

Frequently Asked Questions Related to Regulatory Relief Due to the Coronavirus Pandemic

Due to the [coronavirus pandemic \(COVID-19\)](#), FINRA is providing temporary relief for member firms from rules and requirements in the Frequently Asked Questions below. The relief provided does not extend beyond the identified rules and requirements. FINRA will continue to monitor the situation to determine whether additional guidance and relief may be appropriate. As coronavirus-related risks decrease, member firms should expect to return to meeting any regulatory obligations for which relief has been provided. When appropriate, FINRA will publish a Regulatory Notice announcing a termination date for the regulatory relief that will provide member firms with time to make necessary operational adjustments.

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Advertising Regulation

Q. Our firm's registered representatives are unable to meet with their customers face-to-face because they are working from home or due to COVID-19 related restrictions, and instead are meeting with clients via a live video or audio conferencing platform. How should our firm supervise these meetings? Is the firm required to keep records of these live video meetings? NEW

A. Members must supervise registered representatives' live meetings with customers via video or audio conferencing platforms in a manner reasonably designed to achieve compliance with applicable securities laws and regulation and FINRA rules.

Unless required to record pursuant to FINRA Rule 3170 (Tape Recording of Registered Persons by Certain Firms) or otherwise, members generally are not required to record live video or audio conferences with customers. However, if a registered representative during the video or audio conference uses the chat or instant messaging feature of the platform or presents slides or other written (including electronic) communications, the member must keep records of these written communications in accordance with Securities Exchange Act Rule 17a-4 and FINRA Rules 3110.09 (Supervision) and 4511 (General Requirements), and their content must be consistent with applicable standards such as FINRA Rule 2210 (Communications with the Public) and 3110(b) (Supervision). Depending on the nature and number of persons attending the video meeting, these written communications may be correspondence, retail communications or institutional communications, and must be supervised as such. See FINRA Rules 2210(b) and 3110(b)(4).

Moreover, if a member chooses to record live video or audio conversations with customers, the member may be required to produce the recording in connection with a regulatory request. If a firm permits public appearances through video or audio conferencing platforms, the member must ensure compliance with FINRA Rule 2210(f).

Added April 16, 2020

Q: What steps should members consider regarding communicating with customers?

A: As discussed in [Regulatory Notice 20-08](#), FINRA understands that members may experience significantly increased customer call volumes or online account usage

during a pandemic (e.g., due to significant market movements), which may cause temporary operational challenges. Members are encouraged to review their BCPs regarding communicating with customers and ensuring customer access to funds and securities during a significant business disruption.

If registered representatives are unavailable to service their customers, members are encouraged to promptly place a notice on their websites indicating to affected customers who they may contact concerning the execution of trades, their accounts, and access to funds or securities. Supervisory control policies and procedures should be considered that will mitigate risks that may arise due to the reduced ability to communicate with customers, inability to rely on mail or other disruption to the existing controls over communications with customers.

Added March 24, 2020

Q: Is my firm required to file non-promotional communications with FINRA?

A: No. FINRA Rule 2210(c)(7) (Communications with the Public) excludes from Rule 2210's filing requirement retail communications that do not make any financial or investment recommendation or otherwise promote a product or service of the member. For example, a member is not required to file with FINRA a retail communication regarding COVID-19 that does not make any financial or investment recommendation or promote a product or service of the member.

Additional information on exclusions from Rule 2210's filing requirement are included in FINRA Advertising Regulation Department's dedicated [FAQs](#). Members with additional questions may also contact the FINRA Advertising Regulation Department ((240) 386-4500 or finra_adv@finra.org).

Added March 24, 2020

[MORE ABOUT ADVERTISING REGULATION](#)

Annual Assessment and Net Capital

Small Firms Will Be Permitted To Spread Out Payment of the Annual Assessment

Q: The current economic turbulence in connection with the spread of COVID-19 is having particular impact on small firms. Will FINRA permit small firms additional time to pay the Gross Income Assessment and the Personnel Assessment (together referred to as the “annual assessment”)?

A: Yes. Ordinarily, invoices for the FINRA annual assessment are distributed in April of each year and payment is due on receipt.

