



2019 Advertising Regulation Conference

October 24—25 | Washington, DC

Disclosure Innovations and Digital Marketing Compliance

Friday, October 25, 2019

8:30 a.m. – 9:30 a.m.

In the rapidly developing world of digital marketing, how can firms stay in compliance? Can firms communicate relevant, meaningful information in the digital age? Attend this session to experience how industry and regulatory experts are grappling with these challenges. The panel covers current topics including how firms engage technology to address their compliance obligations and creative ways to use effective disclosure.

Moderator: Amy Sochard
Senior Director, Advertising Regulation
FINRA Advertising Regulation

Speakers: Shayna Beck
Head of Advertising and Communications
Vanguard Group, Inc.

Alexander Gavis
Senior Vice President and Deputy General Counsel
Fidelity Investments

Thomas Pappas
Vice President, Advertising Regulation
FINRA Advertising Regulation

Disclosure Innovations and Digital Marketing Compliance Panelist Bios:

Moderator:

Amy C. Sochard is Senior Director in FINRA's Advertising Regulation Department. The department helps protect investors by ensuring broker-dealer members of FINRA use advertisements and other sales communications that are fair, balanced and not misleading. Ms. Sochard leads the department's complex and targeted review activities and serves as liaison to FINRA's Member Supervision and Enforcement departments. She also oversees staff dedicated to the routine review of communications filed with the department by broker-dealers. Ms. Sochard assists in the development of rules and interpretations for communications with the public and social media, and she routinely speaks at industry events on these topics. Prior to joining FINRA's predecessor (NASD), Ms. Sochard worked with a real estate syndication firm in Washington, DC. She received a bachelor's degree with distinction in English from the University of Virginia and studied poetry writing at Columbia University.

Speakers:

Shayna Beck is the head of Retail Communications for Vanguard in Valley Forge, PA. Prior to holding this position, Ms. Beck was Associate Counsel for Vanguard, where she advised on Vanguard's distribution activities, including advertising compliance and social media practices. Ms. Beck holds a bachelor's degree in actuarial science from Pennsylvania State University and a law degree from Widener University School of Law.

Alexander C. Gavis is Senior Vice President and Deputy General Counsel in the Corporate Legal Department of FMR LLC, the parent company of Fidelity Investments, one of the largest brokerage and mutual fund companies in the United States and the leading provider of workplace retirement savings plans. He manages a team of attorneys and professionals responsible for providing legal services to the firm's retail brokerage, stock plan and workplace retirement businesses. He also oversees and manages legal services for Fidelity's businesses involved in electronic and mobile commerce, start-up innovation, and social media. Mr. Gavis provides legal advice on all of Fidelity's national advertising and marketing initiatives. Prior to joining Fidelity in 1997, Mr. Gavis served as Assistant Counsel at the Investment Company Institute and as Senior Counsel in the Office of General Counsel at the U.S. Securities and Exchange Commission, both in Washington, DC. He also served as a judicial law clerk for The Honorable William T. Allen, Chancellor of the Court of Chancery for the State of Delaware. He has worked in investment banking in New York at Salomon Brothers Inc, handling mergers and acquisitions. Mr. Gavis received his J.D., *cum laude*, from the University of Pennsylvania Law School, where he served as Editor-in-Chief of the *University of Pennsylvania Law Review*, and his bachelor's degree, with High Honors and *Phi Beta Kappa*, from Swarthmore College. As an adjunct professor at Suffolk University Law School, he teaches the class "Designing Thinking for Lawyers and Business Professionals" and has taught at the Stanford University Design and Law Schools and at Harvard Law School. He also holds a patent in the area of blockchain technologies. Mr. Gavis currently serves on FINRA's FinTech Industry Committee and as chair of the Public Communications Committee, and as a past member of the E-Brokerage (chair) and Membership Committees and the Social Media (chair) and New Account Form Task Forces.

