

Regulatory Notice

24-18

Day of Closure

Unexpected Close of Securities Markets

Summary

On occasion, the securities markets may unexpectedly close for business, for example, on a national day of mourning declared by the president of the United States. This *Notice* provides updated guidance to members regarding SEA Rules 15c3-1, 15c3-3, 17a-5, Rule 204 under Regulation SHO, FINRA Rules 4210, 4230(b), 4521 and 4524, and Federal Reserve Board Regulation T in the event of such an unexpected close. The *Notice* addresses, among other things, the circumstances under which the day of the unexpected close should be considered a regular business day versus a non-business day for purposes of these rules.

This *Notice* updates and replaces the guidance previously set forth in [Regulatory Notice 18-39](#).

Questions concerning this *Notice* should be directed to:

- ▶ Kathryn Mahoney, Senior Director, Office of Financial and Operational Risk Policy (OFORP), at (646) 315-8426 or Kathryn.Mahoney@finra.org;
- ▶ Ann Duguid, Senior Director, OFORP, at (646) 315-7260 or Ann.Duguid@finra.org;
- ▶ James Barry, Director, Credit Regulation, at (646) 315-8572 or James.Barry@finra.org; or
- ▶ Theresa Reynolds, Senior Credit Regulatory Coordinator, Credit Regulation, at (646) 315-8567 or Theresa.Reynolds@finra.org.

Background and Discussion

On occasion, the securities markets may unexpectedly close for business, for example, on a national day of mourning declared by the president of the United States.¹ On such days, it is possible that the Federal Reserve regional banks and Depository Trust & Clearing Corporation (DTCC) may elect to remain open for clearance and settlement of securities. In such an event, members have requested that FINRA provide guidance as to the circumstances under which the day

December 31, 2024

Notice Type

- ▶ Guidance

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Margin Department
- ▶ Operations
- ▶ Regulatory Reporting
- ▶ Senior Management
- ▶ Systems

Key Topics

- ▶ Audit Reports
- ▶ Customer Protection
- ▶ Day Trading
- ▶ Extensions of Time
- ▶ FOCUS Report
- ▶ Form Custody
- ▶ Maintenance Margin
- ▶ Margin Requirements
- ▶ Net Capital
- ▶ Regulation SHO
- ▶ Reporting Requirements
- ▶ Supplemental FOCUS Information

Referenced Rules & Notices

- ▶ Federal Reserve Board Regulation T
- ▶ FINRA Rule 4210
- ▶ FINRA Rule 4230
- ▶ FINRA Rule 4521
- ▶ FINRA Rule 4524
- ▶ SEA Rule 15c3-1
- ▶ SEA Rule 15c3-3
- ▶ SEA Rule 17a-5
- ▶ Regulation SHO
- ▶ Regulatory Notice 18-39

of the unexpected close should be considered a regular business day versus a non-business day for purposes of key financial, operational and reporting rules. To assist members, this *Notice*, based on discussions with SEC staff and Federal Reserve staff, provides members with guidance regarding SEA Rules 15c3-1, 15c3-3, 17a-5, Rule 204 under Regulation SHO, FINRA Rules 4210, 4230(b), 4521 and 4524, and Federal Reserve Board Regulation T in the event of an unexpected close of the securities markets.

Members should note that FINRA may publish further or additional guidance as appropriate at the time the event occurs. For purposes of this *Notice*, an unexpected close of the securities markets is referred to as “the day of closure.” As noted above, this *Notice* updates and replaces the guidance previously set forth in *Regulatory Notice 18-39*.

1. Net Capital and Customer Protection

(A) SEA Rule 15c3-1 (Net Capital)

For aging purposes, in determining net capital charges (for example, fail to deliver and suspense charges), “the day of closure” should be considered as a regular business day.

(B) SEA Rule 15c3-3 (Reserve Formula and Possession or Control)

For purposes of reserve formula computation requirements, “the day of closure” should be considered as follows:

- (1) If “the day of closure” occurs on a Friday, the weekly reserve formula computation should be prepared, as usual, as of close of business on Friday, with the deposit requirement (if any) to be made by 10 a.m. on the second business day following the computation date.
- (2) If “the day of closure” occurs on the normal month-end date, the reserve formula computation should be prepared, as usual, as of close of business on the month-end date with the deposit requirement (if any) to be made by 10 a.m. on the second business day following the computation date.
- (3) If “the day of closure” occurs on a day when the reserve computation would normally be prepared (e.g., on a Monday, when the reserve computation as of the close of business on the previous Friday is normally prepared), the computation may be prepared on the next business day (e.g., on Tuesday, as of the close of business on the previous Friday) and any required reserve bank account deposit must be made by 10 a.m. on the following business day (i.e., two business days after “the day of closure”).

- (4) If “the day of closure” occurs on a day when a deposit to the Special Reserve Bank Account is required to be made, the deposit must be made by 10 a.m. on “the day of closure,” provided banks are open on such “day of closure.” If banks are closed on the “day of closure,” the deposit must be made by 10 a.m. on the next business day the banks are open.
- (5) For purposes of possession or control requirements, “the day of closure” should be considered as a regular business day.

