FINRA Regulatory Highlights
Friday, October 6
8:30 a.m. – 9:30 a.m.

Join this session to hear about emerging regulatory developments that are impacting broker-dealers' business now and in the future. Speakers from around FINRA share in-depth information on issues ranging from the impact of the DOL rule on firms, outside business activities and FINTECH developments.

Moderator: Joseph Savage
Vice President and Counsel
FINRA Office of Regulatory Analysis

Panelists: Meredith Cordisco
Assistant General Counsel
FINRA Office of General Counsel

Angela Goelzer
Vice President and Counsel
FINRA Office of Regulatory Analysis

Haimera Workie
Senior Director
FINRA Emerging Regulatory Issues

I. Introduction to Panel

II. Regulatory Highlights
   A. Department of Labor Fiduciary Rule
   B. FinTech Developments
   C. Retrospective Review of Outside Business Activities and Private Securities Transactions Rules

III. Questions and Answers
FINRA Regulatory Highlights Panelist Bios:

Moderator:

**Joseph P. Savage** is Vice President and Counsel in FINRA’s Regulatory Policy Department. Mr. Savage specializes in a broad range of securities regulatory matters, including investment management, investment company, advertising and broker-dealer issues, and regularly appears at conferences regarding these issues. Prior to joining FINRA, he was an Associate Counsel with the Investment Company Institute and an attorney with the law firms of Morrison & Foerster LLP and Hunton & Williams. Mr. Savage also served as a judicial law clerk for United States District Judge John P. Vukasin of the Northern District of California. Mr. Savage holds a bachelor’s degree from the University of Virginia, a master’s degree in public policy from the University of California, Berkeley, and a J.D. from the University of California, Hastings College of the Law, where he served as Note Editor of the Hastings Law Journal.

Panelists:

**Meredith Cordisco** is Associate General Counsel with FINRA’s Office of General Counsel. In this capacity, she provides legal guidance on policy initiatives, rule changes and interpretations in various areas, including regarding new issues and spinning, private securities transactions and outside business activities. Before joining FINRA, Ms. Cordisco was counsel in the Securities Litigation and Enforcement group at WilmerHale, where she focused her practice on complex securities enforcement investigations. Ms. Cordisco received her B.S., *summa cum laude*, in International Business and French from Mount St. Mary’s University in Emmitsburg, Maryland, and her J.D., *summa cum laude*, and M.B.A., *cum laude*, from Villanova University. Following her studies, Ms. Cordisco clerked for the Honorable Eduardo C. Robreno on the U.S. District Court for the Eastern District of Pennsylvania.

**Angela Carcone Goelzer** is Vice President of FINRA’s Office of Regulatory Analysis department and has been with the organization since 2003. Prior to joining FINRA, she was Vice President, Investment Company Directors, at the Investment Company Institute, a trade group for the U.S. mutual fund industry. From 1983 to 1991, she served in various capacities at the Securities and Exchange Commission, including Deputy Chief Counsel and Senior Counsel to the Director in the Division of Investment Management. Ms. Goelzer received a BA in political science *summa cum laude* from Providence College and a JD from Harvard Law School.

**Haimera Workie** is Senior Director responsible for heading up FINRA’s Office of Emerging Regulatory Issues, which focuses on analyzing new and emerging risks and trends related to the securities market. Previously, Mr. Workie served as Deputy Associate Director in the Division of Trading and Markets at the U.S. Securities and Exchange Commission. In this capacity, Mr. Workie was tasked with developing a variety of Dodd-Frank Act related rulemakings, supervising policy matters related to market intermediaries and financial market utilities, and representing the Commission before several international standard setting bodies. Mr. Workie also previously served as Counsel to Commission Chair Mary Schapiro. Prior to joining the Commission, he was an associate at the law firm of Skadden, Arps, Slate, Meagher & Flom, with a practice focusing on corporate law. He is a graduate of the Massachusetts Institute of Technology (B.S., M.S.) and Harvard Law School (J.D.).
FINRA Regulatory Highlights
Panelists