Thomas A. Pappas is Vice President of the FINRA Advertising Regulation Department, which regulates the advertisements, sales literature and correspondence used by FINRA member firms. His responsibilities include rule development, management of the filing and surveillance programs and related enforcement activities. He served in the same role at NASD before its 2007 consolidation with NYSE Member Regulation, which resulted in the formation of FINRA. He was previously registered with Davenport & Company LLC. He received a bachelor's degree from The University of Richmond and an MBA from Virginia Commonwealth University.



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Timed Agenda

- I. Introduction
- II. *Regulatory Notice 19-31, Disclosure Innovations in Advertising and Other Communications with the Public*
 - a) Development of the Guidance
 - b) Innovative Design Techniques in Broker Dealer Communications
 - c) Required Disclosures vs. Boilerplate
 - d) Making Disclosures Targeted and Salient
 - e) Integrating Disclosures into the Marketing
 - f) Non-Promotional Communications
- III. Digital Marketing vs. Digital Communications
 - a) Approaches
 - b) Compliance Considerations
 - c) Communications Methods
- IV. Videos and GIFs

- a) Life Cycle of Video Content
- b) Compliance Considerations
- V. Future Challenges



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Panelists

■ Moderator

- **Amy Sochard, Senior Director, Advertising Regulation, FINRA Advertising Regulation**

■ Panelists

- **Shayna Beck, Head of Advertising and Communications, Vanguard Group, Inc.**
- **Alexander Gavis, Senior Vice President and Deputy General Counsel, Fidelity Investments**
- **Thomas Pappas, Vice President, Advertising Regulation, FINRA Advertising Regulation**

Agenda

- ***Regulatory Notice 19-31, Disclosure Innovations in Advertising and Other Communications with the Public***
- **Digital Marketing Versus Digital Communications**
- **Videos and GIFs**
- **Future Challenges**

| Disclosure Innovations

Regulatory Notice 19-31

Regulatory Notice

19-31

Advertising Regulation

Disclosure Innovations in Advertising and Other Communications with the Public

Summary

This Notice responds to questions that FINRA has received from members about how they can comply with FINRA rules when communicating with customers—particularly when using websites, email and other electronic media—while ensuring fair and balanced presentations. Our goal is to facilitate simplified and more effective disclosures in communications with the public.

FINRA welcomes the opportunity to consult with members about expanding their use of alternative and innovative design techniques—such as technology that offers customized information—in their marketing communications to help investors better understand their products and services. We are interested in ways that members can make communications more interesting and informative and how, together, we can improve the effectiveness of disclosures. Items are encouraged to contact the Advertising Regulation Department directly at (240) 386-4500 to discuss these approaches.

Questions concerning this Notice should be directed to:

- Joseph E. Price, Senior Vice President, Corporate Financing/Advertising Regulation, at (240) 386-4623 or Joseph.Price@finra.org
- Thomas A. Pappas, Vice President, Advertising Regulation, at (240) 386-4553 or Tom.Pappas@finra.org
- Amy C. Sechard, Senior Director, Advertising Regulation, at (240) 386-4508 or Amy.Sechard@finra.org



September 19, 2019

Notice Type
» Guidance

Suggested Routing

- » Advertising
- » Compliance
- » Legal
- » Marketing
- » Operations
- » Registered Representatives
- » Senior Management

Key Topic(s)

- » Advertising
- » Communications with the Public
- » Digital Communications
- » Disclosures
- » Marketing
- » Social Media
- » Supervision

Referenced Rules & Notices

- » FINRA Rule 2230
- » FINRA Rule 2215
- » FINRA Rule 2212
- » FINRA Rule 2213
- » FINRA Rule 2234
- » FINRA Rule 2215
- » FINRA Rule 2216
- » FINRA Rule 2220
- » Regulatory Notice 17-18

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■ Published September 19, 2019

■ Background

- Work with Stanford Law School
- Public Communications Committee
- Retrospective Rule Review
- Prior FINRA Guidance on Social Media and Digital Communications

■ Contact AdReg to discuss

Regulatory Notice 19-31

- **Innovative Design Techniques**
- **Precise, Succinct and Relevant Disclosure**
- **Integrated Disclosures vs. Footnotes**
- **Non-Promotional Communications**

Innovative Design Techniques

- **Choice of how to view information**
- **Icons, illustrations, cartoons, animations, videos, pictograms**
- **Emerging technologies**

Example: Using technology to truncate and reveal text

- In this example, the mobile phone version of an advertisement uses technology that permits the viewer to choose whether to view all of the available information by tapping on the words **MORE** or **LESS** to change the display.



