of the results of a remote inspection for any offices or locations for which the Member determined to impose additional supervisory procedures or more frequent monitoring, as provided in proposed Interpretations and Policies .18(d). Further, a Member's documentation of the results of a remote inspection for an office or location must identify any additional supervisory procedures or more frequent monitoring for that office or location that were imposed as a result of the remote inspection, including whether an on-site inspection was conducted at such office or location.³⁰

With the exception of conforming and technical changes, proposed Interpretations and Policies .18(e) is substantially the same as FINRA Rule 3110.18(e).

Proposed Interpretations and Policies .18(f) of Exchange Rule 2300 (Firm Level Requirements)

Proposed Interpretations and Policies .18(f)(1) would set forth certain firm level ineligibility conditions for further participation in the FINRA Pilot Program. As proposed, a Member would be ineligible to conduct remote inspections of any of its offices or locations under the FINRA Pilot Program if at any time during the Pilot Period that Member:

- is or becomes designated as a Restricted Firm under FINRA Rule 4111;³¹
- is or become designated a taping firm under FINRA Rule 3170;³²
- receives a notice pursuant to FINRA Rule 9557 regarding capital compliance related matters under FINRA Rules 4110 (Capital Compliance), FINRA 4120

²⁹ See proposed Interpretations and Policies .18(e)(1), mirroring FINRA Rule 3110.18(e)(1).

³⁰ See proposed Interpretations and Policies .18(e)(2), mirroring FINRA Rule 3110.18(e)(2).

³¹ See proposed Interpretations and Policies .18(f)(1)(A), mirroring FINRA Rule 3110.18(f)(1)(A). The Exchange has not adopted FINRA Rule 4111.

³² See proposed Interpretations and Policies .18(f)(1)(B), mirroring FINRA Rule 3110.18(f)(1)(B). The Exchange has not adopted FINRA Rule 3170.

(Regulatory Notification and Business Curtailment) or FINRA Rule 4130

(Regulation of Activities of Section 15C Members Experiencing Financial and/or Operational Difficulties);³³

- is or becomes suspended from Exchange or FINRA membership;³⁴
- based on the date in the Central Registration Depository (CRD), had its FINRA membership become effective within the prior 12 months;³⁵ or
- is or has been found by the Securities and Exchange Commission (“the Commission”), FINRA or the Exchange to be in violation of office inspection obligations under FINRA or Exchange Rule 2300(c) within the past three years.³⁶

Proposed Interpretations and Policies .18(f)(2) would set forth the firm-level conditions a Member must satisfy as part of the requirements in Interpretations and Policies .18(b) to develop a reasonably designed risk-based approach to using remote inspections and to conduct and document a risk assessment for each office or location. Specifically, Members must have a recordkeeping system:

- to make and keep current, and preserve records required to be made and kept current, and preserved under applicable securities laws and regulations, Exchange rules, and the Member’s own written supervisory procedures under Exchange Rule 2300;³⁷

³³ See proposed Interpretations and Policies .18(f)(1)(C), mirroring FINRA Rule 3110.18(f)(1)(C). The Exchange has not adopted FINRA Rule 9557, 4110, 4120, or 4130.

³⁴ See proposed Interpretations and Policies .18(f)(1)(D), mirroring FINRA Rule 3110.18(f)(1)(D).

³⁵ See proposed Interpretations and Policies .18(f)(1)(E), mirroring FINRA Rule 3110.18(f)(1)(E).

³⁶ See proposed Interpretations and Policies .18(f)(1)(F), mirroring FINRA Rule 3110.18(f)(1)(F).

³⁷ See proposed Interpretations and Policies .18(f)(2)(A)(i), mirroring FINRA Rule 3110.18(f)(2)(A)(i).

- such records are not physically or electronically maintained and preserved at the office or location subject to the remote inspection;³⁸ and
- the Member has prompt access to such records.³⁹

In addition, Members must determine that the surveillance and technology tools are appropriate to supervise the types of risks presented by each such remotely supervised office or location. As proposed, these tools may include but are not limited to:

- firm-wide tools such as electronic recordkeeping systems; electronic surveillance of e-mail and correspondence; electronic trade blotters; regular activity-based sampling reviews; and tools for visual inspections;⁴⁰
- tools specifically applied to such office or location based on the activities of associated persons, products offered, restrictions on the activity of the office or location (including holding out to customers and handling of customer funds or securities);⁴¹ and
- system security tools such as secure network connections and effective cybersecurity protocols.⁴²

With the exception of conforming and technical changes and the addition of a reference to Exchange rules in proposed Interpretations and Policies .18(f)(2)(A)(i), proposed Interpretations and Policies .18(f)(1) and (2) are substantially the same as FINRA Rule 3110.18(f)(1) and (2).

³⁸ See proposed Interpretations and Policies .18(f)(2)(A)(ii), mirroring FINRA Rule 3110.18(f)(2)(A)(ii).

³⁹ See proposed Interpretations and Policies .18(f)(2)(A)(iii), mirroring FINRA Rule 3110.18(f)(2)(A)(iii).

⁴⁰ See proposed Interpretations and Policies .18(f)(2)(B)(i), mirroring FINRA Rule 3110.18(f)(2)(B)(i).

⁴¹ See proposed Interpretations and Policies .18(f)(2)(B)(ii), mirroring FINRA Rule 3110.18(f)(2)(B)(ii).

⁴² See proposed Interpretations and Policies .18(f)(2)(B)(iii), mirroring FINRA Rule 3110.18(f)(2)(B)(iii).

Proposed Interpretations and Policies .18(g) of Exchange Rule 2300 (Location Level Requirements)

Proposed Interpretations and Policies .18(g) would set forth the criteria under the FINRA Pilot Program that would render a particular office or location ineligible for remote office inspection. As proposed, Interpretations and Policies .18(g)(1), offices or locations would be ineligible for a remote office inspection if at any time during the FINRA Pilot Period:

- one or more associated persons at such office or location is or becomes subject to a mandatory heightened supervisory plan under the rules of the SEC, FINRA, the Exchange or a state regulatory agency;⁴³
- one or more associated persons at such office or location is or becomes statutorily disqualified, unless such disqualified person has been approved (or is otherwise permitted pursuant to FINRA or Exchange rules and the federal securities laws) to associate with a Member and is not subject to a mandatory heightened supervisory plan under paragraph (g)(1)(A) of Interpretations and Policies .18 or otherwise as a condition to approval or permission for such association;⁴⁴
- the firm is or becomes subject to FINRA Rule 1017(a)(7) as a result of one or more associated persons at such office or location;⁴⁵
- one or more associated persons at such office or location has an event in the prior three years that required a “yes” response to any item in Questions 14A(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D and 14E on Form U4;⁴⁶

⁴³ See proposed Interpretations and Policies .18(g)(1)(A), mirroring FINRA Rule 3110.18(g)(1)(A).

