



Accessed from <http://www.finra.org>. ©2023 FINRA. All rights reserved.
 FINRA is a registered trademark of the Financial Industry Regulatory Authority, Inc.
 Reprinted with permission from FINRA. Version date July 5, 2023.

> [FINRA RULES](#) > [4000. FINANCIAL AND OPERATIONAL RULES](#) > [4100. FINANCIAL CONDITION](#)

4130. Regulation of Activities of Section 15C Members Experiencing Financial and/or Operational Difficulties

The Rule

Notices

(a) Application - For purposes of this Rule, the term "member" shall be limited to any member of FINRA registered with the SEC pursuant to Section 15C of the Exchange Act that is not designated to another self-regulatory organization by the SEC for financial responsibility pursuant to Section 17 of the Exchange Act and SEA Rule 17d-1.

(b) Each member subject to Section 402.2 of the rules of the Treasury Department shall comply with the capital requirements prescribed therein and with the provisions of this Rule.

(c) A member, when so directed by FINRA shall not expand its business during any period in which:

(1) Any of the following conditions continue to exist for more than 15 consecutive business days:

(A) the member's liquid capital is less than 150 percent of the total haircuts or such greater percentage thereof as may from time to time be prescribed by FINRA;

(B) the member's liquid capital minus total haircuts is less than 150 percent of its minimum dollar capital requirement; or

(C) the deduction of ownership equity and maturities of subordinated debt scheduled during the next six months would result in any one of the conditions described in (A) or (B) of this subparagraph (1); or

(2) FINRA restricts the member for any other financial or operational reason.

(d) A member, when so directed by FINRA, shall forthwith reduce its business:

(1) To a point at which the member would not be subject to a prohibition against expansion of its business as set forth in paragraphs (c) (1)(A), (B), or (C) of this Rule if any of the following conditions continue to exist for more than 15 consecutive business days:

(A) the member's liquid capital is less than 125 percent of total haircuts or such greater percentage thereof as may from time to time be prescribed by FINRA;

(B) the member's liquid capital minus total haircuts is less than 125 percent of its minimum dollar capital requirement; or

(C) the deduction of ownership equity and maturities of subordinated debt scheduled during the next six months would result in any one of the conditions described in (A) or (B) of this subparagraph (1); and

(2) As required by FINRA when it restricts a member for any other financial or operational reason.

(e) A member shall suspend all business operations during any period of time when the member is not in compliance with applicable liquid capital requirements as set forth in Section 402.2 of the rules of the Treasury Department. FINRA staff may issue a notice to such member directing it to suspend all business operations; however, the member's obligation to suspend all business operations arises from its obligations under Section 402.2 of the rules of the Treasury Department and is not dependent on any notice that may be issued by FINRA staff.

(f) Any notice directing a member to limit or suspend its business operations shall be issued by FINRA staff pursuant to Rule 9557.

Amended by SR-FINRA-2008-067 eff. Feb. 8, 2010.
 Amended by SR-NASD-2003-110 eff. June 28, 2004.
 Amended by SR-NASD-2003-74 eff. Dec. 1, 2003.
 Adopted by SR-NASD-95-39 eff. Oct. 10, 1996.

Selected Notices: 03-67, 04-36, 09-71.

©2023 FINRA. All Rights Reserved.

FINRA IS A REGISTERED TRADEMARK OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC.



> FINRA RULES > 4000. FINANCIAL AND OPERATIONAL RULES > 4100. FINANCIAL CONDITION

4140. Audit

The Rule

Notices

(a) FINRA may at any time, due to concerns regarding the accuracy or integrity of a member's financial statements, books and records or prior audited financial statements, direct any member to cause an audit to be made by an independent public accountant of its accounts, or cause an examination to be made in accordance with attestation, review or consultation standards prescribed by the AICPA. Such audit or examination shall be directed pursuant to authority exercised by FINRA's Executive Vice President charged with oversight for financial responsibility, or his or her written officer delegate, and shall be made in accordance with such requirements as FINRA may prescribe.

(b) Any member failing to file an audited financial and/or operational report or examination report under this Rule in the prescribed time shall be subject to a late fee as set forth in Schedule A Section 4(g)(1) to the FINRA By-Laws.

Adopted by SR-FINRA-2008-067 eff. Feb. 8, 2010.

Selected Notice: 09-71.

< 4130. REGULATION OF ACTIVITIES OF SECTION 15C MEMBERS EXPERIENCING FINANCIAL AND/OR OPERATIONAL DIFFICULTIES

UP

4150. GUARANTEES BY, OR FLOW THROUGH BENEFITS FOR, MEMBERS >

Disclaimer: The summary and detailed topics are only available for [40 FINRA Rules](#) and have been applied as part of the [FINRA Rulebook Search Tool™ \(FIRST™\)](#) prototype. FIRST is for informational purposes only and does not provide regulatory or compliance advice. You should always review the relevant rule text and the related guidance to understand your regulatory obligations. Usage or reliance on this tool is not a defense to a failure to comply with the FINRA rules. [Learn More](#)

©2023 FINRA. All Rights Reserved.

FINRA IS A REGISTERED TRADEMARK OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC.