Example: Required and additional information combined



Your life. Your dreams.®

ETF Product List

BYF	Benefit PBJ 500® Financials ETF
BYH	Benefit PBJ 500® Health Care ETF
BTM	Benefit PBJ 500® Materials ETF
BYT	Benefit PBJ 500® Technology ETF
BYU	Benefit PBJ 500® Utilities ETF
BHI	Benefit PBJ® High Income Infrastructure ETF

For more information on Benefit's ETF products, please speak to your financial advisor.

Most investors will also incur customary brokerage commissions when buying or selling shares of an ETF. ETF shares may trade below their net asset value ("NAV"). The NAV of shares will fluctuate with changes in the market value of an ETF's holdings. In addition, there can be no assurance that an active trading market for shares will develop or be maintained. As with any investment, you should consider how your investment will be taxed. The tax information contained in the prospectus is provided as general information. Investors should consult their own tax professional about the tax consequences of an investment. "PBJ®" and "PBJ 500®" are trademarks of PBJ Services LLC ("PBJ") and have been licensed for use by Benefit Distributors, Inc. The funds are not sponsored, endorsed, sold or promoted by PBJ and PBJ makes no representation regarding the advisability of investing in the funds. PBJ does not guarantee the quality, accuracy, and/or the completeness of the index or any data included therein. PBJ makes no warranty, express or implied, as to results to be obtained by licensee, owners of the product, or any other person or entity from the use of the indexes or any data included therein in connection with the rights licensed hereunder or for any other use. PBJ makes no express, or implied warranties, and hereby expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the indexes or any data included therein. Without limiting any of the foregoing, in no event shall PBJ have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages. PBJ determines, composes, and calculates the indexes without regard for the respective products. The products are not sponsored, endorsed, sold, or promoted by PBJ. PBJ has no obligation or liability regarding the administration, marketing, or trading of the products, and make no representation or warranty to the owners of the product, or to any member of the public, regarding investing in securities generally or in the products particularly. Read a fund's prospectus carefully before investing. It contains the fund's investment objectives, risks, charges, expenses, and other information, which should be considered carefully before investing. Obtain a prospectus and summary prospectus (if available) at www.benefitdistributors.com.

- Only the highlighted text is required for compliance.
- The other information not required by the rules may detract from the presentation of required information.

Example: Limited Disclosure Appropriate to the Content



THE POWER OF INVESTING IN THE FUTURE

The XYZ Group is a leading producer of independent investment research providing customers access to top news and information on the most innovative companies in the market.

Top Innovation Sectors:

- 3D Printing
- Autonomous Vehicles
- Bioinformatics
- Robotics

Innovative securities are subject to significant risks, including loss of principal. Please visit our website for more information and to subscribe to our newsletter.