However, FINRA is permitting small firms, identified under the FINRA By-Laws as having no more than 150 registered persons, to treat the invoices as billed as of August 1, 2020, rather than as due upon receipt in April. Further, small firms that choose to do so will be allowed to pay 50% of the amount due on September 1, 2020, and the remaining 50% on December 1, 2020.

Q: It is possible my firm will terminate its membership of FINRA in June 2020. Will my firm still be responsible for paying the annual assessment for 2020?

A: No. A firm that exits FINRA membership before September 1, 2020, will not be expected to pay the annual assessment for 2020.

Added April 2, 2020

Net Capital Treatment of Deferred Annual Assessment

Q: If small firms choose to take more time with their annual assessment payments, as described above, is there any guidance for how the deferred amounts should be treated for purposes of net capital?

A: Yes. Based on discussions with the SEC staff, small firms should, consistent with obligations under the net capital rules, apply Generally Accepted Accounting Principles (GAAP) to determine whether they should accrue a liability for the 2020 annual assessment. To the extent a liability is accrued for the unpaid annual assessment, small firms will be permitted, until September 1, 2020, to add back the amount of such liability to their net worth for purposes of computing net capital and, to the extent applicable, to exclude the liability from their aggregate indebtedness in computing their

minimum net capital requirement. Members should include the amount of the liability that will be added back to their net worth in Item 3525 (Other (deductions) or allowable credits) and, to the extent applicable, Item 1380 (Other – Accounts payable and accrued liabilities and expenses) of FOCUS Report Part II or Item 1385 (Accounts payable, accrued liabilities, expenses and other) of FOCUS Report Part IIA.

Added April 2, 2020

Anti-Money Laundering (AML)

Q: My firm performed its annual independent AML testing in April 2019, but I'm concerned about the firm performing its next annual testing by April 2020.

A: FINRA is reminding member firms that they have until December 31, 2020 to perform the annual independent testing of the member's AML compliance program. FINRA Rule 3310's reference to a "calendar-year basis" means that, for most member firms, the independent testing must be performed at least once during each calendar year (i.e., between January 1 and December 31). This provides member firms with the ability to choose when to perform their independent testing within the calendar year, unless circumstances warrant more frequent testing.

Member firms that do not execute transactions for customers or otherwise hold customer accounts or do not act as introducing brokers with respect to customer accounts (e.g., engage solely in proprietary trading or conduct business only with other broker-dealers), may perform independent testing every two years (on a calendar-year basis) rather than on an annual basis. If a member firm qualifies for the two-year testing exception, and the last year in which an independent test was performed was in 2018, the member firm has until December 31, 2020 to perform its next independent testing.

Added March 24, 2020

[MORE ABOUT ANTI-MONEY LAUNDERING](#)

Best Execution

Q: Do the current circumstances during the outbreak of coronavirus disease (COVID-19), including volatile market conditions, change my firm's obligations to provide best execution under FINRA Rule 5310?

A: Under Rule 5310, firms must exercise “reasonable diligence” to ascertain the best market for the security and buy or sell in that market so that the resultant price to the customer is as favorable as possible under prevailing market conditions. Evaluating a broker-dealer’s satisfaction of its duty of best execution necessarily requires a “facts and circumstances” analysis. While broker-dealers are not relieved of their best execution obligations in these circumstances, FINRA notes that the reasonable diligence required for best execution is assessed in the context of the characteristics of the security and market conditions, including price, volatility, relative liquidity, and pressure on available communications.

Added March 24, 2020

Broker-Dealer Registration

Q: Is a member required to update Form U4 or Form BR for temporary relocations during the COVID-19 pandemic?

A: No. As discussed in [Regulatory Notice 20-08](#), FINRA is temporarily suspending the requirement to maintain updated Form U4 information regarding office of employment address for registered persons who temporarily relocate due to COVID-19. In addition, members are not required to submit branch office applications on Form BR for any newly opened temporary office locations or space-sharing arrangements established as a result of recent events. As coronavirus-related risks decrease, members should expect to return to meeting any regulatory obligations for which relief has been provided. When appropriate, FINRA will publish a Regulatory Notice announcing a termination date for the regulatory relief that will provide members with time to make necessary operational adjustments.