> [FINRA RULES](#) > [4000. FINANCIAL AND OPERATIONAL RULES](#) > [4100. FINANCIAL CONDITION](#)

4150. Guarantees by, or Flow Through Benefits for, Members

The Rule

Notices

(a) Prior written notice shall be given to FINRA whenever any member guarantees, endorses or assumes, directly or indirectly, the obligations or liabilities of another person.

(b) Prior written approval must be obtained from FINRA whenever any member receives flow through capital benefits in accordance with Appendix C of SEA Rule 15c3-1.

••• Supplementary Material: -----

.01 Financial and Operational Impact. The written notice required by paragraph (a) of this Rule shall be given to FINRA at least 10 business days prior to entering into such arrangement or relationship with another person. Both the written notice required by paragraph (a) of this Rule and the request for approval under paragraph (b) of this Rule shall include the address and general nature of business conducted by such person, a description of the relationship or arrangement between the parties, details regarding the capitalization of such person (including the percentage of ownership or profits by the member), as well as the actual and potential effect of the arrangement or relationship on the member's capital (including net capital) and operations and such other information as FINRA may require. A request for approval under paragraph (b) of this Rule shall further include an opinion of counsel where such is required in conformity with Appendix C of SEA Rule 15c3-1.

.02 Member Dealings. A member may at any time be required to provide FINRA with information with respect to the arrangement, relationship and dealings with a person referred to in this Rule.

.03 Books and Records. No member shall enter into an arrangement described in this Rule unless it has the authority to make available promptly the books and records of such other person for inspection by FINRA in the United States. The books and records of such person shall be kept separately from those of the member.

.04 FOCUS Reporting Requirements. For persons referred to in this Rule that are registered broker-dealers, the member shall furnish to FINRA copies of such person's FOCUS Reports simultaneous with their being filed with the person's designated examining authority. For persons referred to in this Rule that are not registered broker-dealers, FINRA requires, in lieu of FOCUS, submission of financial and operational statements, in such format and at such time periods as may be required by FINRA, sufficient to gauge the capital and operational effects of the arrangement or relationship.

.05 Routine Guarantees. Guarantees executed routinely in the normal course of business such as trade guarantees, signature guarantees, endorsement of securities and the writing of options, are not subject to the requirements of this Rule provided that, in regard to the guarantee of the writing of options, the transaction is appropriately recorded on the member's books and records in accordance with SEA Rule 17a-3(a)(10) and is reflected in its net capital computation pursuant to SEA Rule 15c3-1.

.06 Guarantees Already in Effect. Within 30 days of August 1, 2011, each member shall advise FINRA, in writing, of any guarantees, endorsements, assumptions of obligations/liabilities, or flow through capital benefits, in effect as of August 1, 2011 not having otherwise been reported, in writing, to the appropriate Regulatory Coordinator.

Adopted by SR-FINRA-2010-061 eff. Aug. 1, 2011.

Selected Notice: 11-26.

< [4140. AUDIT](#)

[UP](#)

[4160. VERIFICATION OF ASSETS](#) >

©2023 FINRA. All Rights Reserved.

FINRA IS A REGISTERED TRADEMARK OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC.



> [FINRA RULES](#) > [4000. FINANCIAL AND OPERATIONAL RULES](#) > [4100. FINANCIAL CONDITION](#)

4160. Verification of Assets

(a) A member, when notified by FINRA, may not continue to custody or retain record ownership of assets, whether such assets are proprietary or customer assets, at a financial institution that is not a member of FINRA, which, upon FINRA staff's request, fails promptly to provide FINRA with written verification of assets maintained by the member at such financial institution.

(b) The Rule shall not apply:

- (1) to proprietary assets of members that are treated as non-allowable assets under SEA Rule 15c3-1; or
- (2) in instances where FINRA determines that there is no independent custody or record ownership of the assets.

••• Supplementary Material: -----

.01 Asset Transfers. Any member required to transfer its proprietary and/or customer assets pursuant to this Rule shall effect such transfer within a reasonable period of time.

.02 Member Obligations Under SEA Rule 15c3-3. Nothing in this Rule shall be construed as altering in any manner a member's obligations under SEA Rule 15c3-3.

Adopted by SR-FINRA-2010-042 eff. Feb 1, 2011; amended by SR-FINRA-2010-062 eff. Feb. 1, 2011.

Selected Notice: 10-61.

< [4150. GUARANTEES BY, OR FLOW THROUGH BENEFITS FOR, MEMBERS](#)

[UP](#)

[4200. MARGIN](#) >

Disclaimer: The summary and detailed topics are only available for [40 FINRA Rules](#) and have been applied as part of the [FINRA Rulebook Search Tool™ \(FIRST™\)](#) prototype. FIRST is for informational purposes only and does not provide regulatory or compliance advice. You should always review the relevant rule text and the related guidance to understand your regulatory obligations. Usage or reliance on this tool is not a defense to a failure to comply with the FINRA rules. [Learn More](#)

©2023 FINRA. All Rights Reserved.

FINRA IS A REGISTERED TRADEMARK OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY, INC.

> [FINRA RULES](#) > [4000. FINANCIAL AND OPERATIONAL RULES](#) > [4200. MARGIN](#)

4210. Margin Requirements

The Rule

Notices

This version is valid from Apr 06, 2022 through Oct 24, 2023.

Amendments have been announced but are not yet effective. To view other versions open the versions tab on the right.