⁴⁴ See proposed Interpretations and Policies .18(g)(1)(B), mirroring FINRA Rule 3110.18(g)(1)(B).

⁴⁵ See proposed Interpretations and Policies .18(g)(1)(C), mirroring FINRA Rule 3110.18(g)(1)(C).

⁴⁶ See proposed Interpretations and Policies .18(g)(1)(D), mirroring FINRA Rule 3110.18(g)(1)(D).

- one or more associated persons at such office or location is or becomes subject to a disciplinary action taken by the Member that is or was reportable under FINRA Rule 4530(a)(2);⁴⁷
- one or more associated persons at such office or location is engaged in proprietary trading, including the incidental crossing of customer orders, or the direct supervision of such activities;⁴⁸ or
- the office or location handles customer funds or securities.⁴⁹

In addition, as part of the requirement to develop a reasonably designed risk-based approach to using remote inspections, and the requirement to conduct and document a risk assessment, proposed Interpretations and Policies .18(g)(2) would require that a specific office or location satisfy the following conditions to be eligible for remote inspections under the Pilot Program:

- electronic communications (e.g., e-mail) are made through the Member's electronic system;⁵⁰
- the associated person's correspondence and communications with the public are subject to the firm's supervision in accordance with Exchange Rule 2300;⁵¹ and
- no books or records of the Member required to be made and kept current, and preserved under applicable securities laws and regulations, FINRA and Exchange rules and the Member's own written supervisory procedures under Exchange Rule

⁴⁷ See proposed Interpretations and Policies .18(g)(1)(E), mirroring FINRA Rule 3110.18(g)(1)(E). The Exchange has not adopted FINRA Rule 4530.

⁴⁸ See proposed Interpretations and Policies .18(g)(1)(F), mirroring FINRA Rule 3110.18(g)(1)(F).

⁴⁹ See proposed Interpretations and Policies .18(g)(1)(G), mirroring FINRA Rule 3110.18(g)(1)(G).

⁵⁰ See proposed Interpretations and Policies .18(g)(2)(A), mirroring FINRA Rule 3110.18(g)(2)(A).

⁵¹ See proposed Interpretations and Policies .18(g)(2)(B), mirroring FINRA Rule 3110.18(g)(2)(B).

2300 are physically or electronically maintained and preserved at such office or location.⁵²

With the exception of conforming and technical changes and the inclusion of references to Exchange rules in proposed Interpretations and Policies .18(g)(2)(B) and (C), proposed Interpretations and Policies .18(g)(1) and (2) are substantially the same as FINRA Rule 3110.18(g)(1) and (2).

Proposed Interpretations and Policies .18(h) of Exchange Rule 2300 (Data and Information Collection Requirement)

FINRA Rule 3110.18(h) outlines requirements for FINRA members that elect to participate in the Pilot Program to collect specific data and information as part of the FINRA Pilot Program. Specifically, FINRA Rule 3110.18(h) requires firms to collect specific data points and to provide such data and information to FINRA on a quarterly basis, in the manner and format determined by FINRA, including:

- the number of offices and locations with an inspection completed during each calendar quarter;⁵³
- the number of those offices or locations in each calendar quarter that were inspected remotely;⁵⁴
- the number of those offices or locations in each calendar quarter that were the subject of an on-site inspection, as well as the number of such inspections that were on-site because of a finding;⁵⁵

⁵² See proposed Interpretations and Policies .18(g)(2)(C), mirroring FINRA Rule 3110.18(g)(2)(C).

⁵³ See FINRA Rule 3110.18(h)(1)(A).

⁵⁴ See FINRA Rule 3110.18(h)(1)(B).

⁵⁵ See FINRA Rule 3110.18(h)(1)(C) and (D). Pursuant to FINRA Rule 3110.18(h)(1), a finding means a discovery made during an inspection that led to a remedial action or was listed on the member's inspection report.

- the number of offices and locations for which a remote office inspection was conducted in the calendar quarter that identified a finding, the number of findings, a list of the significant findings;⁵⁶ and
- the number of locations for which an on-site inspection was conducted in the calendar quarter that identified a finding, the number of findings, and a list of the significant findings.⁵⁷

Moreover, FINRA members are required to provide FINRA with their written supervisory procedures for remote inspections that account for escalating significant findings; new hires; supervising brokers with a significant history of misconduct; and outside business activities and “doing business as” (or DBA) designations.⁵⁸ In addition, FINRA Rule 3110.18(h)(2) outlines requirements for FINRA member firms electing to participate in the Pilot Program to provide certain data and information for Pilot Year 1 if it is less than a full calendar year and FINRA Rule 3110.18(h)(3) lists additional data and information to be provided to FINRA for calendar year 2019 for member firms electing to participate in the FINRA Pilot Program.

Proposed Interpretations and Policies .18(h) on data and information collection requirement would require Members to comply with the FINRA requirements with respect to the collection and submission of specified data and information, and in the manner and format required under the Pilot Program. In addition, proposed Interpretations and Policies .18(h) which substantially mirrors FINRA Rule 3110.18(h)(4) would require Members that elect to participate in the Pilot Program to establish, maintain and enforce written policies and procedures that are

⁵⁶ See FINRA Rule 3110.18(h)(1)(E).

⁵⁷ See FINRA Rule 3110.18(h)(1)(F).

⁵⁸ See FINRA Rule 3110.18(h)(1)(G).

reasonably designed to comply with any specified data and information collection, and transmission requirements prescribed by FINRA.

Proposed Interpretations and Policies .18(i) of Exchange Rule 2300 (Election to Participate in Pilot Program)

FINRA Rule 3110.18(i) specifies how a firm elects to participate in, or subsequently withdraws from, the FINRA Pilot Program. Specifically, FINRA Rule 3110.18(i) states that a firm must, at least five calendar days before the beginning of a Pilot Year, provide FINRA an “opt-in notice” in the manner and format determined by FINRA.⁵⁹ Moreover, FINRA Rule 3110.18(i) specifies that a FINRA member that elects to withdraw from subsequent Pilot Years (i.e., Pilot Year 2, Pilot Year 3, and Pilot Year 4, if applicable) shall, at least five calendar days before the end of the then current Pilot Year, provide FINRA with an “opt-out notice” in the manner and format determined by FINRA.

Proposed Interpretations and Policies .18(i) would govern elections to participate in the Pilot Program and would require Members electing to participate in the Pilot Program to make their election in the manner and format as prescribed, in accordance with FINRA Rule 3110.18(i). In addition, the proposed rule would require Members that elect to withdraw from the Pilot Program for subsequent years to provide such notice in the manner and format as prescribed in accordance with FINRA Rule 3110.18(i). These requirements will ensure that Members can properly elect to participate in, or subsequently withdraw from, the Pilot Program.