2. Financial Reporting

(A) FINRA Rules 4230(b) and 4521

For purposes of reporting requirements under FINRA Rules 4230(b) (Required Submissions for Requests for Extensions of Time Under Regulation T and SEA Rule 15c3-3) and 4521 (Notifications, Questionnaires and Reports), “the day of closure” may be treated as a non-business day.

(B) SEA Rule 17a-5 and Supplemental Reports Required Pursuant to FINRA Rule 4524

For purposes of reporting requirements under paragraphs (a) and (b) of SEA Rule 17a-5 (Reports to be Made by Certain Brokers and Dealers) and the supplemental reports required pursuant to FINRA Rule 4524:

- (1) If “the day of closure” occurs on a day that is the firm’s normal as of month-end reporting date, “the day of closure” should be used to prepare all required report(s) and such report(s) will be due on their original due date(s).
- (2) If “the day of closure” occurs after the normal as of month-end reporting date and before the filing due date of a required report, “the day of closure” may be treated as a non-business day for purposes of determining the due date for such report (*i.e.*, firms would receive an extra day to submit their FOCUS and other reports).

For purposes of reporting requirements under paragraphs (c) and (d) of SEA Rule 17a-5 (Reports to be Made by Certain Brokers and Dealers):

- (3) If “the day of closure” occurs on the annual or semi-annual as of reporting date, “the day of closure” should be used to compute the required reports and such reports should be submitted or sent to customers (depending on the specific requirements of paragraphs (c) and (d)) within the normal timeframes provided in the rule.
- (4) If “the day of closure” occurs on a day that falls after the as of annual or semi-annual reporting date and before the annual or semi-annual report is due, “the day of closure” may be treated as a non-calendar day when determining the due date for submission of the report under the rule.

3. Extension of Time and Close-Out Requirements

(A) Federal Reserve Board Regulation T (Extensions of Time)

Margin extensions due on “the day of closure” may be filed either on “the day of closure” or on the next business day (as of “the day of closure”). If an extension is filed on the next business day, FINRA staff will work with firms to ensure extensions are appropriately processed. All follow-on extensions required to be filed after “the day of closure” should be filed on the normal due date, counting “the day of closure” as a business day. However, if the extension has expired or is denied, “the day of closure” should be treated as a non-business day, and securities should be liquidated when the market where the securities are traded is reopened.

(B) FINRA Rule 4210 (Margin Calls)

“The day of closure” should be counted as a regular business day for purposes of aging uncollected margin calls. Extensions of time due on “the day of closure” may be filed either on “the day of closure” or on the next business day (as of “the day of closure”). If an extension is filed on the next business day, FINRA staff will work with firms to ensure extensions are appropriately processed. All follow-on extensions required to be filed after “the day of closure” should be filed on the normal due date, counting “the day of closure” as a business day. However, if the extension has expired or is denied, “the day of closure” should be treated as a non-business day, and securities should be liquidated when the market where the securities are traded is reopened.

(C) FINRA Rule 4210(f)(8)(B)(iv)(f) (Day Trading Requirements)

Funds deposited into a day trader’s account to meet the minimum equity or maintenance margin requirements of FINRA Rule 4210(f)(8)(B) cannot be withdrawn for a minimum of two business days following the close of business on the day of deposit. In making this determination, “the day of closure” should be counted as a business day.

(D) SEA Rules 15c3-3(d), (h) and (m) (Extensions of Time)

Extensions on customers' sell orders under SEA Rules 15c3-3(d), (h) and (m) due on "the day of closure" may be filed either on "the day of closure" or on the next business day (as of "the day of closure"). If an extension is filed on the next business day, FINRA staff will work with firms to ensure extensions are appropriately processed. All follow-on extensions required to be filed after "the day of closure" should be filed on the normal due date, counting "the day of closure" as a business day. However, if the extension has expired or is denied, "the day of closure" should be treated as a non-business day, and securities should be purchased when the market where the securities are traded is reopened.

4. Rule 204 under Regulation SHO (Fail to Deliver Close-Out)

For purposes of Rule 204 under Regulation SHO, "the day of closure" should be treated as a non-business day. Participants of registered clearing agencies or firms that have been allocated a fail to deliver position by a participant of a registered clearing agency pursuant to the rule may delay closing out fail to deliver positions that have become due on "the day of closure" since U.S. equity exchanges would be closed. Close-out would be required no later than the beginning of trading on the day that major U.S. equity exchanges re-open. A participant of a registered clearing agency should not count the days that major U.S. equity exchanges are closed for purposes of determining the relevant time period for its close-out obligations.

Members may contact their Risk Monitoring Analyst with any questions in connection with an unexpected market close.

Endnotes

1 *See, e.g.,* [Proclamation Announcing the Death of James Earl Carter, Jr.](#), issued December 29, 2024.