(a) Definitions

For purposes of this Rule, the following terms shall have the meanings specified below:

(1) The term "basket" shall mean a group of stocks that FINRA or any national securities exchange designates as eligible for execution in a single trade through its trading facilities and that consists of stocks whose inclusion and relative representation in the group are determined by the inclusion and relative representation of their current market prices in a widely disseminated stock index reflecting the stock market as a whole.

(2) The term "current market value" means the total cost or net proceeds of a security on the day it was purchased or sold or at any other time the preceding business day's closing price as shown by any regularly published reporting or quotation service except for security futures contracts (see paragraph (f)(10)(C)(ii)). If there is no closing price, a member may use a reasonable estimate of the market value of the security as of the close of business on the preceding business day.

(3) The term "customer" means any person for whom securities are purchased or sold or to whom securities are purchased or sold whether on a regular way, when issued, delayed or future delivery basis. It will also include any person for whom securities are held or carried and to or for whom a member extends, arranges or maintains any credit. The term will not include the following: (A) a broker or dealer from whom a security has been purchased or to whom a security has been sold for the account of the member or its customers, or (B) an "exempted borrower" as defined by Regulation T of the Board of Governors of the Federal Reserve System ("Regulation T"), except for the proprietary account of a broker-dealer carried by a member pursuant to paragraph (e)(6) of this Rule.

(4) The term "designated account" means the account of:

(A) a bank (as defined in Section 3(a)(6) of the Exchange Act),

(B) a savings association (as defined in Section 3(b) of the Federal Deposit Insurance Act), the deposits of which are insured by the Federal Deposit Insurance Corporation,

(C) an insurance company (as defined in Section 2(a)(17) of the Investment Company Act),

(D) an investment company registered with the SEC under the Investment Company Act,

(E) a state or political subdivision thereof, or

(F) a pension or profit sharing plan subject to the Employee Retirement Income Security Act (ERISA) or of an agency of the United States or of a state or a political subdivision thereof.

(5) The term "equity" means the customer's ownership interest in the account, computed by adding the current market value of all securities "long" and the amount of any credit balance and subtracting the current market value of all securities "short" and the amount of any debit balance. Any variation settlement received or paid on a security futures contract shall be considered a credit or debit to the account for purposes of equity.

(6) The term "exempted security" or "exempted securities" has the meaning as in Section 3(a)(12) of the Exchange Act.

(7) The term "margin" means the amount of equity to be maintained on a security position held or carried in an account.

(8) The term "person" has the meaning as in Section 3(a)(9) of the Exchange Act.

(9) The term "highly rated foreign sovereign debt securities" means any debt securities (including major foreign sovereign debt securities) issued or guaranteed by the government of a foreign country, its provinces, state or cities, or a supranational entity, if at the time of the extension of credit the issue, the issuer or guarantor, or any other outstanding obligation of the issuer or guarantor ranked junior to or on

a parity with the issue or the guarantee is assigned a rating (implicitly or explicitly) in one of the top two rating categories by at least one nationally recognized statistical rating organization.

(10) The term "investment grade debt securities" means any debt securities (including those issued by the government of a foreign country, its provinces, states or cities, or a supranational entity), if at the time of the extension of credit the issue, the issuer or guarantor, or any other outstanding obligation of the issuer or guarantor ranked junior to or on a parity with the issue or the guarantee is assigned a rating (implicitly or explicitly) in one of the top four rating categories by at least one nationally recognized statistical rating organization.

(11) The term "major foreign sovereign debt" means any debt securities issued or guaranteed by the government of a foreign country or a supranational entity, if at the time of the extension of credit the issue, the issuer or guarantor, or any other outstanding obligation of the issuer or guarantor ranked junior to or on a parity with the issue or the guarantee is assigned a rating (implicitly or explicitly) in the top rating category by at least one nationally recognized statistical rating organization.

(12) The term "mortgage related securities" means securities falling within the definition in Section 3(a)(41) of the Exchange Act.

(13) The term "exempt account" means:

(A) a member, non-member broker-dealer registered as a broker or dealer under the Exchange Act, a "designated account," or

(B) any person that:

(i) has a net worth of at least \$45 million and financial assets of at least \$40 million for purposes of paragraphs (e)(2)(F) and (e)(2)(G), and

(ii) either:

a. has securities registered pursuant to Section 12 of the Exchange Act, has been subject to the reporting requirements of Section 13 of the Exchange Act for a period of at least 90 days and has filed all the reports required to be filed thereunder during the preceding 12 months (or such shorter period as it was required to file such reports), or

b. has securities registered pursuant to the Securities Act, has been subject to the reporting requirements of Section 15(d) of the Exchange Act for a period of at least 90 days and has filed all the reports required to be filed thereunder during the preceding 12 months (or such shorter period as it was required to file such reports), or

c. if such person is not subject to Section 13 or 15(d) of the Exchange Act, is a person with respect to which there is publicly available the information specified in paragraphs (a)(5)(i) through (xiv), inclusive, of SEA Rule 15c2-11, or

d. furnishes information to the SEC as required by SEA Rule 12g3-2(b), or

e. makes available to the member such current information regarding such person's ownership, business, operations and financial condition (including such person's current audited statement of financial condition, statement of income and statement of changes in stockholder's equity or comparable financial reports), as reasonably believed by the member to be accurate, sufficient for the purposes of performing a risk analysis in respect of such person.

(14) The term "non-equity securities" means any securities other than equity securities as defined in Section 3(a)(11) of the Exchange Act.