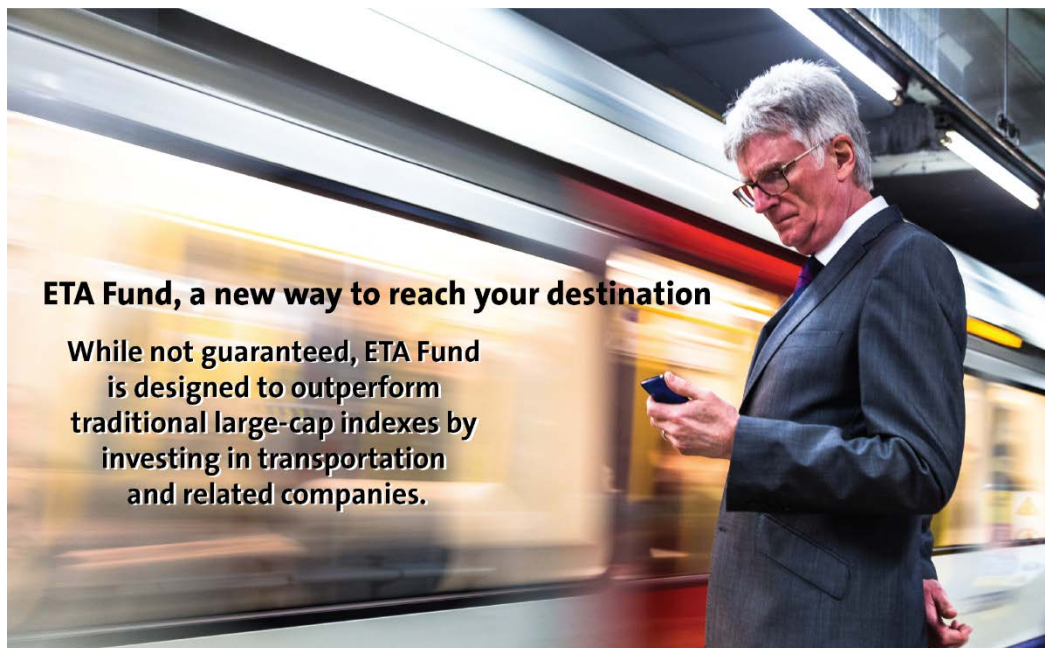
www.newsforinvestors.xyz

XYZ 

- The disclosure: “Innovative securities are subject to significant risks, including loss of principal” is sufficient to the limited marketing message.

Example: Disclosure within the marketing message

- By including the phrase, “While not guaranteed” in the main body of the text, this example illustrates how a short disclosure can be incorporated into the marketing message



Promotional Communications

- **Communications that promote or offer specific securities, types of securities, or securities services generally require disclosure.**
- **Promotional communications discuss the benefits of a particular product, type of product, or service and, under the rules, require balancing discussions of the risks or drawbacks.**

Non-Promotional Communications

■ May Require Less Disclosure

■ Types of Non-Promotional Communications

- Brand Communications
- Educational Communications
- Reference Resources
- Post-Sale Communications

Digital Marketing vs. Digital Communications

Digital Marketing vs. Digital Communications

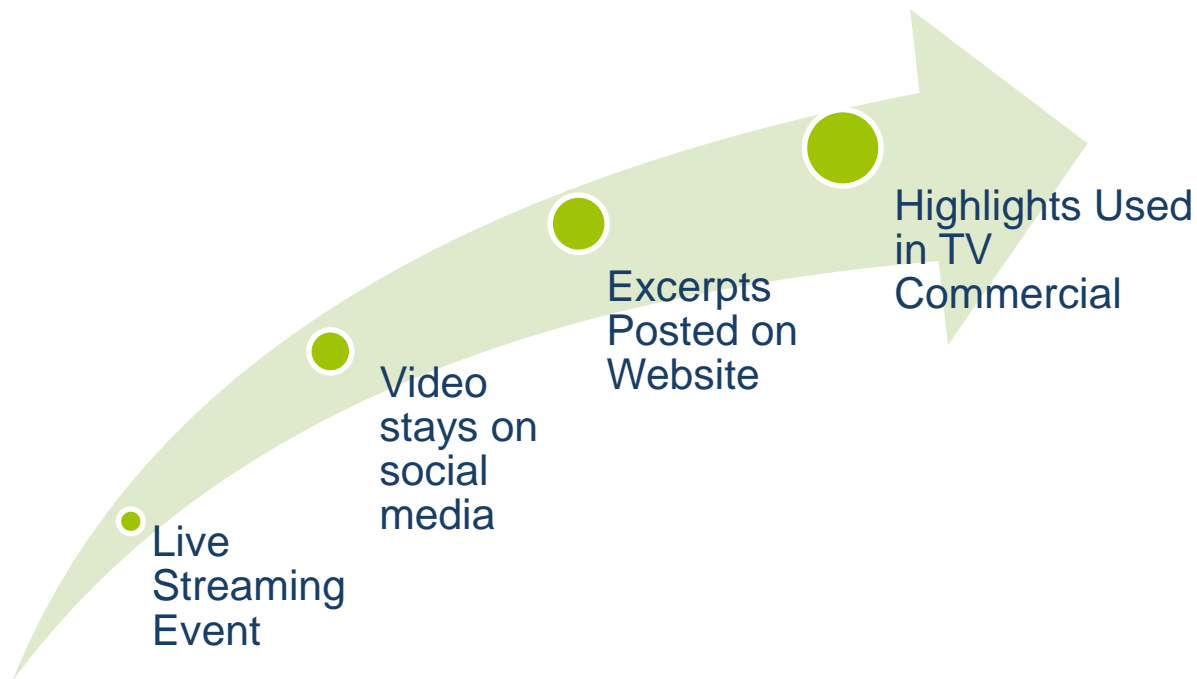
- **Digital Marketing:** the marketing of products or services using digital technologies, channels and tactics such as social media, search engine optimization, influencer advertising, etc.
- **Digital Communications:** electronically transmitted content and materials whether used as part of a digital or conventional marketing strategy.