Proposed Interpretations and Policies .18(j) of Exchange Rule 2300 (Failure to Satisfy Conditions)

⁵⁹ FINRA Rule 3110.18(i) contains provisions for firms wishing to opt-in of the FINRA Pilot Program.

FINRA Rule 3110.18(j) governs failure to satisfy conditions and addresses situations in which a member fails to satisfy the requirements for participating in the FINRA Pilot Program. Specifically, FINRA Rule 3110.18(j) provides that FINRA members that fail to satisfy the conditions set forth to avail themselves of the FINRA Pilot Program, including the requirement to timely collect and submit the data and information to FINRA as set forth under FINRA Rule 3110.18(h), shall be ineligible to participate in the FINRA Pilot Program. Such FINRA members would be required to conduct on-site inspections of each office and location on the required cycle in accordance with FINRA Rule 3110(c) on internal inspections.

Consistent with FINRA Rule 3110.18(j), proposed Interpretations and Policies .18(j) on failure to satisfy conditions would specify that any Member that fails to satisfy the conditions of proposed Interpretations and Policies .18 and of FINRA Rule 3110.18, including the specified requirement to timely collect and submit data, would no longer be eligible to participate in the FINRA Pilot Program. Such Members would need to conduct on-site inspections of each office and location on the required cycle in accordance with Exchange Rule 2300(c).

Proposed Interpretations and Policies .18(k) (Determination of Ineligibility)

FINRA Rule 3110.18(k) governs determinations of ineligibility and provides that FINRA may make a determination in the public interest and for the protection of investors that a FINRA member is no longer eligible to participate in the FINRA Pilot Program if the FINRA member fails to comply with the requirements of FINRA Rule 3110.18. In such instances, FINRA will provide written notice to the FINRA member of such determination and the member would no longer be eligible to participate in the FINRA Pilot Program and must conduct on-site inspections of required offices and locations in accordance with FINRA Rule 3110(c).

Consistent with FINRA Rule 3110.18(k), proposed Interpretations and Policies .18(k) would govern ineligibility determinations and provide that FINRA or the Exchange may make a

determination in the public interest and for the protection of investors that a Member is no longer eligible to participate in the FINRA Pilot Program if the Member fails to comply with the requirements of FINRA or Interpretations and Policies .18 of Exchange Rule 2300. The proposed rule would further provide that, in such instances, FINRA or the Exchange will provide written notice to the Member of such determination and the Member would no longer be eligible to participate in the FINRA Pilot Program and must conduct on-site inspections of required offices and locations in accordance with FINRA or Exchange Rule 2300(c). With the exception of conforming and technical changes, proposed Interpretations and Policies .18(k) is substantially the same as FINRA Rule 3110.18(k).

Proposed Interpretations and Policies .18(l) of Exchange Rule 2300 (Definitions)

The Exchange proposes to adopt FINRA Rule 3110.18(l) setting forth definitions applicable to Interpretations and Policies .18 verbatim. As proposed, Interpretations and Policies .18(l) would provide that for purposes of Interpretations and Policies .18, the term “Pilot Year” shall mean the following:

- Pilot Year 1 is the period beginning on July 1, 2024 and ending on December 31 of the same year;
- Pilot Year 2 means the calendar year period following Pilot Year 1, beginning on January 1 and ending on December 31;
- Pilot Year 3 means the calendar year period following Pilot Year 2, beginning on January 1 and ending on December 31; and
- If applicable, where Pilot Year 1 covers a period that is less than a full calendar year, then Pilot Year 4 means the period following Pilot Year 3, beginning on January 1 and ending on June 30, 2027.

Finally, FINRA also adopted FINRA Rule 3110.18(m) describing the sunset of FINRA Rule 3110.17, which the Exchange has not adopted. The Exchange accordingly does not propose to incorporate a provision similar to FINRA Rule 3110.18(m).

Interpretations and Policies .19 of Exchange Rule 2300

Interpretations and Policies .19(a) of Exchange Rule 2300 (Conditions for Designation as a Residential Supervisory Location (RSL))

FINRA Rule 3110.19(a) lists the conditions for FINRA members to designate an office or location as an RSL. Proposed Interpretations and Policies .19(a) would set forth the conditions for designation as an RSL that would mirror the conditions set forth in FINRA Rule 3110.19(a) for Members to designate a location that is the associated person's private residence where specified supervisory activities are conducted as an RSL.

As proposed, Interpretations and Policies .19 would provide that, notwithstanding any other provisions of Exchange Rule 2300(f) and subject to paragraphs (b) through (d) of the proposed Interpretations and Policies .19, a location that is the associated person's private residence where supervisory activities are conducted, including those described in Exchange Rule 2300(f)(1)(D) through (G) or in Exchange Rule 2300(f)(4), shall be considered for those activities a non-branch location, provided that:

- only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location;⁶⁰
- the location is not held out to the public as an office;⁶¹

⁶⁰ See proposed Interpretations and Policies .19(a)(1), mirroring FINRA Rule 3110.19(a)(1).

⁶¹ See proposed Interpretations and Policies .19(a)(2), mirroring FINRA Rule 3110.19(a)(2).

- the associated person does not meet with customers or prospective customers at the location;⁶²
- any sales activity that takes place at the location complies with the conditions set forth under Exchange Rule 2300(f)(2)(B) or (C);⁶³
- neither customer funds nor securities are handled at that location;⁶⁴
- the associated person is assigned to a designated branch office, and such designated branch office is reflected on all business cards, stationery, retail communications and other communications to the public by such associated person;⁶⁵
- the associated persons correspondence and communications with the public are subject to the firm's supervision in accordance with this Rule;⁶⁶
- the associated persons electronic communications (e.g., e-mail) are made through the Member's electronic system;⁶⁷
- the Member must have a recordkeeping system to make and keep current, and preserve records required to be made and kept current, and preserved under applicable securities laws and regulations, Exchange rules, and the Member's own written supervisory procedures under Exchange Rule 2300; (B) such records

⁶² See proposed Interpretations and Policies .19(a)(3), mirroring FINRA Rule 3110.19(a)(3).

⁶³ See proposed Interpretations and Policies .19(a)(4), mirroring FINRA Rule 3110.19(a)(4).

⁶⁴ See proposed Interpretations and Policies .19(a)(5), mirroring FINRA Rule 3110.19(a)(5).

⁶⁵ See proposed Interpretations and Policies .19(a)(6), mirroring FINRA Rule 3110.19(a)(6).

⁶⁶ See proposed Interpretations and Policies .19(a)(7), mirroring FINRA Rule 3110.19(a)(7).