(15) The term "listed non-equity securities" means any non-equity securities that: (A) are listed on a national securities exchange; or (B) have unlisted trading privileges on a national securities exchange.

(16) The term "other marginable non-equity securities" means:

(A) Any debt securities not traded on a national securities exchange meeting all of the following requirements:

(i) At the time of the original issue, a principal amount of not less than \$25 million of the issue was outstanding;

(ii) The issue was registered under Section 5 of the Securities Act and the issuer either files periodic reports pursuant to Section 13(a) or 15(d) of the Exchange Act or is an insurance company which meets all of the conditions specified in Section 12(g)(2)(G) of the Exchange Act; and

(iii) At the time of the extensions of credit, the creditor has a reasonable basis for believing that the issuer is not in default on interest or principal payments; or

(B) Any private pass-through securities (not guaranteed by any agency of the U.S. government) meeting all of the following requirements:

- (i) An aggregate principal amount of not less than \$25 million (which may be issued in series) was issued pursuant to a registration statement filed with the SEC under Section 5 of the Securities Act;
- (ii) Current reports relating to the issue have been filed with the SEC; and
- (iii) At the time of the credit extension, the creditor has a reasonable basis for believing that mortgage interest, principal payments and other distributions are being passed through as required and that the servicing agent is meeting its material obligations under the terms of the offering.

(b) Initial Margin

For the purpose of effecting new securities transactions and commitments, the customer shall be required to deposit margin in cash and/or securities in the account which shall be at least the greater of:

- (1) the amount specified in Regulation T, or Rules 400 through 406 of SEC Customer Margin Requirements for Security Futures, or Rules 41.42 through 41.49 under the Commodity Exchange Act ("CEA"); or
- (2) the amount specified in paragraph (c) of this Rule; or
- (3) such greater amount as FINRA may from time to time require for specific securities; or
- (4) equity of at least \$2,000 except that cash need not be deposited in excess of the cost of any security purchased (this equity and cost of purchase provision shall not apply to "when distributed" securities in a cash account). The minimum equity requirement for a "pattern day trader" is \$25,000 pursuant to paragraph (f)(8)(B)(iv)a. of this Rule.

Withdrawals of cash or securities may be made from any account which has a debit balance, "short" position or commitments, provided it is in compliance with Regulation T and Rules 400 through 406 of SEC Customer Margin Requirements for Security Futures and Rules 41.42 through 41.49 under the CEA, and after such withdrawal the equity in the account is at least the greater of \$2,000 (\$25,000 in the case of a "pattern day trader") or an amount sufficient to meet the maintenance margin requirements of this Rule.

(c) Maintenance Margin

The margin which must be maintained in all accounts of customers, except as set forth in paragraph (e), (f) or (g) and for cash accounts subject to other provisions of this Rule, shall be as follows:

- (1) 25 percent of the current market value of all margin securities, as defined in Section 220.2 of Regulation T, except for security futures contracts, "long" in the account.
- (2) \$2.50 per share or 100 percent of the current market value, whichever amount is greater, of each stock "short" in the account selling at less than \$5.00 per share; plus
- (3) \$5.00 per share or 30 percent of the current market value, whichever amount is greater, of each stock "short" in the account selling at \$5.00 per share or above; plus
- (4) 5 percent of the principal amount or 30 percent of the current market value, whichever amount is greater, of each bond "short" in the account.
- (5) The minimum maintenance margin levels for security futures contracts, "long" and "short", shall be 20 percent of the current market value of such contract. (See paragraph (f)(10) of this Rule for other provisions pertaining to security futures contracts.)
- (6) 100 percent of the current market value for each non-margin eligible equity security held "long" in the account.

(d) Additional Margin

Procedures shall be established by members to:

- (1) review limits and types of credit extended to all customers;
- (2) formulate their own margin requirements; and
- (3) review the need for instituting higher margin requirements, mark-to-markets and collateral deposits than are required by this Rule for individual securities or customer accounts.

(e) Exceptions to Rule

The foregoing requirements of this Rule are subject to the following exceptions:

(1) Offsetting "Long" and "Short" Positions

When a security carried in a "long" position is exchangeable or convertible within a reasonable time, without restriction other than the payment of money, into a security carried in a "short" position for the same customer, the margin to be maintained on such positions shall be 10 percent of the current market value of the "long" securities. When the same security is carried "long" and "short" the margin to be maintained on such positions shall be 5 percent of the current market value of the "long" securities. In determining such margin requirements "short" positions shall be marked to the market.

(2) Exempted Securities, Non-equity Securities and Baskets

(A) Obligations of the United States and Highly Rated Foreign Sovereign Debt Securities

On net "long" or net "short" positions in obligations (including zero coupon bonds, i.e., bonds with coupons detached or non-interest bearing bonds) issued or guaranteed as to principal or interest by the United States Government or by corporations in which the United States has a direct or indirect interest as shall be designated for exemption by the Secretary of the Treasury, or in obligations that are highly rated foreign sovereign debt securities, the margin to be maintained shall be the percentage of the current market value of such obligations as specified in the applicable category below:

(i)	Less than one year to maturity	1 percent
(ii)	One year but less than three years to maturity	2 percent
(iii)	Three years but less than five years to maturity	3 percent
(iv)	Five years but less than ten years to maturity	4 percent
(v)	Ten years but less than twenty years to maturity	5 percent
(vi)	Twenty years or more to maturity	6 percent

Notwithstanding the above, on zero coupon bonds with five years or more to maturity the margin to be maintained shall not be less than 3 percent of the principal amount of the obligation.

