

# Regulatory Notice 24-02: Summary and Next Steps

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RN 24-02 was released on January 24, 2024, and details two very important upcoming additions to Rule 3110. The first rule change establishes a new category of non-branch locations, called residential supervisory locations. The second change provides details on the Remote Inspections Pilot Program, which will allow certain firms to conduct remote office inspections until 2027. Each change, as well as next steps, is summarized below. RN 24-02 can be found [here](#), and the full text of the rule changes is [here](#).

## Rule 3110.19 (residential supervisory location) effective June 1, 2024

- Residential supervisory location (“RSL”) is defined as a non-branch location private residence where an associated person engages in specified supervisory activities. The following must all be true about the location:
  - Only one person (or multiple, if immediate family) conducts business at the location
  - Not held out to the public as an office
  - No meetings with customers
  - It is a primary residence as defined in Rule 3110(f) or is any other location used for less than 30 business days per year
  - No customer funds are handled at the location
  - The person is assigned to a branch office, which is reflected on communications
  - The person’s correspondence and communications are supervised
  - Email is conducted through the firm’s systems
  - All records are preserved in the firm’s environment
  - The firm must have appropriate technology and surveillance tools
- There are several items that could cause a firm to be ineligible to have RSLs, mostly related to disciplinary history and net capital issues. However, it is important to note that **new members within 12 months of FINRA membership are not eligible to maintain RSLs**
- Locations may also be ineligible, primarily based on disciplinary history of the person at the location
- Each RSL will be subject to regular periodic inspections, at least every three years
- Firms will be required to provide a list (electronically) of all RSLs to FINRA on the 15th day of the month following each calendar quarter. The first RSL list will be due to FINRA on October 15, 2024. FINRA is developing a process in Gateway to facilitate this process
- A risk assessment must be conducted for each RSL
- Firms are responsible for evaluating whether designating RSLs violates the Safe Harbor for Business Expansions (IM-1011-1)
- WSP must be updated

## Rule 3110.18 (Remote Inspection Pilot Program) effective July 1, 2024

- The program will last for three years, starting on July 1, 2024
- OSJs, non-OSJ branches and non-branch locations may be inspected remotely
- Firms may opt in between June 1 and June 26, 2024, which covers the entire three-year program. FINRA is working on a method to opt in or out
- Important dates, if not opted in for year one:
  - Opt-in:
    - December 27, 2024 to join pilot year two (January 1, 2025 to December 31, 2025)
    - December 27, 2025 to join pilot year three (January 1, 2026 to December 31, 2026)
    - December 27, 2026 to join pilot year four (January 1, 2027 to June 30, 2027)
  - Opt-out:
    - December 27, 2024 to withdraw from participating in pilot year two
    - December 27, 2025 to withdraw from participating in pilot year three
    - December 27, 2026 to withdraw from participating in pilot year four
- Firms must conduct a risk assessment for using remote inspections
- Firms will be required to provide to FINRA:
  - Quarterly data for each pilot year
  - WSP amendments for conducting remote inspections, including subsequent amendments
  - For a firm participating in pilot year one, additional data and information covering January 1, 2024 through June 30, 2024
  - Certain information about inspections completed during calendar year 2019

### Key dates

Notice 20-08 relief and RSL	
<b>May 31, 2024</b>	End of Notice 20-08 relief
<b>May 31, 2024</b>	Release of FINRA Gateway functionality for firms to identify their RSLs and meet the obligation to provide their quarterly RSL lists to FINRA in accordance with Rule 3110.19(d)
<b>June 1, 2024</b>	Rule 3110.19 effective date <i>The first day a firm may use the RSL designation</i>
<b>June 1, 2024</b>	Date on which firms previously relying on the Notice 20-08 relief must comply with the timeframes specified in Article V, Section 2 or Article IV, Section 8 of the FINRA bylaws
<b>July 1, 2024</b>	Date by which firms previously relying on the Notice 20-08 relief must file supplementary amendments to Form U4 and BR with FINRA in accordance with Article V, Section 2 or Article IV, Section 8 of the FINRA bylaws
<b>October 15, 2024</b>	Date by which firms must submit the first RSL list to FINRA The first list will reflect all locations a firm designates as RSLs during the period June 1, 2024 through September 30, 2024

## Remote Inspections Pilot Program for pilot year one

<b>June 1, 2024 through June 26, 2024</b>	Period in which a firm may elect to participate in the Pilot Program for pilot year one (beginning on July 1, 2024 and ending on December 31, 2024) by providing FINRA with an “opt-in notice” in the manner and format prescribed by FINRA
<b>June 30, 2024</b>	Sunset of Rule 3110.17 <i>Firms can no longer rely on Rule 3110.17 to conduct remote inspections to satisfy Rule 3110(c)(1)</i>
<b>July 1, 2024</b>	Rule 3110.18 effective date <i>The first day a firm participant may conduct a remote inspection of eligible offices and locations under the specified terms and conditions</i>
<b>October 15, 2024</b>	Date by which a firm participant’s first set of pilot year one data and information must be provided to FINRA, including: <ul style="list-style-type: none"> <li>• Pilot year one’s third quarter 2024 data</li> <li>• Written supervisory procedures related to remote inspections</li> </ul>
<b>December 27, 2024</b>	Notification deadline to affirmatively withdraw from automatic participation in pilot year two  Date by which a firm participant must affirmatively withdraw from the Pilot Program for pilot year two by providing FINRA with an “opt-out notice” in the manner and format prescribed by FINRA; otherwise, such firm will be automatically deemed to have elected and agreed to participate in the Pilot Program for pilot year two
<b>December 31, 2024</b>	Deadline by which a firm participant in pilot year one must provide FINRA with: <ul style="list-style-type: none"> <li>• Data covering January 1, 2024 through June 30, 2024</li> <li>• Data for 2019, if available (acting in good faith using best efforts)</li> </ul>

## Remote Inspections Pilot Program for subsequent pilot years

Open enrollment deadlines for an eligible firm to opt into the Pilot Program after pilot year one are as follows:

- December 27, 2024 to join pilot year two
- December 27, 2025 to join pilot year three
- December 27, 2026 to join pilot year four

Opt-out notification deadlines for an eligible firm to withdraw from the Pilot Program after completing pilot year one are as follows:

- December 27, 2024 to withdraw from participating in pilot year two
- December 27, 2025 to withdraw from participating in pilot year three
- December 27, 2026 to withdraw from participating in pilot year four

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