⁶⁷ See proposed Interpretations and Policies .19(a)(8), mirroring FINRA Rule 3110.19(a)(8).

are not physically or electronically maintained and preserved at the office or location; and (C) the Member has prompt access to such records;⁶⁸ and

- the Member must determine that its surveillance and technology tools are appropriate to supervise the types of risks presented by each Residential Supervisory Location, and these tools may include but are not limited to: (A) firm-wide tools such as, electronic recordkeeping system; electronic surveillance of e-mail and correspondence; electronic trade blotters; regular activity-based sampling reviews; and tools for visual inspections; (B) tools specific to the RSL based on the activities of associated person assigned to the location, products offered, restrictions on the activity of the RSL; and (C) system tools such as secure network connections and effective cybersecurity protocols.⁶⁹

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(a) is substantially the same as FINRA Rule 3110.19(a).

Interpretations and Policies .19(b) of Exchange Rule 2300 (Member Ineligibility Criteria)

FINRA Rule 3110.19(b) outlines the conditions that would render its members ineligible from designating an office as an RSL. As proposed, Interpretations and Policies .19(b) would mirror these criteria and provide that a Member is ineligible from designating an office or location as an RSL if the Member:

- is currently designated as a restricted firm under FINRA Rule 4111;⁷⁰
- is currently designated as a taping firm under FINRA Rule 3170;⁷¹

⁶⁸ See proposed Interpretations and Policies .19(a)(9), mirroring FINRA Rule 3110.19(a)(9).

⁶⁹ See proposed Interpretations and Policies .19(a)(10), mirroring FINRA Rule 3110.19(a)(10).

⁷⁰ See proposed Interpretations and Policies .19(b)(1), mirroring FINRA Rule 3110.19(b)(1). The Exchange has not adopted FINRA Rule 4111.

⁷¹ See proposed Interpretations and Policies .19(b)(2), mirroring FINRA Rule 3110.19(b)(2). The Exchange has not adopted FINRA Rule 3170.

- is currently undergoing, or is required to undergo, a review under FINRA Rule 1017(a)(7) as a result of one or more associated persons at such location;⁷²
- receives a notice pursuant to FINRA Rule 9557, regarding capital compliance related matters under FINRA Rules 4110, 4120 and 4130, unless the Exchange has otherwise permitted such activities in writing pursuant to such rule;⁷³
- is or becomes suspended by the Exchange or FINRA;⁷⁴
- based on the date in the Central Registration Depository (CRD), had its FINRA membership become effective within the prior 12 months;⁷⁵ or
- is or has been found to be in violation of office inspection obligations under Exchange Rule 2300(c) or FINRA Rule 3110(c) within the past three years.⁷⁶

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(b) is substantially the same as FINRA Rule 3110.19(b).

Interpretations and Policies .19(c) of Exchange Rule 2300 (Location Ineligibility Criteria)

FINRA Rule 3110.19(c) sets forth the criteria that would render a particular office or location that is an associated person's private residence where specified supervisory activities are conducted ineligible for an RSL designation. Proposed Interpretations and Policies .19(c) would mirror these criteria. As proposed, Interpretations and Policies .19(c) would make an office ineligible for the RSL designation if one or more associated persons at such office or location:

⁷² See proposed Interpretations and Policies .19(b)(3), mirroring FINRA Rule 3110.19(b)(3).

⁷³ See proposed Interpretations and Policies .19(b)(4), mirroring FINRA Rule 3110.19(b)(4). The Exchange has not adopted FINRA Rule 9557, 4110, 4120, or 4130.

⁷⁴ See proposed Interpretations and Policies .19(b)(5), mirroring FINRA Rule 3110.19(b)(5).

⁷⁵ See proposed Interpretations and Policies .19(b)(6), mirroring FINRA Rule 3110.19(b)(6).

⁷⁶ See proposed Interpretations and Policies .19(b)(7), mirroring FINRA Rule 3110.19(b)(7).

- is a designated supervisor who has less than one year of direct supervisory experience with the Member, or an affiliate or subsidiary of the Member that is registered as a broker-dealer or investment adviser;⁷⁷
- is functioning as a principal for a limited period in accordance with Interpretations and Policies .04 of Exchange Rule 3100;⁷⁸
- is subject to a mandatory heightened supervisory plan under the rules of the SEC, FINRA, the Exchange or state regulatory agency;⁷⁹
- is statutorily disqualified, unless such disqualified person has been approved (or is otherwise permitted pursuant to FINRA or Exchange rules and the federal securities laws) to associate with a Member and is not subject to a mandatory heightened supervisory plan under paragraph (c)(3) of Interpretations and Policies .19 or otherwise as a condition to approval or permission for such association;⁸⁰
- has an event in the prior three years that required a “yes” response to any item in Questions 14A(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D and 14E on Form U4;⁸¹ or
- has been notified in writing that such associated person is now subject to, any Investigation or Proceeding, as such terms are defined in the Explanation of Terms for the Form U4 (Uniform Application for Securities Industry Registration or Transfer), by the SEC, a self-regulatory organization, including the Exchange, or state securities commission (or agency or office performing like functions)

⁷⁷ See proposed Interpretations and Policies .19(c)(1), mirroring FINRA Rule 3110.19(c)(1).

⁷⁸ See proposed Interpretations and Policies .19(c)(2), mirroring FINRA Rule 3110.19(c)(2).

⁷⁹ See proposed Interpretations and Policies .19(c)(3), mirroring FINRA Rule 3110.19(c)(3).

⁸⁰ See proposed Interpretations and Policies .19(c)(4), mirroring FINRA Rule 3110.19(c)(4).

⁸¹ See proposed Interpretations and Policies .19(c)(5), mirroring FINRA Rule 3110.19(c)(5).

(each, a “Regulator”) expressly alleging they have failed reasonably to supervise another person subject to their supervision, with a view to preventing the violation of any provision of the Securities Act, the Act, the Investment Advisers Act, the Investment Company Act, the Commodity Exchange Act, any state law pertaining to the regulation of securities or any rule or regulation under any of such Acts or laws, or any of the rules of the Exchange or other self-regulatory organization, including the Exchange; provided, however, such office or location may be designated or redesignated as an RSL subject to the requirements of Interpretations and Policies .19 upon the earlier of: (i) the Member’s receipt of written notification from the applicable Regulator that such Investigation has concluded without further action; or (ii) one year from the date of the last communication from such Regulator relating to such Investigation.⁸²

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(c) is substantially the same as FINRA Rule 3110.19(c).

Interpretations and Policies .19(d) of Exchange Rule 2300 (Obligation to Provide List of RSLs)

Proposed Interpretations and Policies .19(d) setting forth the obligations to provide RSL list would fully mirror the provisions of FINRA Rule 3110.19(d) and would require Members electing to designate any office or location of that Member as an RSL to provide a current list of all offices or locations designated as RSLs by the 15th day of the month following each calendar quarter to FINRA in the manner and format as FINRA may prescribe.