When such obligations other than United States Treasury bills are due to mature in 30 calendar days or less, a member, at its discretion, may permit the customer to substitute another such obligation for the maturing obligation and use the margin held on the maturing obligation to reduce the margin required on the new obligation, provided the customer has given the member irrevocable instructions to redeem the maturing obligation.

(B) All Other Exempted Securities

On any "long" or "short" positions in exempted securities other than obligations of the United States, the margin to be maintained shall be 7 percent of the current market value.

(C) Non-Equity Securities

On any "long" or "short" positions in non-equity securities, the margin to be maintained (except where a lesser requirement is imposed by other provisions of this Rule) shall be:

(i) 10 percent of the current market value in the case of investment grade debt securities; and

(ii) 20 percent of the current market value or 7 percent of the principal amount, whichever amount is greater, in the case of all other listed non-equity securities, and all other margin eligible non-equity securities as defined in paragraph (a)(16) of this Rule.

(D) Baskets

Notwithstanding the other provisions of this Rule, a member may clear and carry basket transactions of one or more members registered as market makers (who are deemed specialists for purposes of Section 7 of the Exchange Act pursuant to the rules of a national securities exchange) upon a margin basis satisfactory to the concerned parties, provided all real and potential risks in accounts carried under such arrangements are at all times adequately covered by the margin maintained in the account or, in the absence thereof, by the carrying member when computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a).

(E) Special Provisions

Notwithstanding the foregoing in this paragraph (e)(2):

(i) A member may, at its discretion, permit the use of accrued interest as an offset to the maintenance margin required to be maintained; and

(ii) FINRA, upon written application, may permit lower margin requirements on a case-by-case basis.

(F) Transactions with Exempt Accounts Involving Certain "Good Faith" Securities

On any "long" or "short" position resulting from a transaction involving exempted securities, mortgage related securities, or major foreign sovereign debt securities made for or with an "exempt account," no margin need be required and any marked to the market loss on such position need not be collected. However, the amount of any uncollected marked to the market loss shall be deducted in computing the member's net capital as provided in SEA Rule 15c3-1 and, if applicable, Rule 4110(a), subject to the limits provided in paragraph (e)(2)(I) of this Rule.

Members shall maintain a written risk analysis methodology for assessing the amount of credit extended to exempt accounts pursuant to paragraph (e)(2)(F) of this Rule which shall be made available to FINRA upon request. The risk limit determination shall be made by a designated credit risk officer or credit risk committee in accordance with the member's written risk policies and procedures.

(G) Transactions With Exempt Accounts Involving Highly Rated Foreign Sovereign Debt Securities and Investment Grade Debt Securities

On any "long" or "short" position resulting from a transaction made for or with an "exempt account" (other than a position subject to paragraph (e)(2)(F)), the margin to be maintained on highly rated foreign sovereign debt and investment grade debt securities shall be, in lieu of any greater requirements imposed under this Rule, (i) 0.5 percent of current market value in the case of highly rated foreign sovereign debt securities, and (ii) 3 percent of current market value in the case of all other investment grade debt securities. The member need not collect any such margin, provided the amount equal to the margin required shall be deducted in computing the member's net capital as provided in SEA Rule 15c3-1 and, if applicable, Rule 4110(a), subject to the limits provided in paragraph (e)(2)(I) of this Rule.

Members shall maintain a written risk analysis methodology for assessing the amount of credit extended to exempt accounts pursuant to paragraph (e)(2)(G) of this Rule which shall be made available to FINRA upon request. The risk limit determination shall be made by a designated credit risk officer or credit risk committee in accordance with the member's written risk policies and procedures.

(H) Covered Agency Transactions**(i) Definitions**

For purposes of paragraph (e)(2)(H) of this Rule:

a. **(To be Implemented on Oct. 25, 2023).**

b. The term "counterparty" means any person that enters into a Covered Agency Transaction with a member and includes a "customer" as defined in paragraph (a)(3) of this Rule.

c. The term "Covered Agency Transaction" means:

1. To Be Announced ("TBA") transactions, as defined in Rule 6710(u), inclusive of adjustable rate mortgage ("ARM") transactions, for which the difference between the trade date and contractual settlement date is greater than one business day;

2. Specified Pool Transactions, as defined in Rule 6710(x), for which the difference between the trade date and contractual settlement date is greater than one business day; and

3. Transactions in Collateralized Mortgage Obligations ("CMOs"), as defined in Rule 6710(dd), issued in conformity with a program of an Agency, as defined in Rule 6710(k), or a Government-Sponsored Enterprise, as defined in Rule 6710(n), for which the difference between the trade date and contractual settlement date is greater than three business days.

d. through j. **(To be Implemented on Oct. 25, 2023).**

(ii) Margin Requirements for Covered Agency Transactions

a. **(To be Implemented on Oct. 25, 2023)**

b. A member that engages in Covered Agency Transactions with any counterparty shall make a determination in writing of a risk limit for each such counterparty that the member shall enforce. The risk limit determination shall be made by a designated credit risk officer or credit risk committee in accordance with the member's written risk policies and procedures.

c. through g. **(To be Implemented on Oct. 25, 2023).**

(I) Limits on Net Capital Deductions for Exempt Accounts

(i) Members shall maintain a written risk analysis methodology for assessing the amount of credit extended to exempt accounts pursuant to paragraphs (e)(2)(F) and (e)(2)(G) which shall be made available to FINRA upon request.