Some Digital Marketing Compliance Considerations

- **Native Advertising: Clarity, Disclosure**
- **Influencer Advertising: Clarity, Disclosure**
- **Search Optimization or Search Based Advertising: Supervision of Embedded Text**
- **Personalization: Supervision, Records, Reg BI**
- **Internet of Things (IOT): Supervision, Records**

Videos and GIFs

Video Content Lifecycle Example



Looking Ahead: Future Challenges



- **Artificial Intelligence**
- **Machine Learning**
- **Voice Search**
- **Conversational Marketing**
- **Sensors & Geolocation**
- **Virtual Reality**

| Questions and Answers



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Resources

FINRA Resources

- FINRA Regulatory Notice 19-31, *Advertising Regulation, Disclosure Innovations in Advertising and Other Communications with the Public* (September 2019)
www.finra.org/sites/default/files/2019-09/Regulatory-Notice-19-31.pdf
- FINRA Regulatory Notice 17-18, *Social Media and Digital Communications, Guidance on Social Networking Websites and Business Communications* (April 2017)
www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-17-18.pdf
- FINRA Regulatory Notice 11-39, *Social Media Websites and the Use of Personal Devices for Business Communications, Guidance on Social Networking Websites and Business Communications* (August 2011)
www.finra.org/sites/default/files/NoticeDocument/p124186.pdf
- FINRA Regulatory Notice 10-06, *Social Media Web Sites, Guidance on Blogs and Social Networking Web Sites* (January 2010)
www.finra.org/sites/default/files/NoticeDocument/p120779.pdf

Securities and Exchange Commission

- *National Exam Program Risk Alert, December 14, 2018: Observations from Investment Adviser Examinations Relating to Electronic Messaging*
www.sec.gov/ocie/announcement/ocie-risk-alert-electronic-messaging
- *National Exam Program Risk Alert, August 7, 2017: Observations From Cybersecurity Examinations*
Website: www.sec.gov/ocie/announcement/observations-cybersecurity-examinations
PDF: www.sec.gov/files/observations-from-cybersecurity-examinations.pdf
- *IM Guidance Update, March 2014, No. 2014-04: Guidance on the Testimonial Rule and Social Media*
www.sec.gov/investment/im-guidance-2014-04.pdf
- SEC Release Nos. 34-58288; IC-28351, *Commission Guidance on the Use of Company Web Sites* (August 7, 2008)
www.sec.gov/rules/interp/interparchive/interparch2008.shtml

- SEC Release No. 34-47806, *Electronic Storage of Broker-Dealer Records* (May 12, 2003)

www.sec.gov/rules/interp/34-47806.htm

Federal Trade Commission (FTC)

- *Native Advertising: A Guide for Business* (December 22, 2015)

www.ftc.gov/tips-advice/business-center/guidance/native-advertising-guide-businesses

- *Commission Enforcement Policy Statement on Deceptively Formatted Advertisements* (December 22, 2015)

www.ftc.gov/public-statements/2015/12/commission-enforcement-policy-statement-deceptively-formatted



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RegTech in Advertising Compliance and Beyond

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9:45 a.m. – 10:45 a.m.