Added March 24, 2020

Q: Is a member required to notify FINRA if it relocates personnel to a temporary location that is not currently registered as a branch office or identified as a regular non-branch location?

A: Yes, on a best efforts basis. As discussed in [Regulatory Notice 20-08](#), if a member relocates personnel to a temporary location that is not currently registered as a branch office or identified as a regular non-branch location, the firm should use its **best efforts** to provide written notification to its FINRA Risk Monitoring Analyst as soon as possible after establishing a new temporary office or space-sharing arrangement, to include at a minimum the office address, the names of each member involved, the names of registered personnel, a contact telephone number and, if possible, the expected duration. The notification should also indicate whether the member's personnel will be sharing space with another entity, and if so, the type of business in which it is engaged (e.g., an affiliated investment adviser or an organization in the securities business). FINRA reminds members that while a pandemic may create exigent circumstances that result in emergency relocations, firms should take into account the risks associated with sharing office space with another entity (e.g., customer privacy, information security or recordkeeping considerations) and take steps to mitigate the risks during the emergency relocation. FINRA does not expect to receive written notification regarding each associated person's location (e.g., the person's home residence if working from home) or if another person (e.g., a spouse or another immediate family member) is also teleworking in the same residence as the associated person.

In addition, in instances where a non-branch location or branch office has been relocated, or customer calls are being rerouted to another office, members must exercise diligence in validating the identity of the customer (e.g., when accepting orders and request for disbursement of funds) as well as provide heightened supervision of the affected customer accounts.

Added March 24, 2020

[MORE ABOUT BROKER-DEALER REGISTRATION](#)

Business Continuity Planning (BCP)

Q: Is a member required to notify FINRA if it activates its BCP?

A: Members are encouraged to do so. A member may conduct its own analysis to determine whether a pandemic or any other event constitutes an emergency or significant business disruption for the firm and, thereby, causes the firm to activate its BCP.

Members are encouraged to contact their assigned FINRA Risk Monitoring Analyst to discuss the activation and implementation of their BCPs, as well as to discuss any issues they may be facing, including the disruption of business operations, and whether disruptions are solved or ongoing.

Added March 24, 2020

Q: How can a member register and update its emergency contact persons with FINRA?

A: FINRA Rule 4370 requires each member to provide (and promptly update upon any material change) to FINRA via electronic process or other means as FINRA may specify, prescribed emergency contact information, including the designation of two emergency contact persons, both of whom must be associated persons. Members may register and update their emergency contact persons through the FINRA Contact System (FCS). Visit FINRA's [FCS](#) webpage to access the system.

This requirement is intended to ensure that FINRA has a reliable means of contacting each member in the event of an emergency. One contact must be a member of senior management and a registered principal of the member and the second contact, if not a registered principal, must be a member of senior management who has knowledge of the firm's business operations. For a firm that has only one associated person (e.g., a sole proprietorship without any other associated persons), the second emergency contact person may be an individual, either registered with another firm or nonregistered, who has knowledge of the member's business operations, such as the firm's attorney, accountant or clearing firm contact.

Added March 24, 2020

Q: How can members communicate with FINRA?

A: Members are required to provide FINRA with emergency contact information pursuant to Rule 4370. Members are encouraged to review their emergency contacts to ensure that FINRA has a reliable means of contacting each member.

If a member or another person is unable to contact FINRA through its usual contact due to a pandemic or other significant business disruption, please call FINRA's Call Center at (301) 590-6500. This number will be rerouted in the event of a business disruption at FINRA's primary call center, so that the member or associated person will be able to reach an operator or receive recorded instructions.

Added March 24, 2020

Q: Are members and their associated persons permitted to use remote offices or telework arrangements during the COVID-19 pandemic?

A: Yes. As discussed in [Regulatory Notice 20-08](#), in an effort to mitigate the impacts of a pandemic, a member may consider employing methods such as social distancing, travel restrictions, revised sick leave policies, special pandemic leave time, or specialized seating plans for densely populated floors or buildings. ¹ These methods may also involve remote offices or telework arrangements (e.g., working from home or a backup or recovery location) for a broad range of employees.

