

Information Notice

Rulebook Consolidation Process

Effective Dates of New Consolidated Rules; Introduction of Rule Conversion Chart

Executive Summary

This *Notice* describes the protocol by which FINRA will announce the effective dates of the new FINRA rules that are being adopted as part of the consolidated rulebook (Consolidated FINRA Rulebook).¹ FINRA has designed this protocol both to assist member firms in their efforts to comply with the new FINRA rules and to enhance the efficiency of FINRA's consolidation process. FINRA urges member firms to review this *Notice* carefully because the protocol for announcing the effective dates of the new FINRA rules will vary from FINRA's existing practice, as will the content of the *Regulatory Notices* announcing approval of those rules.

FINRA also will issue a Rule Conversion Chart to assist member firms in understanding how the new FINRA rules relate to the NASD and/or Incorporated NYSE Rules that they will replace.

Questions regarding this *Notice* should be directed to Patrice Gliniecki, Deputy General Counsel, Office of General Counsel (OGC), at (202) 728-8071; or Adam H. Arkel, Assistant General Counsel, OGC, at (202) 728-6961.

October 6, 2008

Suggested Routing

- Compliance
- Legal
- Senior Management

Key Topics

- FINRA Manual
- Rulebook Consolidation
- Effective Dates of Consolidated Rules

Referenced Rules & Notices

- Information Notice 03/12/08 (Rulebook Consolidation Process)

Discussion

Protocol for Effective Dates

In recent months, FINRA began proposing new consolidated FINRA rules in phases for approval by the SEC as part of the rulebook consolidation process.² The new FINRA rules will apply to all member firms, unless such rules have a more limited application by their terms.

As the SEC approves the new FINRA rules, FINRA will announce their effective dates in *Regulatory Notices* to be published every other month beginning shortly after the publication of this *Notice*. Each *Regulatory Notice* will announce the effective dates of the new FINRA rules approved by the SEC during the preceding two months. For example, FINRA anticipates issuing the first such *Regulatory Notice* on or about October 15, 2008, announcing the effective dates of the new FINRA rules approved by the SEC in August and September 2008. FINRA will then issue the next such *Regulatory Notice* on or about December 15, 2008, announcing effective dates of any new FINRA rules approved by the SEC in October and November 2008.

As the Consolidated FINRA Rulebook expands with SEC approval and with the new FINRA rules taking effect, the rules in the Transitional Rulebook that address the same subject matter of regulation will be eliminated. When the Consolidated FINRA Rulebook is completed, the Transitional Rulebook will have been eliminated in its entirety.

FINRA is aware that member firms will need sufficient time to comply with the new FINRA rules, some of which will involve changes to business processes and/or related systems. FINRA anticipates that the new FINRA rules' effective dates generally will be 60 days following publication of the relevant *Regulatory Notice*.³ However, FINRA may specify periods longer or, in extraordinary circumstances, shorter than 60 days if FINRA believes the circumstances so warrant.

Content of the Regulatory Notices

Generally, FINRA's practice with respect to the announcement of new rules has been to devote a single *Regulatory Notice* to the announcement of a single rule or set of rules that are related by subject matter.⁴ Member firms should note that, both for their convenience and in the interest of regulatory efficiency, FINRA's protocol with respect to announcing the new consolidated rules will differ from this practice. In most cases, a *Regulatory Notice* will announce a group of new consolidated rules – not necessarily related by subject matter – that will become effective on the same date 60 days after the *Regulatory Notice* is issued. As noted above, a *Regulatory Notice* may specify periods other than 60 days as circumstances warrant.

Each *Regulatory Notice* will provide URLs linking readers to the locations of the new rule text in the online *FINRA Manual*, on FINRA's Web site at www.finra.org/finramanual.⁵ Further, each *Regulatory Notice* will provide URLs linking to the filings that FINRA submitted to the SEC in connection with the rule change. The filings provide, among other things, FINRA's statement of the purpose of the rule changes and, where applicable, exhibits showing the changes between the new rule text and the text of the NASD and/or Incorporated NYSE Rules as they exist in the Transitional Rulebook. FINRA will not replicate this information in the body of each *Regulatory Notice*, as it typically does today.

Rule Conversion Chart

As an additional resource for member firms and the public, each *Regulatory Notice* will provide, where relevant, a link to a Rule Conversion Chart on FINRA's Web site that will help enhance familiarity with the new rules and show how the new rules relate to the NASD and/or Incorporated NYSE Rules in the Transitional Rulebook that they will replace.

The chart will show how rules from the Transitional Rulebook were either incorporated into the Consolidated FINRA Rulebook (by providing the corresponding new FINRA rule number and related rule filing number), or will show that the substance of the relevant rules from the Transitional Rulebook was not incorporated into the Consolidated FINRA Rulebook. *Member firms should be aware that the chart is intended as a reference aid only.* As rules are incorporated into the Consolidated FINRA Rulebook, there frequently will be revisions to existing rule language and changes to the rules' subject matter coverage. Accordingly, the new consolidated rules often will not exactly match the language and coverage of the rules as they exist in the Transitional Rulebook. In some instances, the rules as they exist in the Transitional Rulebook will have been completely rewritten for purposes of the consolidation. Accordingly, FINRA reminds member firms that the chart will not in any way serve as a substitute for diligent review of the relevant new rule language.

Endnotes

- 1 The current FINRA rulebook includes (1) NASD Rules and (2) rules incorporated from NYSE (Incorporated NYSE Rules) (together, the NASD Rules and Incorporated NYSE Rules are referred to as the Transitional Rulebook). While the NASD Rules generally apply to all FINRA members, the Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE (Dual Members). For more information about the rulebook consolidation process, see *Information Notice 03/12/08 (Rulebook Consolidation Process)*.
- 2 FINRA rule filings with the SEC are available on FINRA's Web site at www.finra.org/Industry/Regulation/RuleFilings/index.htm.
- 3 The new rules' effective dates generally will be 60 days following publication of the relevant *Regulatory Notice*, even in those instances where the comparable rules in the Transitional Rulebook are being transferred with no or minimal substantive change. Of course, member firms must continue to comply with the comparable rules in the Transitional Rulebook until such time as the new FINRA rule becomes effective.
- 4 FINRA expects generally to continue the existing practice with respect to future *Regulatory Notices* that do not pertain to the rulebook consolidation.
- 5 FINRA updates the rule text on its online *Manual* within two business days of SEC approval of changes to the rule text.