⁸² See proposed Interpretations and Policies .19(c)(6), mirroring FINRA Rule 3110.19(c)(6).

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(d) is substantially the same as FINRA Rule 3110.19(d).

Interpretations and Policies .19(e) of Exchange Rule 2300 (Risk Assessment)

FINRA Rule 3110.19(e) requires its members, prior to designating an office or location as an RSL, to develop a reasonable risk-based approach to designating such office or location as an RSL, and conduct and document a risk assessment for the associated person assigned to that office or location. Proposed Interpretations and Policies .19(e) would mirror the provisions of FINRA Rule 3110.19(e). Specifically, a Member would be required, prior to designating an office or location as an RSL, to develop a reasonable risk-based approach to designating such office or location as an RSL and conduct and document a risk assessment for the associated person(s) assigned to that office or location. In line with FINRA Rule 3110.19(e), the proposed rule would list certain factors, among others, that Members must consider in the risk assessment that include whether each associated person at such office or location is subject to:

- customer complaints, taking into account the volume and nature of the complaints;⁸³
- heightened supervision other than where such office or location is ineligible for RSL designation under paragraph (c)(3) of Interpretations and Policies .19;⁸⁴
- any failure to comply with the Member's written supervisory procedures;⁸⁵
- any recordkeeping violation;⁸⁶ and

⁸³ See proposed Interpretations and Policies .19(e)(1), mirroring FINRA Rule 3110.19(e)(1).

⁸⁴ See proposed Interpretations and Policies .19(e)(2), mirroring FINRA Rule 3110.19(e)(2).

⁸⁵ See proposed Interpretations and Policies .19(e)(3), mirroring FINRA Rule 3110.19(e)(3).

⁸⁶ See proposed Interpretations and Policies .19(e)(4), mirroring FINRA Rule 3110.19(e)(4).

- any regulatory communications from a Regulator, indicating that the associated person at such office or location failed reasonably to supervise another person subject to their supervision, including but not limited to, subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, “blue sheet” requests or other trading questionnaires, or examinations. The Member must take into account any higher risk activities that take place or a higher risk associated person that is assigned to that office or location. Consistent with its obligation under Exchange Rule 2300(a), the Member’s supervisory system must take into consideration any indicators of irregularities or misconduct (i.e., “red flags”) when designating an office or location as an RSL. Red flags should also be reviewed in determining whether it is reasonable to maintain the RSL designation of such office or location in accordance with the requirements of Interpretations and Policies .19 and the Member should consider evidencing steps taken to address those red flags where appropriate.⁸⁷

With the exception of conforming and technical changes, proposed Interpretations and Policies .19(e) is substantially the same as FINRA Rule 3110.19(e).

2. Statutory Basis

The proposed rule change is consistent with Section 6(b) of the Act,⁸⁸ in general, and furthers the objectives of Section 6(b)(5),⁸⁹ in particular, because it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in facilitating transactions in

⁸⁷ See proposed Interpretations and Policies .19(e)(5), mirroring FINRA Rule 3110.19(e)(5).

⁸⁸ 15 U.S.C. 78f(b).

⁸⁹ 15 U.S.C. 78f(b)(5).

securities, to remove impediments to, and perfect the mechanism of, a free and open market and a national market system and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change furthers the objectives of the Act by permitting Members that are FINRA members to participate in the FINRA Pilot Program and for all Members to utilize the RSL designation in order to continue to meet the core regulatory obligation to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable securities laws and regulations and applicable Exchange rules that directly serve investor protection. The Exchange believes that the proposed changes, taken together, reasonably account for evolving work models while maintaining effective supervision. The Exchange believes that the proposed safeguards and controls built into both the remote inspection program and the RSL designation will, as FINRA noted,⁹⁰ provide Members with greater flexibility to adapt to changing work conditions without compromising investor protection. The robust nature of the criteria that must be satisfied and circumstances that would make a location ineligible for remote office inspections, as well as requirements for supplemental written supervisory procedures related to remote inspections, documentation requirements, and obligations to share data with FINRA to allow for assessment of the pilot program, serve an important role in reducing the potential for fraud and manipulative acts. Similarly, important safeguards such as requiring risk assessments in connection with the RSL designation in addition to delineating specific criteria for locations that would be ineligible for designation as an RSL

⁹⁰ See Securities Exchange Act Release No. 97398 (November 17, 2023), 88 FR 28620, 28635 (May 4, 2023) (SR-FINRA-2023-007) (Notice of Filing of a Proposed Rule Change To Adopt Supplementary Material .18 (Remote Inspections Pilot Program) Under FINRA Rule 3110 (Supervision)); Securities Exchange Act Release No. 97237 (March 31, 2023), 88 FR 20568 (April 6, 2023) (SR-FINRA-2023-006) (Notice of Filing of a Proposed Rule Change To Adopt Supplementary Material .19 (Residential Supervisory Location) Under FINRA Rule 3110 (Supervision)).

further the prevention of manipulative acts and practices and the protection of investors and the public interest.

As discussed in the Purpose section, because proposed Interpretations and Policies .18 and Interpretations of Exchange Rule 2300 and Policies .19 of Exchange Rule 2300 are substantially similar to FINRA Rule 3110.18 and FINRA Rule 3110.19, respectively, this rule change enables Exchange Rule 2300 to continue to be incorporated into the 17d-2 Agreement, resulting in less burdensome and more efficient regulatory compliance. Specifically, the proposed change will conform the Exchange's rules to changes made to corresponding FINRA rules insofar as a Member's compliance with FINRA Rules 3110.18 and 3110.19 shall mean the Member is also in compliance with proposed Interpretations and Policies .18 and Interpretations of Exchange Rule 2300 and Policies .19 of Exchange Rule 2300, thus promoting the application of consistent regulatory standards with respect to rules that FINRA enforces pursuant to the 17d-2 Agreement. As previously noted, except for conforming and technical changes, the proposed text of proposed Interpretations and Policies .18 and .19 of Exchange Rule 2300 is substantially the same as the text of FINRA Supplementary Material .18 and .19, respectively, to FINRA Rule 3110. As such, the proposed rule change would facilitate rule harmonization among self-regulatory organizations with respect to inspection of Members and a consistent and uniform regulatory framework for which Members can avail themselves of the RSL designation, thereby fostering cooperation and coordination with persons engaged in facilitating transactions in securities and will remove impediments to and perfect the mechanism of a free and open market and a national market system.

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

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The

proposed rule change is not intended to address competitive issues but rather is intended solely to reduce potential compliance burdens on Members by aligning Exchange Rule 2300 with FINRA Rule 3110, resulting in less burdensome and more efficient regulatory compliance for common members and facilitating FINRA's performance under the 17d-2 Agreement.

