Susan Light Guests on the *Oyster Stew* Podcast Discussing new SEC Rules for Market Participants to Become Registered

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Partner and Broker-Dealer Regulation Co-Chair Susan Light appeared on the *Oyster Stew* podcast to discuss the Securities and Exchange Commission (SEC) amendments to the Securities Exchange Act of 1934, Rules 15b9-1, 3a5-4 and 3a44-2, where the SEC increased the types of financial entities that must become registered. These new rules require both a) most broker-dealers that are currently registered with the SEC and an exchange to become registered with Financial Industry Regulatory Authority (FINRA); and b) market participants that take on significant liquidity providing roles to register with the SEC and become a member of FINRA, thus expanding the definition of a dealer.

Regarding the new dealer definition, Sue noted that given the large number of firms, including "hedge funds, private equity funds and other entities that never even considered themselves in the broker-dealer world" that will be expected to register, there are huge implications to consider. Both the newly considered dealers and the proprietary trading broker-dealers becoming members of FINRA will need enhanced supervisory procedures. For example, "They'll undergo frequent regulatory examinations. They'll become subject to FINRA's enforcement process. They will be assigned a FINRA risk monitoring analyst who will be their new best buddy and will be interested in all sorts of their business. They've got to report trades, and that's one set of areas. Another set of areas is organizational structure. They'll have net capital requirements that will have a significant impact on how often investors can withdraw funds. They've got to have certain supervisory structures with certain entities that have passed regulatory registrations and licensing exams. They need to have certain officers, chief compliance officers, and AOP principals. So these are just some of the areas the funds will have to start to comply with if they are in the dealer world."

Sue also added that compliance dates are key since legal challenges will not likely slow down this process. "It's important that firms know the deadlines. For the proprietary trading firms, FINRA is already accepting long and short applications, but if you want to avail yourself of the short form, it

must be in by May 9. And the compliance date that the prop firms need to be members of FINRA is September 6." For the newly considered dealer firms, the final rules will become effective 60 days following the date of publication of the adopting release in the Federal Register. The compliance date for the final rules will be one year after the effective date of the final rules.

"SEC Rule 15b9-1 Expands FINRA Oversight," *Oyster Stew*, February 28, 2024

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