

Regulatory Notice

18-07

Regulatory Extension (REX) System Update

Extension of Time Requests Relating to FINRA Rule 4210

Executive Summary

FINRA is updating the Regulatory Extension (REX) system¹ to include enhanced functionality that will better enable firms to request extensions of time related to FINRA Rule 4210, inclusive of requests for extensions of time in connection with the margin requirements for Covered Agency Transactions that will become effective beginning June 25, 2018.² This *Notice* contains information about the REX system update, including a REX Customer Test Environment (CTE) that FINRA will make available to assist firms in testing their systems to ensure their readiness for the updated system.

Questions concerning this *Notice* may be directed to:

- ▶ Adam Rodriguez, Director, Credit Regulation, at (646) 315-8572 or adam.rodriquez@finra.org;
- ▶ Peter Grassi, Principal Specialist, Credit Regulation, at (212) 416-1786 or peter.grassi@finra.org; or
- ▶ Theresa Reynolds, Senior Credit Specialist, Credit Regulation, at (646) 315-8567 or theresa.reynolds@finra.org.

Background & Discussion

REX System Update

FINRA is updating the REX system so that, beginning June 25, 2018, firms may submit requests for an extension of time pursuant to FINRA Rule 4210 by:

- ▶ completing an online form via the [FINRA Firm Gateway](#); or
- ▶ submitting a batch file by logging into the REX system.

Appendix A of this *Notice* describes the new data elements firms will be required to submit when requesting extensions of time related to Rule 4210. Appendix B of this *Notice* provides updated reason codes and validation identifiers for use when making such requests.

February 14, 2018

Notice Type

- ▶ Guidance

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Margin
- ▶ Operations
- ▶ Registered Representatives
- ▶ Risk
- ▶ Senior Management
- ▶ Systems

Key Topic(s)

- ▶ Extension of Time Requests

Referenced Rules & Notices

- ▶ FINRA Rule 4210
- ▶ SEA Rule 15c3-3
- ▶ Regulation T
- ▶ Regulatory Notice 17-28
- ▶ Regulatory Notice 16-31
- ▶ Regulatory Notice 14-13
- ▶ Regulatory Notice 10-28



Financial Industry Regulatory Authority

Firms should note that the updated REX system will permit them, when making requests related to FINRA Rule 4210 via the batch file process, to use the REX batch XML file format that currently is in use for requests related to Regulation T and SEA Rule 15c3-3. As such, firms will be able to use the REX batch XML file format for all extension of time requests related to Regulation T, SEA Rule 15c3-3 and FINRA Rule 4210. In order to be able to file Rule 4210 extension of time requests via the batch file process, firms must update their batch file data fields. Information about the batch file process and the required changes is available at FINRA's [How to Use the REX System](#) page.

As with the current REX system, the updated REX system will permit a firm to review the status of each extension of time request immediately through the FINRA Firm Gateway after it is submitted and, on the next business day, via the firm's daily extension report, which provides a report for all extensions filed by the firm. Also, as with the current REX system, the updated REX system will permit a firm to search, amend and resubmit its extension of time requests through the FINRA Firm Gateway.

Test Phases: REX Customer Test Environment (CTE)

To assist firms in preparing for the update, FINRA has created a REX CTE that firms may use to test extension of time requests using the online form or the batch file process. FINRA is dividing testing into two phases and encourages firms to begin testing as soon as possible to ensure their readiness to file extension of time requests when the updated REX system is implemented on June 25, 2018. The two test phases are summarized below and in Appendix C of this *Notice*. Firms may consult FINRA's [How to Use the REX System](#) page for further information.

Phase 1 – available beginning February 20, 2018

During Phase 1, firms will be able to preview the online form for extension of time requests related to Rule 4210. The form will be available under the “Forms and Filing” section in the [FINRA CTE Gateway](#). Through the CTE, firms will be able to submit, search and modify extension of time requests. Validation and summary reports will not be available during this phase.

Phase 2 – available beginning March 16 through June 15, 2018

During Phase 2, firms will be able to submit extension of time requests related to Rule 4210 via both the FINRA CTE Gateway online request form and the batch process. Connectivity testing to the CTE for submissions of extension of time requests via the REX batch process will be available at <https://filetransfer.ct.finra.org/> beginning on March 9, 2018.

FINRA will begin accepting test files through the REX batch file CTE on March 16, 2018. During Phase 2, firms will have access to reports with details of all the extension of time requests submitted. Firms will also be able to query the REX test environment for information on all extension of time requests granted, denied or rejected. The reports will be available the business day after the request(s) was submitted.