RegTech (Regulatory Technology) is more than a buzzword, it is a real movement that is already having an impact on regulatory compliance. Join FINRA staff and industry panelists as they share insight on innovative technologies being used to develop more effective, efficient, and risk-based compliance programs in the area of communications with the public. Panelists discuss how RegTech tools are helping address new challenges and regulatory implications associated with supervision, vendor management, data privacy and security.

Moderator: Pramit Das
Associate Director, Technology
FINRA Advertising Regulation

Speakers: Karl Brock
Vice President, Business, Legal and Enterprise Systems
FINRA Technology

Melissa Koide
Chief Executive Officer
FinRegLab

Haimera Workie
Head of Financial Innovation and Senior Director
FINRA Office of Financial Innovation (OFI)

RegTech in Advertising Compliance and Beyond Panelist Bios:

Moderator:

Pramit Das is Associate Director-Technology of FINRA's Advertising Regulation Department. In this role, his responsibilities include managing a filings review group; assisting with administration of the filings review program; developing and maintaining the department's technology needs; providing education to members, FINRA staff and other regulatory staff; and participating in certain rule amendment and rulemaking projects as necessary. He served in the same role at NASD before its 2007 consolidation with NYSE Member Regulation. Prior to joining NASD in 1994, Mr. Das worked for Metropolitan Life Insurance Company and Arthur Andersen & Co. He holds an MBA in Finance from the University of Maryland, College Park, and an MA in Financial Economics from Clemson University, Clemson, South Carolina. He was also Series 7 and 63 registered.

Speakers:

Karl Brock is Vice President, Business, Legal, and Enterprise Systems. In this capacity, he oversees strategy, development, support, and operations of enterprise applications and is the primary technology executive for the Enforcement, Advertising Regulation, Corporate Financing, Office of General Council, and Corporate Systems. Mr. Brock has been with FINRA since 2015 as an employee. He previously worked at FINRA as a consultant from 2006 – 2009 leading the Proctor rewrite and later was the technical lead for the NASD and NYSE Member Regulation Merger. Prior to joining FINRA, Mr. Brock spent 15 years in the financial industry working for regulatory, banking, trading, and mortgage organizations. He also serves on FINRA's Records Management Board, which is responsible for setting FINRA records management policy and for establishing and overseeing an enterprise-wide approach to records management, and is chairman of the Solutions Subcommittee, which is responsible for development of supporting technology and infrastructure. He holds a Bachelor of Science in Electrical Engineering and Semiconductor Physics from Texas A&M University and graduate degrees in Computer Science from Carnegie Mellon University.

Melissa Koide is the CEO of FinRegLab, a nonprofit financial innovation and research center that examines how technology and data can help achieve public policy aspirations, address regulatory requirements, and lead to a more efficient and inclusive financial marketplace. FinRegLab provides an independent platform for financial stakeholders and policymakers to dialogue and gain an evidence-based understanding of new financial technologies. FinRegLab's research and experiments focus on matters such as how data and technology can be used to expand prudent access to credit for underserved consumers and small businesses and how new technologies can improve customer onboarding and meet KYC obligations. Prior to establishing FinRegLab, Ms. Koide served as the U.S. Treasury Department's Deputy Assistant Secretary for Consumer Policy. In that role, Ms. Koide helped to build the first government offered preretirement savings product, the myRA, and she established the \$5 million Innovation Fund to support research and strategies to improve consumers' financial health and their access to safe and affordable financial products and services. Before joining Treasury, she was the Vice President of Policy at the Center for Financial Services Innovation. Ms. Koide is currently Vice Chair for the Milken Institute's Fintech Advisory Council.