FINRA understands that the use of remote offices or telework arrangements during a pandemic may necessitate a member to implement other ways to supervise its associated persons who change their work locations or arrangements for the duration of the pandemic. In such cases, FINRA would expect a member to establish and maintain a supervisory system that is reasonably designed to supervise the activities of each associated person while working from an alternative or remote location during the pandemic, and to document any changes to its current written supervisory procedures. With respect to oversight obligations, a member's scheduled on-site inspections of branch offices may need to be temporarily postponed during the pandemic, with FINRA understanding that the ability to complete this annual regulatory obligation in 2020 may need to be re-evaluated depending on the duration and severity of the pandemic.

In addition, a member may find it helpful to test broad use of remote offices or telework arrangements by associated persons prior to activating its BCP, including regarding the ability to connect to critical firm systems, the adequacy of remote connectivity via residential internet access networks and any potential need to secure premium or dedicated service for connectivity.

Added March 24, 2020

Q: Is FINRA providing any extensions for regulatory filings and responses to FINRA inquiries, matters and investigations?

A: Contact us. As discussed in [Regulatory Notice 20-08](#), members may have difficulty making timely regulatory filings and responding to regulatory inquiries or investigations. Unless FINRA has otherwise provided relief to all member firms (e.g., in another FAQ or other Regulatory Notice), members that require extra time to respond to open inquiries, investigations or upcoming filings should contact their Risk Monitoring Analysts or the relevant FINRA department to seek extensions.

FINRA may waive any late fees incurred by a member based on the member's particular circumstance. In addition, if any data communications are disrupted, members should retain the relevant data until it can be transmitted to FINRA.

In considering regulatory filing requirements, members are reminded of the requirements in Rule 15c3-3 under the Securities Exchange Act of 1934 (SEA) regarding reserve formula computations and required deposits that are intended to protect customer funds and securities. ²

Added March 24, 2020

[MORE ABOUT BUSINESS CONTINUITY PLANNING \(BCP\)](#)

Filing Extensions – Annual Reports and FOCUS Reports

Q: May members have additional time to file their annual report with FINRA?

A: Every member is required to file an annual report as specified under SEA Rule 17a-5. Rule 17a-5(d)(5) requires members to submit their annual reports to FINRA no later than 60 calendar days after the date of the member's fiscal year end.

Based on discussions with the SEC staff, any member that (1) meets the exemptive provisions in SEA Rule 15c3-3(k) or (2) files a Part IIA FOCUS Report is being provided a 30 calendar day extension for submitting to FINRA their annual report related to fiscal years ending in January 2020 through March 2020. Further, the procedures set forth under [Interpretation /01](#) under SEA Rule 17a-5(m)(1) are waived for purposes of this extension.

Added March 20, 2020

Q: May members have additional time to file a FOCUS report with FINRA?

A: Every member is required to file a Financial and Operational Combined Uniform Single (FOCUS) report as specified under SEA Rule 17a-5. Rule 17a-5(a) requires members to submit their FOCUS reports no later than 17 business days after month-end.

Based on discussions with the SEC staff, any member that (1) meets the exemptive provisions in SEA Rule 15c3-3(k) or (2) files a Part IIA FOCUS Report is being provided a 10 business day extension for submitting any FOCUS report to FINRA related to a period ending in February 2020 through April 2020. Further, the written application and procedures required pursuant to SEA Rule 17a-5(a)(6), and the related [Interpretations](#), are waived for purposes of this extension.

For any member that qualifies for the above extension, FINRA is providing a corresponding 10 business day extension for any applicable supplemental FOCUS schedules required pursuant to FINRA Rule 4524.

Updated March 24, 2020

[MORE ABOUT FILING SYSTEMS](#)

Fingerprint Information

SEC Provides Temporary Exemptive Relief from Fingerprinting Requirements for, Among Others, Members and All of Their Associated Persons; FINRA Provides Additional Temporary Extension of Time for Submission of Fingerprint Information for Registered Persons Under Rule 1010(d)

On March 20, 2020, the Securities and Exchange Commission (the Commission) issued an [order](#) that, among other things, provides a temporary exemption until May 30, 2020 from the fingerprinting requirements of Securities Exchange Act Rule 17f-2 for FINRA members. As a condition of the relief, the Order requires written notification to the Commission by May 30, 2020, that a person will rely on the exemption. FINRA has provided that notification on behalf of all of its members, their employees and associated persons. With respect to an individual seeking registration pursuant to the submission of a Form U4, a FINRA member firm seeking to avail itself of this temporary exemptive relief for registered persons must comply with FINRA's guidance with respect to FINRA Rule 1010, which is set forth below. A FINRA member firm seeking to avail itself of this temporary exemptive relief for non-registered associated persons (NRFs) must comply with the recordkeeping requirements set out in the guidance regarding NRFs below.