During both testing phases, firms must use their current FINRA Gateway user ID and password to log into the CTE. Firms that encounter technical problems, or that need to request a FINRA user ID and password, may contact the FINRA Help Desk at (800) 321-6273.

Endnotes

1. FINRA introduced the REX system in August 2010 and implements updates as appropriate. *See, e.g.,* [Regulatory Notice 10-28](#) (June 2010) (Extension of Time Requests) and [Regulatory Notice 14-13](#) (March 2014) (REX System Update).
2. *See* [Regulatory Notice 16-31](#) (August 2016) (announcing the SEC's approval of amendments to FINRA Rule 4210 to establish margin requirements for Covered Agency Transactions (the "Covered Agency Transactions amendments")) and [Regulatory Notice 17-28](#) (September 2017) (announcing availability of a set of frequently asked questions and guidance in connection with the Covered Agency

Transactions amendments and extending, to June 25, 2018, the effective date of the requirements pursuant to such amendments that otherwise would have become effective on December 15, 2017). Covered Agency Transactions include (1) To Be Announced (TBA) transactions, inclusive of adjustable rate mortgage (ARM) transactions, (2) Specified Pool Transactions and (3) transactions in Collateralized Mortgage Obligations (CMOs), issued in conformity with a program of an agency or Government-Sponsored Enterprise (GSE), with forward settlement dates, as defined more fully in paragraph (e)(2)(H)(i)c. of FINRA Rule 4210.

Appendix A

Updated Data Elements For Extension of Time Requests Relating To FINRA Rule 4210 (Effective June 25, 2018)

- ▶ **Submitter Filing reference ID**—This field is optional and is provided to enable the submitting firm to identify or track each extension of time request for internal purposes.
- ▶ **Reason Code**—Select one of the following reason codes:
 - ▶ 060—Mark to Market Disputes
 - ▶ 061—Collateral Valuation Disputes
 - ▶ 062—Non US Holiday
 - ▶ 063—Acts of God
 - ▶ 067—Other - Covered Agency Transaction (FINRA Rule 4210(e)(2)(H)(ii)d. & FINRA Rule 4210(e)(2)(H)(ii)e.)
 - ▶ 068—Other - Interpretation /02 of FINRA Rule 4210(f)(6)
 - ▶ 069—Other - FINRA 4210(g)(10)(D)
- ▶ **Days Requested**—The number of days being requested for the extension of time. For Reason Codes 060, 061, 063 and 067, the system will default to 14 calendar days for each request submitted. For Reason Codes 062, 068 and 069, firms may request up to 7 calendar days for each extension of time request filed.
- ▶ **Date of Mark to Market Loss or Deficiency**—The date the mark to market loss or deficiency, as applicable, occurred.
- ▶ **Mark to Market Loss or Deficiency Amount**—The current mark to market loss or deficiency amount, as applicable.
- ▶ **Branch CRD**—The CRD number of the branch assigned to the counterparty.
- ▶ **Account Number**—The counterparty's account number.
- ▶ **Account Name**—The counterparty's name.
- ▶ **Is the counterparty a US B/D?**—For online requests, indicate either “Yes” or “No” whether the counterparty is a broker/dealer. If responding, “Yes”, include the CRD number assigned to the broker-dealer counterparty.
- ▶ **Is the extension of time request on behalf of a US correspondent?**—For online requests, indicate either “Yes” or “No” whether the extension of time request is filed on behalf of a correspondent for its counterparty. If responding, “Yes”, include the CRD number of the correspondent.
- ▶ **Withdrawn Flag**—Indicate “Yes” if withdrawing a previously submitted extension of time request. Firms must complete the “Comment” field explaining why the extension of time is being withdrawn. If the extension of time is not being withdrawn, this field will default to “No.”
- ▶ **Comment**—This field is mandatory for Reason Codes 063, 067, 068 and 069.

