

SEC and FINRA Compliance During COVID-19

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The Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) have issued guidance regarding how the coronavirus (COVID-19) has affected their operations.

The SEC and FINRA staff are [fully operational](#). Staff “are working remotely” to “carry out all of [their] regulatory responsibilities, protecting investors and market integrity.”

Both agencies will be flexible, where reasonable. FINRA [membership applications](#) will be conducted by video conference, not in person, and, where needed, courtesy extensions will be granted. [In-person arbitration and mediation hearings](#) have been adjourned to May 1, 2020 (while maintaining deadlines for submissions).

For its part, the SEC has extended to April 24, 2020, the comment periods for the commission’s proposed actions that had been scheduled to end in March. Also, the SEC has [offered](#) “to grant appropriate relief from filing deadlines in situations where, in light of circumstances beyond the control of the issuer, filings cannot be completed on time with the appropriate level of review and attention.”

However, each agency is committed to maintaining its core function of protecting market integrity. For example, SEC Commissioner Jay Clayton has “[r]eminded issuers that the effects of COVID-19 and their response could, depending on a number of factors, be material to an investment decision; and directed staff to monitor issuer disclosures and provide guidance and assistance to issuers and other market participants.” And the SEC is vigorously suspending trading where there has been “COVID-19-related misconduct” (for example, suspending trading by a company claiming to have

“international marketing rights to an approved coronavirus treatment to potentially combat the Wuhan coronavirus”).

For its part, FINRA has explicitly “remind[ed] member firms to consider pandemic-related business continuity planning, including whether their business continuity plans (BCPs) are sufficiently flexible to address a wide range of possible effects in the event of a pandemic in the United States.” While understanding “that the use of remote offices or telework arrangements during a pandemic may necessitate a member firm to implement other ways to supervise its associated persons who change their work locations or arrangements for the duration of the pandemic,” [FINRA](#) nonetheless “expect[s] a member firm 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.”

In sum, while offering accommodations on social distancing and discretionary deadlines, the SEC and FINRA are firmly policing disclosure and supervisory obligations. If you have an issue regarding SEC or FINRA compliance in light of COVID-19, please contact the authors of this article.

For more information, visit the [SEC’s COVID-19 webpage](#) and [FINRA’s COVID-19 webpage](#).

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