Temporary Extension of Time for Submission of Fingerprint Information for Persons Seeking Registration

Q. FINRA Rule 1010(d) requires members to submit fingerprint information for an individual applicant no later than 30 days after FINRA receives the applicant's Form U4. In the interim, the individual's registration may be deemed effective pending receipt of the fingerprint information. If the information is not submitted within 30 days, the individual's registration is deemed inactive and the individual must immediately cease performing any registered activities. Due to the limitations and restrictions imposed as a result of the recent outbreak of coronavirus disease (COVID-19), our firm is unable to submit fingerprint information for applicants within the 30-day period under Rule 1010(d). Is FINRA considering extending the 30-day period to address this issue?

A. Yes. Due to the COVID-19 outbreak, the SEC recently issued an order providing temporary relief from the fingerprinting requirements of Section 17(f)(2) of the Exchange Act and SEA Rule 17f-2 for the period of March 16, 2020 until May 30, 2020. In addition, FINRA Rule 1010(d) authorizes FINRA to extend the 30-day period for submitting fingerprint information upon application and a showing of good cause. Given the

Commission's order, and the authority in Rule 1010, FINRA is temporarily extending the time period for submitting fingerprint information under Rule 1010(d). Specifically, members that submitted, or will submit, an applicant's initial or transfer Form U4 between February 15, 2020 and May 30, 2020, will have until June 29, 2020 to submit the necessary fingerprint information. FINRA will continue to assess this situation and consider any additional extensions of time as appropriate.

Added March 24, 2020

Temporary Exemptive Relief for Submission of Fingerprint Information for Associated Persons Required to be Fingerprinted but Not Seeking Registration

Q. Will non-registered associated persons who are required to be fingerprinted (NRFs) also receive additional time to submit their fingerprint information?

A. Yes. Those individuals are subject to the SEC order providing a temporary exemption from the fingerprinting requirements of Section 17(f)(2) of the Exchange Act and SEA Rule 17f-2 thereunder until May 30, 2020, or such time that the SEC may extend its temporary relief. As a condition of the relief, the order requires written notification to the Commission by May 30, 2020, that a person will rely on the exemption. FINRA has provided that notification on behalf of all of its members and their associated persons, including NRFs. Member firms must maintain a record of those associated persons relying on the SEC's exemptive relief. Such record must contain the hire date, and if applicable, the termination date of those associated persons.

Added April 10, 2020

[MORE ABOUT FINGERPRINTS](#)

Individual Registration

Termination of Registration

Q: Our firm's current practice is to mail a hard copy of the Form U5 (Uniform Termination Notice for Securities Industry Registration) filed with FINRA to each terminated individual concurrently with the submission of the Form U5 to FINRA. Is it permissible to provide copies of the Form U5 to terminated individuals electronically?

A: Yes. Pursuant to Article V, Section 3(a) of the FINRA By-Laws, following the termination of the association of a registered person, the member with which the individual was associated must submit a Form U5 not later than 30 days to FINRA and, concurrently, **provide** the individual a copy of the Form U5 as filed with FINRA. Article V, Section 3(a) of the FINRA By-Laws does not specify the format in which members must provide the Form U5 copy to terminated individuals. Accordingly, Article V, Section 3(a) of the FINRA By-Laws permits providing copies of the Form U5 to terminated individuals electronically.

Added April 6, 2020

Continuing Education

Q: May registered persons have additional time to complete the Regulatory Element of Continuing Education (CE)?

A: Yes. FINRA Rule 1240(a) (Regulatory Element) requires registered persons to complete the Regulatory Element of CE during a 120-day window based on their registration anniversary date. If a registered person fails to complete the Regulatory Element within the prescribed period, the individual's registration is deemed inactive and the individual is prohibited from performing, or being compensated for, any registered activities. However, FINRA understands that some individuals may be unable to complete their Regulatory Element prior to the expiration date due to the coronavirus disease (COVID-19) pandemic.