Haimera Workie is Head of Financial Innovation and Senior Director responsible for leading FINRA's Office of Financial Innovation, which focuses on analyzing financial technology (FinTech) innovations and emerging risks and trends related to the securities market. As part of these responsibilities, Mr. Workie works to foster an ongoing dialogue with market participants in order to build a better understanding of FinTech innovations and their impact on the securities markets. Previously, Mr. Workie served as Deputy Associate Director in the Division of Trading and Markets at the U.S. Securities and Exchange Commission. Mr. Workie also previously served as Counsel in the SEC Office of the Chairman. Prior to joining the SEC, 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.).



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Associate Director
FINRA Advertising Regulation

Panelists: Karl Brock
Vice President
FINRA Application Platforms Business, Legal & Enterprise System

Melissa Koide
CEO
FinRegLab

Haimera Workie
Senior Director
FINRA Office of Financial Innovation

- I. Introduction
- II. Advancing the use of RegTech, Fintech, and data in financial services
- III. Overview of current research areas
 - a) Consumer data portability to increase financial health through improved financial products and management tools
 - b) Identity proofing to reduce financial fraud
 - c) Regulatory coordination
- IV. Overview of the Office of Financial Innovation
- V. RegTech:
 - a) Role and rise
 - b) Applications in the securities industry
 - c) Implications for the securities industry
 - d) Regulators' viewpoint

- VI. Convergence of Cloud Computing, Natural Language Processing (NLP), and Machine Learning (ML): The Future of Decision Support Systems
- VII. Using NLP, ML and Knowledge Graphs to assist a Document Review Process
 - a) Entity Recognition
 - b) Similarity
 - c) Flag potential risk or entities of interest
 - d) Analytics across document collections
- VIII. Q and A: from the audience



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- **Haimera Workie, Head of Financial Innovation and Senior Director, FINRA Office of Financial Innovation (OFI)**



Advancing the use of RegTech, FinTech, and Data in Financial Services

Research Presentation

October 25, 2019

Advancing the safe and smart use of technology and data in the financial system to drive financial inclusion



Connecting industry, innovators, advocates, and policymakers to advance actionable market solutions and fact-based public policy

Domestic

60%

American households experienced a financial shock in the past year

40%

Americans who struggle paying an unexpected \$400 expense

International

1.7B

Lack a financial account worldwide

1 in 2

Have never sent a digital payment globally

>50%

Small and medium businesses globally lack adequate access to credit

Today



Technology can Help...

61M

Americans will use mobile payments in 2019.

\$658

Average Mobile POS Payment Value in 2019. Will **pass Digital Commerce level in 2021**. Half of all US retailers now accept Apple Pay, up 3% from 2014.

x7

Total dollar amount invested in RegTech companies **increase** from 2014 to 2019



Sources: [PRI](#), [Statista](#), RegTech Analyst, [eMarketer](#)

...But also Harm
>\$300 & >\$800

77%

Of consumers filing
fraud complaints who
were reached **via phone**

Billion

Fines levied since 2008 for regulatory issues
& **annual global cost** of money laundering

73%

Of companies are **struggling** to
harness tech innovation

49%

Of organizations globally in 2018 who
had experienced fraud and economic
crime, a 13% **increase** from 2017



Sources: [OVC](#), [Refinitiv](#), [PwC](#), [Centric Digital](#),
[UNODC](#)

...All while tracking over...

**200 regulatory
revisions daily
from over 750
global regulators**

So, how can technology and data
empower good change while
eliminating threats?



Source: [Deloitte](#)

Know Your Customer

- Countering Terrorism Financing and illicit activities like human and drug trafficking
- Bolstering formal financial systems and ID systems
- Faster and better onboarding for financial institutions



Source: [UNHCR](https://www.unhcr.org/)

Financial Inclusion

- Fair lending risk
- Proxying & bias
- Cheaper, diverse services



Source: [Good ID](#)

Consumer Wellbeing

- Marketing tactics
- Data protection
- Risk appetite and personal financial management



Source: [Forbes](#)

Other Topics on the Horizon

- **The Role of Consumers in Financial Data Security**

Data increasingly underpins financial services and the evolution of the financial system. But key cross-cutting questions remain in regard to the appropriate roles of consumers in this ecosystem. The continued growth of data-related innovations is poised to further accelerate data generation and sharing, and in turn elevate associated risks. Consumer protection as a foundation to build additional considerations for ecosystem rules.