Appendix B

FINRA Rule 4210 Extension of Time Request Reason Codes and Request Validation Identifiers

FINRA Rule 4210 – Reason Codes				
Reason Code	Reason	No. of Days Permitted	Limit Per Code	Special Remarks
060	Mark to Market Disputes	14 Calendar days	2	Final on Second Extension of Time Request
061	Collateral Valuation Disputes	14 Calendar days	2	Final on Second Extension of Time Request
062	Non-US Holiday	7 Calendar days	2	Final on Second Extension of Time Request
063	Acts of God	14 Calendar days	0	Requires FINRA Approval
Reason Codes 064- 066 reserved for future assignment				
067	Other - Covered Agency Transaction (FINRA Rule 4210(e)(2)(H)(ii)d. & FINRA Rule 4210(e)(2)(H)(ii)e.)	14 Calendar days	2	Final on Second Extension of Time Request: Third Extension of Time Request Requires FINRA Approval
068	Other - Interpretation /02 of FINRA Rule 4210(f)(6)	7 Calendar days	0	Requires FINRA Approval
069	Other - FINRA Rule 4210(g)(10)(D)	7 Calendar days	0	Requires FINRA Approval

Appendix B

Extension of Time Request Validation Identifiers				
Extension Type	Validation Identifier	Rex Message	Disposition If Pass Validation	Disposition If Fail Validation
Covered Agency Transaction (FINRA Rule 4210(e)(2)(H)(ii)d. & FINRA Rule 4210(e)(2)(H)(ii)e.)	BR5000	For FINRA Rule 4210 extension of time requests filed under codes 060, 061, 062 and 067, the request must be made on the date the mark to market loss or deficiency, as applicable, occurs + 5 business days.	Approve	Deny
Interpretation /02 of FINRA Rule 4210(f)(6)	BR5100	For FINRA Rule 4210 extension of time requests filed under code 068, the request must be made on the date the margin or mark to market deficiency, as applicable, occurs + 15 business days.	Pending	Deny
FINRA 4210(g)(10)(D)	BR5200	For FINRA Rule 4210 extension of time requests filed under code 069, the request must be made on the date the portfolio margin deficiency occurs + 3 business days.	Pending	Deny
Covered Agency Transaction (FINRA Rule 4210(e)(2)(H)(ii)d. & FINRA Rule 4210(e)(2)(H)(ii)e.)	BR5300	For the first FINRA Rule 4210 extension of time follow-on request under code 060, 061, 062 or 067, the request must be made on the expiration date (or the next business day after such date) of the previous request.	Approve	Deny
Interpretation /02 of FINRA Rule 4210(f)(6) & FINRA 4210(g)(10)(D)	BR5400	For FINRA Rule 4210 follow-on extension of time requests under codes 068 and 069, the request must be made on the expiration date (or the next business day after such date) of the previous request.	Pending	Deny
Covered Agency Transaction (FINRA Rule 4210(e)(2)(H)(ii)d. & FINRA Rule 4210(e)(2)(H)(ii)e.)	BR5500	For FINRA Rule 4210 extension of time requests filed under code 063, the request must be made on the date the mark to market loss or deficiency, as applicable, occurs +5 business days.	Pending	Deny

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Extension of Time Request Validation Identifiers				
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Covered Agency Transaction (FINRA Rule 4210(e)(2)(H)(ii)d. & FINRA Rule 4210(e)(2)(H)(ii)e.)	BR5600	For FINRA Rule 4210 extension of time follow-on requests under code 063, the request must be made on the expiration date (or the next business day after such date) of the previous request.	Pending	Deny
Covered Agency Transaction (FINRA Rule 4210(e)(2)(H)(ii)d. & FINRA Rule 4210(e)(2)(H)(ii)e.)	BR5700	For all extension of time requests after the first FINRA Rule 4210 extension of time follow-on request, the request must be made on the expiration date (or the next business day) of the previous request and filed under reason code 067.	Pending	Deny

Note:

The REX system permits a firm to search for specific extension of time requests or groups of extension of time requests that the firm has submitted, based on a wide variety of search criteria, including Disposition Status (Granted, Denied, Pending). When a firm elects to use the REX batch file format, the firm receives an enhanced XML results report via FTP or SFTP (depending on how the batch file was submitted). The results report is an XML-formatted file that contains all of the information regarding all extension of time requests the firm submitted, including extension requests submitted via the online request form.

Appendix C

REX System Testing and Implementation Timeline

REX System Testing and Implementation Timeline	
Week	Action
February 20 - March 15, 2018	Preview the online form for FINRA Rule 4210 at https://firmstest.finra.org/ .
Friday, March 09, 2018	Batch connectivity testing will be available at https://filetransfer.ct.finra.org/ .
March 16 - June 15, 2018	Testing cycle begins for both online and batch filers for FINRA Rule 4210 extension of time requests. End of testing cycle, June 15, 2018.
Friday, June 15, 2018	End of testing cycle for FINRA Rule 4210 extension of time requests.
Monday, June 25, 2018	Implementation date of Covered Agency Transaction margin requirements.
Monday, July 02, 2018	First date available to file FINRA Rule 4210 extension of time requests.