Rule 1240(a) authorizes FINRA to extend the time period for completion of the Regulatory Element for good cause shown. Consistent with this authority and due to the significant impacts of the COVID-19 pandemic, FINRA is temporarily extending the time period for completing the Regulatory Element of CE. Specifically, FINRA is providing an extension to any registered person whose 120-day window for completing the Regulatory Element is currently expired, or will expire, between March 16, 2020 and May 2020. The Regulatory Element end date for each registered person will be extended through the same end date of May 31, 2020. FINRA will continue to assess this situation and consider any additional extensions of time as appropriate. Information about this extension is also available on our [Continuing Education page](#).

Added April 6, 2020

Late Filing Fees for Forms U4/U5

Q: Due to the significant impacts of coronavirus disease (COVID-19), will FINRA consider refunding or reducing a late filing fee pertaining to Forms U4 or U5 filings?

A: Yes. FINRA is committed to ensuring that members and their associated persons provide timely, complete and accurate disclosure information in response to the questions on Forms U4 and U5 as required under its rules. FINRA recognizes, however, that members may encounter difficulties obtaining documents and other information needed to report such information due to the implementation of coronavirus disease (COVID-19) measures. Accordingly, FINRA will consider requests to refund or reduce late filing fees in appropriate circumstances. For further information, contact the FINRA Gateway Call Center at (301) 869-6699.

Added April 6, 2020

Temporary Relief Relating to Rule 1010 (Electronic Filing Requirements for Uniform Forms)

Q: Our firm has implemented its BCP due to the recent outbreak of coronavirus disease (COVID-19). During this time, it may not be possible to obtain an individual applicant's manual (wet) signature on an initial or transfer Form U4 (Uniform Application for Securities Industry Registration or Transfer) for purposes of satisfying the requirements under FINRA Rule 1010(c). What are our obligations under these circumstances?

A: [FINRA Rule 1010\(c\)](#) requires that every initial and transfer electronic Form U4 filing be based on a manually signed Form U4 provided to the member or applicant for membership by the individual on whose behalf the Form U4 is being filed. However, due to the recent outbreak of [coronavirus disease \(COVID-19\)](#), FINRA is providing temporary relief from this requirement. Specifically, in the interim, FINRA will permit firms to electronically file an initial or transfer Form U4 without obtaining the individual applicant's manual signature if the firm:

- provides the applicant with a copy of the completed Form U4 prior to filing;
- obtains the applicant's written acknowledgment (which may be electronic) prior to filing that the information has been received and reviewed, and that the applicant agrees that the content is accurate and complete;

- retains the written acknowledgment in accordance with SEA Rule 17a-4(e)(1) and makes it available promptly upon regulatory request; and
- obtains the applicant's manual signature as soon as practicable.

Added March 18, 2020

Active Military Duty

Q: Is any relief available for persons registered with FINRA who volunteer or are called into active military duty?

A: Yes. The declaration of an emergency in a specified area due to COVID-19 may result in some persons volunteering or being called into active military duty. FINRA Rule 1210 (Registration Requirements) provides specific relief to persons registered with FINRA who volunteer or are called into active military duty.³ For information on providing the required notification to FINRA, visit FINRA's [Active Military Leave Guidance](#) webpage.

Added March 24, 2020

Paycheck Protection Program Loans

Q: The Paycheck Protection Program (PPP) allows eligible individuals and small businesses to obtain loans that can be used during the COVID-19 crisis. A PPP loan is eligible for forgiveness, provided the terms of the loan forgiveness are satisfied. If a registered person or a business they control obtains a PPP loan and the loan or part of the loan is forgiven, will the registered person be required to report that forgiveness in response to Question 14K on their Form U4 as a "compromise with a creditor?"