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 after the date of the filing, or such shorter time as the Commission may designate, it has become effective pursuant to 19(b)(3)(A) of the Act⁹¹ and Rule 19b-4(f)(6)⁹² thereunder.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning

⁹¹ 15 U.S.C. 78s(b)(3)(A).

⁹² 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

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 (<https://www.sec.gov/rules/sro.shtml>); or
- Send an email to rule-comments@sec.gov. Please include file number SR-PEARL-2024-51 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-PEARL-2024-51. This file number should be included on the subject line if email 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 (<https://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 the filing also will be available for inspection and copying at the principal office of the Exchange. 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-PEARL-2024-51 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁹³

Sherry R. Haywood,

Assistant Secretary.

⁹³ 17 CFR 200.30-3(a)(12).

EXHIBIT 5

New text is underlined;
Deleted text is in [brackets]

MIAX Pearl Equities Exchange Rules

Rule 2300. Supervision

Interpretations and Policies:

.01 — .14 No change.

.15 Reserved.

.16 Reserved.

.17 Reserved.

.18 FINRA Remote Inspections Pilot Program

(a) Scope. These Interpretations and Policies .18 establishes the standards by which a Member may participate in FINRA’s Remote Inspections Pilot Program (“FINRA Pilot Program”) with respect to the required inspection of OSJs, branch offices and non-branch locations pursuant to, as applicable, paragraphs (c)(1)(A), (B) and (C) of Exchange Rule 2300. The Interpretations and Policies .18 shall cover the required inspections of such offices or locations for a period of three years starting on [effective date] and expiring on June 30, 2027 (the “Pilot Period”). If this Interpretations and Policies .18 is not amended to allow Members to continue to participate in the FINRA Pilot Program should FINRA extend the Pilot Period or make permanent the FINRA Pilot Program, this Interpretations and Policies .18 will automatically sunset on June 30, 2027, after which Members will not be able to participate in the FINRA Pilot Program.

(b) Risk Assessment

(1) Standards for Reasonable Review. Subject to the requirements of these Interpretations and Policies .18, each Member obligated to conduct an inspection of an office or location pursuant to, as applicable, paragraphs (c)(1)(A), (B) and (C) under Exchange Rule 2300 may elect to conduct the applicable inspection remotely, without necessarily an on-site visit for an office or location, when the Member reasonably determines that the purposes of these Interpretations and Policies .18 can be accomplished by conducting such required inspection remotely. Prior to electing a remote inspection for an office or location, rather than an on-site inspection, the firm must develop a reasonable risk-based approach to using remote inspections,

and conduct and document a risk assessment for that office or location. The assessment must document the factors considered, including the factors set forth in Interpretations and Policies .12 of Exchange Rule 2300 and must take into account any higher risk activities that take place at, or higher risk associated persons that are assigned to, that office or location. A Member or its office or location that is ineligible for remote inspections because of either paragraphs (f) or (g) of these Interpretations and Policies .18 must conduct an on-site inspection of that office or location on the applicable mandatory schedule under Exchange Rule 2300(c)(1). Notwithstanding these Interpretations and Policies .18 of Exchange Rule 2300, a Member shall remain subject to the other requirements of Exchange Rule 2300(c).

(2) Other Factors to Consider for Risk Assessment. In conducting the risk assessment of each office or location in accordance with paragraph (b)(1) of these Interpretations and Policies .18, a Member shall consider, among other things, the following factors with respect to an office or location in making its risk assessment for remotely inspecting an office or location:

- (A) the volume and nature of customer complaints;
- (B) the volume and nature of outside business activities, particularly investment-related;
- (C) the volume and complexity of products offered;
- (D) the nature of the customer base, including vulnerable adult investors;
- (E) whether associated persons are subject to heightened supervision;
- (F) failures by associated persons to comply with the Member's written supervisory procedures; and
- (G) any recordkeeping violations.

In addition, consistent with Interpretations and Policies .12 of Exchange Rule 2300, Members should conduct on-site inspections or make more frequent use of unannounced, on-site inspections for high-risk offices or locations or where there are indicators of irregularities or misconduct (i.e., "red flags"). Moreover, consistent with Exchange Rule 2300(a), the Member's supervisory system must take into consideration any red flags when determining whether to conduct a remote inspection of an office or location.

(c) Written Supervisory Procedures for Remote Inspections. Consistent with a Member's obligation under Exchange Rule 2300(b), a Member that elects to participate in the FINRA Pilot Program must establish, maintain, and enforce written supervisory procedures regarding remote inspections that are reasonably designed to detect and prevent violations of and achieve compliance with applicable securities laws and regulations, and with applicable FINRA and Exchange rules. Reasonably designed procedures for conducting remote inspections of offices or locations must address, among other things:

(1) the methodology, including technology, that may be used to conduct remote inspections;

(2) the factors considered in the risk assessment made for each applicable office or location pursuant to paragraph (b) of these Interpretations and Policies .18;

(3) the procedures specified in paragraph (h)(1)(G) and (h)(4) of FINRA Rule 3110.18; and

(4) the use of other risk-based systems employed generally by the Member to identify and prioritize for review those areas that pose the greatest risk of potential violations of applicable securities laws and regulations, and of applicable FINRA and Exchange rules.

(d) Effective Supervisory System. The requirement to conduct inspections of offices and locations is one part of the Member's overall obligation to have an effective supervisory system and therefore the Member must maintain its ongoing review of the activities and functions occurring at all offices and locations, whether or not the Member conducts inspections remotely. A Member's use of a remote inspection of an office or location will be held to the same standards for review as set forth under Interpretations and Policies .12 of Exchange Rule 2300. Where a Member's remote inspection of an office or location identifies any "red flags," the Member may need to impose additional supervisory procedures for that office or location or may need to provide for more frequent monitoring of that office or location, including potentially a subsequent on-site visit on an announced or unannounced basis.

(e) Documentation Requirement. A Member must maintain and preserve a centralized record for each of the Pilot Years specified in the FINRA Pilot Program that separately identifies:

(1) all offices or locations that were inspected remotely; and

(2) any offices or locations for which the Member determined to impose additional supervisory procedures or more frequent monitoring, as provided in paragraph (d) of this Interpretations and Policies .18. A Member's documentation of the results of a remote inspection for an office or location must identify any additional supervisory procedures or more frequent monitoring for that office or location that were imposed as a result of the remote inspection, including whether an on-site inspection was conducted at such office or location.