Moderator
- Joseph Savage, Vice President and Counsel, FINRA Office of Regulatory Analysis

Panelists
- Meredith Cordisco, Assistant General Counsel, FINRA Office of General Counsel
- Angela Goelzer, Vice President and Counsel, FINRA Office of Regulatory Analysis
- Haimera Workie, Director, FINRA Emerging Regulatory Issues
DOL Fiduciary Rule and Related PTEs

Final Rule Redefining “Fiduciary”

- Broadens circumstances that trigger fiduciary status when providing nondiscretionary investment advice.
- One may become a fiduciary if advice is provided even once under an understanding that it is individualized for the recipient’s consideration in making investment decisions.
- Absent DOL relief, a fiduciary may not receive compensation that varies depending on the recommended investment.
- New definition affects broker-dealer commission-based compensation model.
DOL Fiduciary Rule and Related PTEs

- **Best Interest Contract Exemption**
  - Adopted to allow firms to continue to receive varying transaction-based compensation.
  - Requires a written contract with a retirement investor that obligates firms to acknowledge fiduciary status and adhere to Impartial Conduct Standards and warranties. Also mandates disclosure.
  - Requires firms to adopt written policies and procedures reasonably designed to address material conflicts of interest.

- **Principal Transaction PTE imposes similar conditions to allow principal trades.**
DOL Fiduciary Rule and Related PTEs

Delays and Re-examination

- Following Presidential action, DOL delayed fiduciary rule and related PTEs from April 7th to June 9th, 2017. Stated that from June 9th until January 1, 2018, firms need only comply with Impartial Conduct Standards of the BICE and Principal Transaction PTE.

- On July 6, 2017, DOL published a request for information regarding its re-examination of the fiduciary rule and PTEs.

- On August 28th, DOL proposed to extend the January 1, 2018 deadline for full compliance with the PTEs until July 1, 2019.
Industry Developments
- Mutual fund T shares and Clean shares.
- Movement towards passively-managed, indexed-based ETFs
- Fewer commission-based IRAs?
- Alternatives to traditional asset-based fee advisory accounts.

SEC Developments
- SEC Chair Jay Clayton’s June 2017 request for comment on standards of conduct for investment advisers and broker-dealers.
- DOL Secretary Acosta and Chair Clayton indicate interest in working together on standard of conduct issues.
FinTech Developments

- FINRA Innovation Outreach Initiative
  - FinTech Industry Committee
  - Regional Roundtables
  - Publications
  - Effective Communication / Staff Training
  - Regulatory Coordination
FinTech Developments

FINRA Report on Distributed Ledger Technology (DLT, aka Blockchain)

- Overview of DLT
- DLT Applications and Potential Impact in the Securities Industry
- Regulatory and Operational Considerations
FinTech Developments

FINRA Investor Alert on Initial Coin Offerings (ICOs)

- Overview of ICOs
- SEC Section 21(a) Report on ICOs
- Risks Highlighted in FINRA Investor Alert
- Actions by International Regulators on ICOs
Retrospective Review of OBAs and PSTs

Rule 3270 (Outside Business Activities of Registered Persons)

- What are Outside Business Activities?
- Registered Persons’ Notice Requirements for OBAs
- Obligations of Member Firm Receiving an OBA Notice
Retrospective Review of OBAs and PSTs

Rule 3280 (Private Securities Transactions of an Associated Person)
- What are Private Securities Transactions?
- Written Notice
- Selling Compensation
- Transactions for Compensation
- Transactions Not for Compensation
- FINRA and NASD Notices on PSTs
Retrospective Review of OBAs and PSTs

- FINRA Regulatory Notice 17-20 (Retrospective Rule Review)
- Retrospective Review Process
- Comments on Rules to Date