A: No, provided the PPP loan or part of the loan is forgiven consistent with the original terms of the loan. For purposes of Form U4 Question 14K, a compromise with one or more creditors "generally involves an agreement between a borrower and a creditor in which a creditor agrees to accept less than the full amount owed in full satisfaction of an outstanding debt, unless such an agreement is included in the original terms of the loan."⁴ Because a PPP loan contemplates forgiveness of some or all of the loan as part of the original terms of the loan, such forgiveness will not involve a new agreement by the creditor, but will be an event consistent with the loan's original terms. In those circumstances, the forgiveness of a PPP loan will not be a "compromise with creditors"

for purposes of Form U4 Question 14K. Any forgiveness beyond the original terms of the loan would be considered a “compromise with creditors.”

Added April 13, 2020

MORE ABOUT INDIVIDUAL REGISTRATION

Net Capital Treatment of Covered Loans Under the CARES Act

Q: Section 1106(b) of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act), provides that a recipient of a covered loan (as defined in Section 1106(a)(1)) is eligible for forgiveness of indebtedness on the covered loan in an amount (the “Forgivable Expense Amount”) equal to the sum of the following costs incurred and payments made during the eight-week period beginning on the date of the origination of the covered loan (the “covered period”):

1. **Payroll costs (as defined in Section 1106(a)(8));**
2. **Any payment of interest on any covered mortgage obligation (as defined in Section 1106(a)(2)), which shall not include any prepayment of or payment of principal on a covered mortgage obligation;**
3. **Any payment on any covered rent obligation (as defined in Section 1106(a)(4));**
and
4. **Any covered utility payment (as defined in Section 1106(a)(5)).**

Can member firms add back to net capital amounts that they expect to be forgiven under Section 1106?

A: A member firm that has included a covered loan as a liability on its balance sheet may add the Forgivable Expense Amount back to net capital to the extent the firm has recorded expenses for the costs and payments making up the Forgivable Expense Amount, provided that the add-back to net capital may not exceed the amount of the balance sheet liability for the covered loan that the firm reasonably expects to be forgiven pursuant to Section 1106 (taking into account among other things the limits under Section 1106(d) on the amount of forgiveness). Since the add-back cannot be

greater than the balance sheet liability for the covered loan, the add-back cannot increase net capital by more than the balance sheet liability for the covered loan.

A member firm that makes such an add-back must create and retain documentation of the basis of the add-back, including a record of its computation of the Forgivable Expense Amount, a record of the costs and payments making up that amount, and a record of its estimate of any limits under Section 1106(d) with the basis for such estimate. On the firm's FOCUS Reports, the add-back must be reported in Item 3525 (Other (deductions) or allowable credits).

Added April 2, 2020

Q: Can a member firm that has obtained a covered loan exclude the amount of the covered loan from aggregate indebtedness?

A: A member firm that has included a covered loan as a liability on its balance sheet may exclude such covered loan from aggregate indebtedness during the 8-week "covered period" after the origination of such covered loan. After the end of the covered period, such firm may exclude from aggregate indebtedness the amount of its liability for such covered loan that the firm is permitted to add back to net capital, as described above. Any part of the covered loan excluded from aggregate indebtedness may be included on the firm's Statement of Financial Condition in its FOCUS Report Part II in Item 1380 (Other – Accounts payable and accrued liabilities and expenses") or in Item 1385 (Accounts payable, accrued liabilities, expenses and other) in its FOCUS Report Part IIA.

Added April 2, 2020

Qualification Examinations

Temporary Extension of Time Under Rule 1210.04 (Requirements for Registered Persons Functioning as Principals for a Limited Period)

Q: FINRA Rule 1210.04 allows eligible individuals to function in a principal capacity for 120 calendar days before having to pass the appropriate examination(s). In accordance with the rule, our firm currently has several individuals who were designated to function as principals prior to February 2,

2020. These individuals were scheduled to sit for the appropriate examinations in the next several weeks. However, Prometric recently announced that it has temporarily closed its test centers for a period of 30 days due to the recent outbreak of coronavirus disease (COVID-19), which would preclude these individuals from sitting for their scheduled examinations. Is FINRA considering temporarily extending the 120-day period under Rule 1210.04 for such individuals?

A: Due to the temporary closing of the Prometric test centers, FINRA is extending expiring qualification examination windows until May 31, 2020. Consistent with this extension, individuals who were designated to function as principals under [Rule 1210.04](#) prior to February 2, 2020 will be given until May 31, 2020 to pass the appropriate examination(s). FINRA will continue to assess this situation and consider any additional extensions of time if necessary.