(f) Firm Level Requirements

(1) Firm Level Ineligibility Criteria. A Member shall not be eligible to conduct remote inspections of any of its offices or locations in accordance with these Interpretations and Policies .18 if any time during the Pilot Period the Member:

(A) is or becomes designated as a Restricted Firm under FINRA Rule 4111;

(B) is or becomes designated as a Taping Firm under FINRA Rule 3170;

(C) receives a notice pursuant to FINRA Rule 9557 regarding compliance with FINRA Rule 4110 (Capital Compliance), FINRA Rule 4120 (Regulatory Notification and Business Curtailment) or FINRA Rule 4130 (Regulation of Activities of Section 15C Members Experiencing Financial and/or Operational Difficulties);

(D) is or becomes suspended from Exchange or FINRA membership;

(E) based on the date in the Central Registration Depository (CRD), had its FINRA membership become effective within the prior 12 months; or

(F) is or has been found within the past three years by the SEC, FINRA or the Exchange to have violated FINRA or Exchange Rule 2300(c) (Internal Inspections).

(2) Firm Level Conditions. As part of the requirements in paragraph (b) to develop a reasonably designed risk-based approach to using remote inspections and to conduct and document a risk assessment for each office or location, the Member must satisfy the following conditions:

(A) Recordkeeping System. The Member must have a recordkeeping system:

(i) to make and keep current, and preserve records required to be made and kept current, and preserved under applicable securities laws and regulations, FINRA and Exchange rules, and the Member's own written supervisory procedures under Exchange Rule 2300;

(ii) such records are not physically or electronically maintained and preserved at the office or location subject to the remote inspection; and

(iii) the Member has prompt access to such records; and

(B) Surveillance and Technology Tools. The Member must determine that its surveillance and technology tools are appropriate to supervise the types of risks presented by each such remotely supervised office or location. These tools may include but are not limited to:

(i) firm-wide tools such as electronic recordkeeping systems; electronic surveillance of e-mail and correspondence; electronic trade blotters; regular activity-based sampling reviews; and tools for visual inspections;

(ii) tools specifically applied to such office or location based on the activities of associated persons, products offered, restrictions on the activity of the office or location (including holding out to customers and handling of customer funds or securities); and

(iii) system security tools such as secure network connections and effective cybersecurity protocols.

(g) Location Level Requirements

(1) Location Level Ineligibility Criteria. Subject to paragraph (f) of these Interpretations and Policies .18, a Member's office or location shall not be eligible for a remote inspection in accordance with these Interpretations and Policies .18 if at any time during the Pilot Period:

(A) one or more associated persons at such office or location is or becomes subject to a mandatory heightened supervisory plan under the rules of the SEC, FINRA, the Exchange or a state regulatory agency;

(B) one or more associated persons at such office or location is or becomes statutorily disqualified, unless such disqualified person has been approved (or is otherwise permitted pursuant to FINRA or Exchange rules and the federal securities laws) to associate with a Member and is not subject to a mandatory heightened supervisory plan under paragraph (g)(1)(A) of these Interpretations and Policies .18 or otherwise as a condition to approval or permission for such association;

(C) the firm is or becomes subject to FINRA Rule 1017(a)(7) as a result of one or more associated persons at such office or location;

(D) one or more associated persons at such office or location has an event in the prior three years that required a "yes" response to any item in Questions 14A(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D and 14E on Form U4;

(E) one or more associated persons at such office or location is or becomes subject to a disciplinary action taken by the Member that is or was reportable under FINRA Rule 4530(a)(2);

(F) one or more associated persons at such office or location is engaged in proprietary trading, including the incidental crossing of customer orders, or the direct supervision of such activities; or

(G) the office or location handles customer funds or securities.

(2) Location Level Conditions. As part of the requirement to develop a reasonably designed risk-based approach to using remote inspections, and the requirement to conduct and document a risk assessment for each office or location in accordance with paragraph (b) of these Interpretations and Policies .18, a specific office or location of the Member must also satisfy the following conditions:

(A) electronic communications (e.g., e-mail) are made through the Member's electronic system;

(B) the associated person's correspondence and communications with the public are subject to the firm's supervision in accordance with Exchange Rule 2300; and

(C) no books or records of the Member required to be made and kept current, and preserved under applicable securities laws and regulations, FINRA and Exchange rules and the Member's own written supervisory procedures under Exchange Rule 2300 are physically or electronically maintained and preserved at such office or location.

(h) Data and Information Collection Requirement. A Member not excluded under any of the firm-level requirements under paragraph (f)(1) of these Interpretations and Policies .18 must comply with FINRA's requirements with respect to the collection and submission of specified data and information, and in the manner and format determined by FINRA. A Member shall establish, maintain and enforce written policies and procedures that are reasonably designed to comply with the data and information collection, and transmission requirements prescribed by FINRA.

(i) Election to Participate in the FINRA Pilot Program. A Member eligible for participation in the FINRA Pilot Program by not having been excluded under any of the firm-level requirements under paragraph (f)(1) of these Interpretations and Policies .18 shall make its election in the manner and format as prescribed by FINRA to participate in the FINRA Pilot Program in accordance with these Interpretations and Policies .18. A Member that elects to withdraw from subsequent Pilot Years (i.e., Pilot Year 2, Pilot Year 3, and Pilot Year 4, if applicable) shall withdraw in the manner and format as prescribed by FINRA.

(j) Failure to Satisfy Conditions. A Member that fails to satisfy the conditions of these Interpretations and Policies .18, including the requirements specified by FINRA related to the timely collection and submission of data and information, shall be ineligible to participate in the FINRA Pilot Program and must conduct on-site inspections of each office and location on the required cycle in accordance with Exchange Rule 2300(c).

(k) Determination of Ineligibility. FINRA or the Exchange may make a determination in the public interest and for the protection of investors that a Member is no longer eligible to participate in the FINRA Pilot Program if the Member fails to comply with the requirements of FINRA or Interpretations and Policies .18 of Exchange Rule 2300. In such instances, FINRA or the Exchange will provide written notice to the Member of such determination and the Member would no longer be eligible to participate in the FINRA Pilot Program and must conduct on-site inspections of required offices and locations in accordance with FINRA or Exchange Rule 2300(c).

(l) Definitions. For purposes of these Interpretations and Policies .18, the term "Pilot Year" shall mean the following:

(1) Pilot Year 1 is the period beginning on July 1, 2024 and ending on December 31 of the same year;

(2) Pilot Year 2 means the calendar year period following Pilot Year 1, beginning on January 1 and ending on December 31;

(3) Pilot Year 3 means the calendar year period following Pilot Year 2, beginning on January 1 and ending on December 31; and

(4) If applicable, where Pilot Year 1 covers a period that is less than a full calendar year, then Pilot Year 4 means the period following Pilot Year 3, beginning on January 1 and ending on June 30, 2027.