(ii) In the event that the net capital deductions taken by a member as a result of marked to the market losses incurred under paragraphs (e)(2)(F) and (e)(2)(G) (exclusive of the percentage requirements established thereunder) exceed:

a. on any one account or group of commonly controlled accounts, 5 percent of the member's tentative net capital (as such term is defined in SEA Rule 15c3-1), or

b. on all accounts combined, 25 percent of the member's tentative net capital (as such term is defined in SEA Rule 15c3-1), and, such excess exists on the fifth business day after it was incurred, the member shall give prompt written notice to FINRA and shall not enter into any new transaction(s) subject to the provisions of paragraph (e)(2)(F) or (e)(2)(G) that would result in an increase in the amount of such excess under, as applicable, subparagraph (ii).

(3) Joint Accounts in Which the Carrying Member or a Partner or Stockholder Therein Has an Interest

In the case of a joint account carried by a member in which such member, or any partner, or stockholder (other than a holder of freely transferable stock only) of such member participates with others, each participant other than the carrying member shall maintain an equity with respect to such interest pursuant to the margin provisions of this paragraph as if such interest were in a separate account.

Pursuant to the Rule 9600 Series, FINRA may grant an exemption from the provisions of this paragraph (e)(3), if the account is confined exclusively to transactions and positions in exempted securities.

In the case of an account conforming to the conditions described in this paragraph (e)(3), the exemption application shall also include the following information as of the date of the request:

(A) complete description of the security;

(B) cost price, offering price and principal amount of obligations which have been purchased or may be required to be purchased;

(C) date on which the security is to be purchased or on which there will be a contingent commitment to purchase the security;

(D) approximate aggregate indebtedness;

(E) approximate net capital; and

(F) approximate total market value of all readily marketable securities (i) exempted and (ii) non-exempted, held in member accounts, partners' capital accounts, partners' individual accounts covered by approved agreements providing for their inclusion as partnership property, accounts covered by subordination agreements approved by FINRA and customers' accounts in deficit.

(4) International Arbitrage Accounts

International arbitrage accounts for non-member foreign brokers or dealers who are members of a foreign securities exchange shall not be subject to this Rule. The amount of any deficiency between the equity in such an account and the margin required by the other provisions of this Rule shall be charged against the member's net capital when computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a).

(5) Specialists' and Market Makers' Accounts

(A) A member may carry the account of an "approved specialist" or "approved market maker," which account is limited to specialist or market making transactions, upon a margin basis which is satisfactory to both parties. The amount of any deficiency between the equity in the account and the haircut requirements pursuant to SEA Rule 15c3-1 and, if applicable, Rule 4110(a), shall be charged against the member's net capital when computing net capital under SEA Rule 15c3-1 and Rule 4110(a). However, when computing charges against net capital for transactions in securities covered by paragraphs (e)(2)(F) and (e)(2)(G) of this Rule, absent a greater haircut requirement that may have been imposed on such securities pursuant to Rule 4110(a), the respective requirements of those paragraphs may be used, rather than the haircut requirements of SEA Rule 15c3-1.

For the purpose of this paragraph (e)(5)(A), the term "approved specialist" or "approved market maker" means either:

(i) a specialist or market maker, who is deemed a specialist for all purposes under the Exchange Act and who is registered pursuant to the rules of a national securities exchange; or

(ii) an OTC market maker or third market maker, who meets the requirements of Section 220.7(g)(5) of Regulation T.

(B) In the case of a joint account carried by a member in accordance with subparagraph (i) above in which the member participates, the equity maintained in the account by the other participants may be in any amount which is mutually satisfactory. The amount of any deficiency between the equity maintained in the account by the other participants and their proportionate share of the haircut requirements pursuant to SEA Rule 15c3-1 and, if applicable, Rule 4110(a), shall be charged against the member's net capital when computing net capital under SEA Rule 15c3-1 and Rule 4110(a). However, when computing charges against net capital for transactions in securities covered by paragraphs (e)(2)(F) and (e)(2)(G) of this Rule, absent a greater haircut requirement that may have been imposed on such securities pursuant to Rule 4110(a), the respective requirements of those paragraphs may be used, rather than the haircut requirements of SEA Rule 15c3-1.

(6) Broker-Dealer Accounts

(A) A member may carry the proprietary account of another broker-dealer, which is registered with the SEC, upon a margin basis which is satisfactory to both parties, provided the requirements of Regulation T and Rules 400 through 406 of SEC Customer Margin Requirements for Security Futures and Rules 41.42 through 41.49 under the CEA are adhered to and the account is not carried in a deficit equity condition. The amount of any deficiency between the equity maintained in the account and the haircut requirements pursuant to SEA Rule 15c3-1 and, if applicable, Rule 4110(a), shall be charged against the member's net capital when computing net capital under SEA Rule 15c3-1 and Rule 4110(a). However, when computing charges against net capital for transactions in securities covered by paragraphs (e)(2)(F) and (e)(2)(G) of this Rule, absent a greater haircut requirement that may have been imposed on such securities pursuant to Rule 4110(a), the respective requirements of those paragraphs may be used, rather than the haircut requirements of SEA Rule 15c3-1.