Added March 20, 2020

MORE ABOUT QUALIFICATION EXAMS

Rule 4530 Reporting Requirements

Q: May members have additional time to report to FINRA statistical and summary information regarding written customer complaints pursuant to FINRA Rule 4530(d) (Reporting Requirements)?

A: Yes. FINRA Rule 4530(d) requires that each member report to FINRA statistical and summary information regarding written customer complaints by the 15th day of the month following the calendar quarter in which customer complaints are received by the member. FINRA is providing additional time for members to report to FINRA this statistical and summary information regarding customer complaints for the first quarter of 2020. Members have until May 31, 2020 to report to FINRA statistical and summary information regarding written customer complaints received by the member in the first quarter of 2020.

Added March 24, 2020

MORE ABOUT RULE 4530 REPORTING REQUIREMENTS

Supervision

Q: Our branch office staff is working remotely due to the recent outbreak of coronavirus disease (COVID-19). During this time can firm mail that would ordinarily be delivered to the branch be directed or forwarded to an associated person's residence? **NEW**

A: Yes. A firm may choose to direct or forward firm mail that would ordinarily be delivered to the branch to an associated person's residence (e.g., because the firm does not have the option of collecting it in a central operations center or other location for principal review and handling). Because a principal is responsible for reviewing and handling certain communications, FINRA would expect a firm to direct or forward the mail from a branch office to a principal's residence. If this is not possible, and due to extenuating circumstances the firm elects to have the mail directed or forwarded to the residence of an associated person who is not a principal (e.g., a registered representative's residence), the firm must ensure that it has implemented a supervisory structure reasonably designed to supervise the activities of its associated persons, including implementing controls for the handling of customer correspondences received so that a principal may complete the appropriate reviews. The firm should document any new procedures that vary from its current written supervisory procedures. These procedures should take into consideration the additional risks associated with directing or forwarding firm business correspondence, including checks, to a personal residence (e.g., the retention and reporting of customer complaints, the handling of customer non-public information and the possible net capital implications of checks received).

Depending upon the activities conducted at a person's residence, the residence may qualify as a "branch office" under FINRA Rule 3110(f)(2) (Supervision). However, as provided in [Regulatory Notice 20-08](#), a firm is not required to file a Form BR to register a temporary branch office resulting from an emergency relocation due to the pandemic.

Added April 16, 2020

Q: May firms have additional time to complete and submit their Rule 3120 Report?

A: Yes. FINRA is providing additional time for some members to complete and submit to their senior management the report required under Rule 3120 that details a member's supervisory controls system (and with respect to certain members, additional information). Members whose annual deadline for submitting the report falls between March 1 and May 1, 2020, may take up to and including May 31, 2020 to complete and submit the report to their senior management.

Added March 24, 2020

Q: May firms have additional time to execute their Rule 3130 certification?

A: Yes. FINRA is providing additional time for some members to execute their Rule 3130 certification. The deadline for executing the Rule 3130 certification is no later than on the anniversary date of the previous year's certification. As such, members may have different deadlines for their next certification. A member whose certification deadline falls between March 1 and May 1, 2020, may take up to and including May 31, 2020 to complete its certification.

Among other things, Rule 3130 requires as a condition for certification that the CEO(s) has conducted one or more meetings with the CCO(s) in the preceding 12 months to discuss the member's processes. FINRA notes that those meetings may be conducted virtually.

Added March 24, 2020

MORE ABOUT SUPERVISION

1. Additional information from the Centers for Disease Control and Prevention (CDC) on strategies for businesses and employers to plan for and respond to COVID-19 is available on the [CDC's website](#).

2. SEA Rule 15c3-3(e)(3) requires a broker-dealer to prepare the reserve formula computations, necessary to determine the amount required to be deposited as specified in Rule 15c3-3(e)(1), to be made weekly, as of the close of the last business day of the week, and the deposit so computed to be made no later than one hour after the opening of banking business on the second following business day.

3. Under Supplementary Material .10 to Rule 1210, these persons would be placed in a specially designated “inactive” status once FINRA is notified of their military call-up, but would remain registered for FINRA purposes.

4. See Form U4 and U5 Interpretative Questions and Answers at p. 11,