.19 Residential Supervisory Location

(a) Conditions for Designation as a Residential Supervisory Location (“RSL”). Notwithstanding any other provisions of Exchange Rule 2300(f) and subject to paragraphs (b) through (d) of these Interpretations and Policies .19, a location that is the associated person’s private residence where supervisory activities are conducted, including those described in Exchange Rule 2300(f)(1)(D) through (G) or in Exchange Rule 2300(f)(4), shall be considered for those activities a non-branch location, provided that:

(1) only one associated person, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location;

(2) the location is not held out to the public as an office;

(3) the associated person does not meet with customers or prospective customers at the location;

(4) any sales activity that takes place at the location complies with the conditions set forth under Exchange Rule 2300(f)(2)(B) or (C);

(5) neither customer funds nor securities are handled at that location;

(6) the associated person is assigned to a designated branch office, and such designated branch office is reflected on all business cards, stationery, retail communications and other communications to the public by such associated person;

(7) the associated person’s correspondence and communications with the public are subject to the firm’s supervision in accordance with this Rule;

(8) the associated person’s electronic communications (e.g., e-mail) are made through the Member’s electronic system;

(9)

(A) the Member must have a recordkeeping system to make and keep current, and preserve records required to be made and kept current, and preserved under applicable securities laws and regulations, Exchange rules, and the Member’s own written supervisory procedures under Exchange Rule 2300;

(B) such records are not physically or electronically maintained and preserved at the office or location; and

(C) the Member has prompt access to such records; and

(10) the Member must determine that its surveillance and technology tools are appropriate to supervise the types of risks presented by each Residential Supervisory Location, and these tools may include but are not limited to:

(A) firm-wide tools such as, electronic recordkeeping system; electronic surveillance of e-mail and correspondence; electronic trade blotters; regular activity-based sampling reviews; and tools for visual inspections;

(B) tools specific to the RSL based on the activities of associated person assigned to the location, products offered, restrictions on the activity of the RSL; and

(C) system tools such as secure network connections and effective cybersecurity protocols.

(b) Member Ineligibility Criteria. A Member shall not be eligible to designate an office or location as an RSL in accordance with these Interpretations and Policies .19 if the Member:

(1) is currently designated as a Restricted Firm under FINRA Rule 4111;

(2) is currently designated as a Taping Firm under FINRA Rule 3170;

(3) is currently undergoing, or is required to undergo, a review under FINRA Rule 1017(a)(7) as a result of one or more associated persons at such location;

(4) receives a notice pursuant to FINRA Rule 9557 (Procedures for Regulating Activities under FINRA Rule 4110 (Capital Compliance), FINRA Rule 4120 (Regulatory Notification and Business Curtailment) or FINRA Rule 4130 (Regulation of Activities of Section 15C Members Experiencing Financial and/or Operational Difficulties)), unless the Exchange has otherwise permitted activities in writing pursuant to such rule;

(5) is or becomes suspended by the Exchange or FINRA;

(6) based on the date in the Central Registration Depository (CRD), had its FINRA membership become effective within the prior 12 months; or

(7) is or has been found to be in violation of office inspection obligations under Exchange Rule 2300(c) or FINRA Rule 3110(c) within the past three years.

(c) Location Ineligibility Criteria. An office or location shall not be eligible for designation as an RSL in accordance with these Interpretations and Policies .19 if one or more associated persons at such office or location:

(1) is a designated supervisor who has less than one year of direct supervisory experience with the Member, or an affiliate or subsidiary of the Member that is registered as a broker-dealer or investment adviser;

(2) is functioning as a principal for a limited period in accordance with Interpretations and Policies .04 of Exchange Rule 3100;

(3) is subject to a mandatory heightened supervisory plan under the rules of the SEC, FINRA, the Exchange or state regulatory agency;

(4) is statutorily disqualified, unless such disqualified person has been approved (or is otherwise permitted pursuant to FINRA or Exchange rules and the federal securities laws) to associate with a Member and is not subject to a mandatory heightened supervisory plan under paragraph (c)(3) of these Interpretations and Policies .19 or otherwise as a condition to approval or permission for such association;

(5) has an event in the prior three years that required a “yes” response to any item in Questions 14A(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D and 14E on Form U4; or

(6) has been notified in writing that such associated person is now subject to, any Investigation or Proceeding, as such terms are defined in the Explanation of Terms for the Form U4 (Uniform Application for Securities Industry Registration or Transfer), by the SEC, a self-regulatory organization, including the Exchange, or state securities commission (or agency or office performing like functions) (each, a “Regulator”) expressly alleging they have failed reasonably to supervise another person subject to their supervision, with a view to preventing the violation of any provision of the Securities Act, the Exchange Act, the Investment Advisers Act, the Investment Company Act, the Commodity Exchange Act, any state law pertaining to the regulation of securities or any rule or regulation under any of such Acts or laws, or any of the rules of the Exchange or other self-regulatory organization, including the Exchange; provided, however, such office or location may be designated or redesignated as an RSL subject to the requirements of these Interpretations and Policies .19 upon the earlier of: (i) the Member’s receipt of written notification from the applicable Regulator that such Investigation has concluded without further action; or (ii) one year from the date of the last communication from such Regulator relating to such Investigation.

(d) Obligation to Provide List of RSLs. A Member that elects to designate any office or location of the Member as an RSL pursuant to these Interpretations and Policies .19 shall provide FINRA with a current list of all locations designated as RSLs 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 the FINRA may prescribe.

(e) Risk Assessment. Subject to the requirements of these Interpretations and Policies .19, prior to designating an office or location as an RSL, the Member must develop a reasonable risk-based approach to designating such office or location as an RSL, and conduct and document a risk assessment for the associated person assigned to that office or location. The assessment must

document the factors considered, including among others, whether the associated person at such office or location is now subject to:

(1) customer complaints, taking into account the volume and nature of the complaints;

(2) heightened supervision other than where such office or location is ineligible for RSL designation under paragraph (c)(3) of these Interpretations and Policies .19;

(3) any failure to comply with the Member's written supervisory procedures;

(4) any recordkeeping violation; and

(5) any regulatory communications from a Regulator, indicating that the associated person at such office or location failed reasonably to supervise another person subject to their supervision, including but not limited to, subpoenas, preliminary or routine regulatory inquiries or requests for information, deficiency letters, "blue sheet" requests or other trading questionnaires, or examinations. The Member must take into account any higher risk activities that take place or a higher risk associated person that is assigned to that office or location. Consistent with its obligation under Exchange Rule 2300(a), the Member's supervisory system must take into consideration any indicators of irregularities or misconduct (i.e., "red flags") when designating an office or location as an RSL. Red flags should also be reviewed in determining whether it is reasonable to maintain the RSL designation of such office or location in accordance with the requirements of these Interpretations and Policies .19 and the Member should consider evidencing steps taken to address those red flags where appropriate.

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