(B) Joint Back Office Arrangements

An arrangement may be established between two or more registered broker-dealers pursuant to Regulation T Section 220.7, to form a joint back office ("JBO") arrangement for carrying and clearing or carrying accounts of participating broker-dealers. Members must provide written notification to FINRA prior to establishing a JBO arrangement.

(i) A carrying and clearing, or carrying member must:

a. maintain a minimum tentative net capital (as such term is defined in SEA Rule 15c3-1) of \$25 million as computed pursuant to SEA Rule 15c3-1 and, if applicable, Rule 4110(a), except that a member whose primary business consists of the clearance of options market-maker accounts may carry JBO accounts provided that it maintains a minimum net capital of \$7 million as computed pursuant to SEA Rule 15c3-1 and, if applicable, Rule 4110(a). In addition, the member must include in its ratio of gross options market maker deductions to net capital required by the provisions of SEA Rule 15c3-1 and, if applicable, Rule 4110(a), gross deductions for JBO participant accounts. Clearance of option market maker accounts shall be deemed a broker-dealer's primary business if a minimum of 60 percent of the aggregate deductions in the above ratio are options market maker deductions. In the event that a carrying and clearing, or a carrying member's tentative net capital (as such term is defined in SEA Rule 15c3-1), or net capital, respectively, has fallen below the above requirements, the firm shall: 1. promptly notify FINRA in writing of such deficiency, 2. take appropriate action to resolve such deficiency within three consecutive business days, or not permit any new transactions to be entered into pursuant to the JBO arrangement;

b. maintain a written risk analysis methodology for assessing the amount of credit extended to participating broker-dealers which shall be made available to FINRA on request; and

c. deduct from net capital haircut requirements pursuant to SEA Rule 15c3-1 and, if applicable, Rule 4110(a), amounts in excess of the equity maintained in the accounts of participating broker-dealers. However, when computing charges against net capital for transactions in securities covered by paragraphs (e)(2)(F) and (e)(2)(G) of this Rule, absent a greater haircut requirement that may have been imposed on such securities pursuant to Rule 4110(a), the respective requirements of those paragraphs may be used, rather than the haircut requirements of SEA Rule 15c3-1.

(ii) A participating broker-dealer must:

a. be a registered broker-dealer subject to the SEC's net capital requirements and, if applicable, Rule 4110(a);

b. maintain an ownership interest in the carrying/clearing member pursuant to Regulation T of the Federal Reserve Board, Section 220.7; and

c. maintain a minimum liquidating equity of \$1 million in the JBO arrangement exclusive of the ownership interest established in subparagraph (ii)b. above. When the minimum liquidating equity decreases below the \$1 million requirement, the participant must deposit a sufficient amount to eliminate this deficiency within 5 business days or be subject to margin account requirements prescribed for customers in Regulation T, and the margin requirements pursuant to the other provisions of this Rule.

(7) Nonpurpose Credit

In a nonsecurities credit account, a member may extend and maintain nonpurpose credit to or for any customer without collateral or on any collateral whatever, provided:

(A) the account is recorded separately and confined to the transactions and relations specifically authorized by Regulation T;

(B) the account is not used in any way for the purpose of evading or circumventing any regulation of FINRA or of the Board of Governors of the Federal Reserve System and Rules 400 through 406 of SEC Customer Margin Requirements for Security Futures and Rules 41.42 through 41.49 under the CEA; and

(C) the amount of any deficiency between the equity in the account and the margin required by the other provisions of this Rule shall be charged against the member's net capital as provided in SEA Rule 15c3-1 and, if applicable, Rule 4110(a).

The term "nonpurpose credit" means an extension of credit other than "purpose credit" as defined in Section 220.2 of Regulation T.

(8) Shelf-Registered and Other Control and Restricted Securities

(A) Shelf-Registered Securities — The equity to be maintained in margin accounts of customers for securities which are the subject of a current and effective registration for a continuous or delayed offering (shelf-registered securities) shall be at least the amount of margin required by paragraph (c) of this Rule, provided the member:

(i) obtains a current prospectus in effect with the SEC, meeting the requirements of Section 10 of the Securities Act, covering such securities;

(ii) has no reason to believe the Registration Statement is not in effect or that the issuer has been delinquent in filing such periodic reports as may be required of it with the SEC and is satisfied that such registration will be kept in effect and that the prospectus will be maintained on a current basis; and

(iii) retains a copy of such Registration Statement, including the prospectus, in an easily accessible place in its files.

Shelf-registered securities which do not meet all the conditions prescribed above shall have no value for purposes of this Rule. Also see subparagraph (C) below.

(B) Other Control and Restricted Securities — Except as provided in subparagraph (D) below, the equity in accounts of customers for other control and restricted securities of issuers that are subject to Securities Act Rule 144 or 145(c), shall be 40 percent of the current market value of such securities "long" in the account, provided the member:

(i) in computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a), deducts any margin deficiencies in customers' accounts based upon a margin requirement as specified in subparagraph (C)(iv) below for such securities and values only that amount of such securities which are then saleable under Securities Act Rule 144(b)(2) or 145(d)(2)(i) in conformity with all of the applicable terms and conditions thereof, for purposes of determining such deficiencies; and

(ii) makes volume computations necessary to determine the amount of securities then saleable under Securities Act Rule 144(b)(2) or 145(d)(2)(i) on a weekly basis or at such frequency as the member and/or FINRA may deem appropriate under the circumstances. See also subparagraph (C) below.

(C) Additional Requirements on Shelf-Registered Securities and Other Control and Restricted Securities — Except as provided in subparagraph (D) below, a member extending credit on shelf-registered and other control and restricted securities in margin accounts of customers shall be subject to the following additional requirements:

(i) FINRA may at any time require reports from members showing relevant information as to the amount of credit extended on shelf-registered, and other control and restricted securities and the amount, if any, deducted from net capital due to such security positions.

(ii) The greater of the aggregate credit agreed to be extended in writing or the aggregate credit that is actually extended to all customers on control and restricted securities of any one issue that exceeds 10 percent of the member's excess net capital shall be deducted from net capital for purposes of determining a member's status under Rule 4120. The amount of such aggregate credit extended, which has been deducted in computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a), need not be included in this calculation. FINRA, upon written application, may reduce the deduction to net capital under Rule 4120 to 25 percent of such aggregate credit extended that exceeds 10 percent but is less than 15 percent of the member's excess net capital.

(iii) The aggregate credit extended to all customers on all control and restricted securities (reduced by the amount of such aggregate credit which has been deducted in computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a)), shall be deducted from net capital on the following basis for purposes of determining a member's status under Rule 4120.

a. To the extent such net amount of credit extended does not exceed 50 percent of a member's excess net capital, 25 percent of such net amount of credit extended shall be deducted, and

b. 100 percent of such net amount of credit extended which exceeds 50 percent of a member's excess net capital shall be deducted.

(iv) Concentration Reduction. A concentration exists whenever the aggregate position in control and restricted securities of any one issue, excluding excess securities (as defined below), exceeds:

a. 10 percent of the outstanding shares of such issue, or

b. 100 percent of the average weekly volume for such issue during the preceding three-month period.

Where a concentration exists, for purposes of computing subparagraph (B)(i) above, the margin requirement on such securities shall be, based on the greater of subparagraph (iv)a. or b., above, as specified below:

Percent of Outstanding Shares	or Percent of Average Weekly Volume	Margin Requirement
Up to 10 percent	Up to 100 percent	25 percent
Over 10 percent and under 15 percent	Over 100 percent and under 200 percent	30 percent
15 percent and under 20 percent	200 percent and under 300 percent	45 percent
20 percent and under 25 percent	300 percent and under 400 percent	60 percent
25 percent and under 30 percent	400 percent and under 500 percent	75 percent
30 percent and above	500 percent and above	100 percent

For purposes of this paragraph (e)(8)(C)(iv), "excess securities" shall mean the amount of securities, if any, by which the aggregate position in control and restricted securities of any one issue exceeds the aggregate amount of securities that would be required to support the aggregate credit extended on such control and restricted securities if the applicable margin requirement were 50 percent.

(v) The amount to be deducted from net capital for purposes of determining a member's status under Rule 4120, pursuant to paragraph (e)(8)(C) shall not exceed 100 percent of the aggregate credit extended reduced by any amount deducted in computing net capital under SEA Rule 15c3-1 and, if applicable, Rule 4110(a).

(D) Certain Restricted Securities — Securities either:

(i) then saleable pursuant to the terms and conditions of Securities Act Rule 144(b)(1), or

(ii) then saleable pursuant to the terms and conditions of Securities Act Rule 145(d)(2), shall not be subject to the provisions of paragraph (e)(8) of this Rule.

(9) Security-Based Swaps; SBS Offsets

Except for SBS carried by a member in a portfolio margin account subject to the requirements of Rule 4210(g), margin requirements on SBS and positions in Uncleared SBS Accounts are determined by Rule 4240, rather than Rule 4210. When one or more securities or options positions in a customer's margin account are included in a combination of SBS, securities or options positions on which an Initial Margin Requirement is computed under paragraph (b)(2)(A)(i) or (b)(2)(A)(ii) of Rule 4240, and the Initial Margin Requirement computed on the combination is less than the aggregate margin requirement on such securities or options positions under other provisions of this Rule, the aggregate margin requirement on such margin account positions shall be reduced to the Initial Margin Requirement computed on the combination. For purposes of this paragraph (e)(9), the terms "SBS," "Uncleared SBS Account," and "Initial Margin Requirement" have the meanings given them in Rule 4240.

(f) Other Provisions

(1) Determination of Value for Margin Purposes

Active securities dealt in on a national securities exchange shall, for margin purposes, be valued at current market prices provided that only those options contracts on a stock or stock index, or a stock index warrant, having an expiration that exceeds nine months and that are listed or OTC (as defined in this Rule), may be deemed to have market value for the purposes of this Rule. Other securities shall be valued conservatively in view of current market prices and the amount that might be realized upon liquidation. Substantial additional margin must be required in all cases where the securities carried in "long" or "short" positions are subject to unusually rapid or violent changes in value, or do not have an active market on a national securities exchange, or where the amount carried is such that the position(s) cannot be liquidated promptly.

(2) Puts, Calls and Other Options, Currency Warrants, Currency Index Warrants and Stock Index Warrants

(A) Definitions