Who owns this data? Who has the right to access data? Who can exercise control? How do you balance societal benefit of more data available for analytics versus personal control over data protection? What baseline consumer protections currently exist? What needs to exist? What are the challenges and tradeoffs with regard to privacy and security vs. efficiency and empowerment?

- **Machine Learning Explainability**

Machine Learning could improve predictiveness and fairness of credit underwriting, compared to traditional approaches. But a lack of clear guidance from regulators has slowed the adoption of machine learning for underwriting. How can we make models more understandable to improve regulator familiarity without sacrificing the potential predictiveness and fairness gained through new technology.



Consumer Data Portability & Protection

- **How to balance the necessity of protection with consumer freedom of choice and individual preference? Is consumer empowerment through individual choice the way of the future?**
- **Can we enable consumers to participate in data ecosystem while protect data regardless of consumer choices?**
- **More consumer choice could mean tradeoffs or tensions:**
 - Reduced access to representative data for societal or government research
 - Additional cyber or privacy challenges with increased data flows
 - Less innovation/competition if data cannot be monetized
- **Current baseline protections to guide evolution**
 - Protection from external, unauthorized access (cybersecurity expectations)
 - Protection from unauthorized/inappropriate use (UDAAP and discrimination)
 - Decision rights (disclosure)



Technology & Capital Markets

- **Scale of disruption from RegTech in capital markets**
- **Why have capital markets faced less disruption from technology than other financial services?**
 - Complexity of industry and regulations and technological innovation grey area
 - Bank risk aversion and negligence ramifications based on regulations
 - Scale of capital market networks and players
 - Market unpredictability
- **The opportunity for RegTech in capital markets**
 - Speed of innovation compared to larger institutions
 - Possibilities for solutions for KYC, for example, or trade surveillance
 - Partnerships with incumbents and addressing specific issues



Research Topics on the Horizon



Identity

Leveraging data and technology to better identify customers, reduce fraud, and improve financial inclusion locally and globally



AI Explainability

Assessing how ML outcomes in credit decisions can be understood by regulators and explained to consumers



Meaningful Consumer Consent

Utilizing data, AI, and devices to deliver effective disclosures and secure meaningful consumer consent



Emergence of Big Data

Determining how data can be used to help people and small businesses meet their immediate, near, and long term financial needs and goals



Financial Security

Leveraging technology and data to deliver affordable and accessible savings and wealth building products



Focus of Office of Financial Innovation

■ Outreach to FINRA stakeholders

- Roundtables, Topical Conferences, FinTech Office Hours
- Fintech Industry Committee

■ Training of FINRA staff

■ Research and Publications – www.finra.org/fintech

- Industry facing: E.g. Special Notice on Innovation, topical whitepapers, podcasts
- Investor facing: E.g. Investor Alerts on ICOs, digital assets, data aggregation, social media investing

■ Internal Coordination

- Central point of coordination for issues related to financial innovations

■ Regulatory Coordination

- Ongoing dialog with various domestic and foreign regulators

What is RegTech?

- **RegTech – subset of FinTech, technology innovations for regulatory compliance**
- **FINRA RegTech Report (September 2018)**
- **What Changed?**
 - **Relatively newer technologies present opportunities for faster, more efficient, risk-based compliance**
 - Artificial intelligence, machine learning, biometrics
 - Cloud-based computing and big data analytics
- **Market Size**
 - **Global demand for RegTech software is expected to reach \$119 billion by 2020**
 - **RegTech startups have raised \$2.3 billion in funding in last five years**

Applications of RegTech

Generally categorized in five broad areas:

- 1. Surveillance and Monitoring**
- 2. Customer Identification and AML Compliance**
- 3. Regulatory Intelligence**
- 4. Reporting and Risk Monitoring**
- 5. Investor Risk Assessment**

Convergence of Cloud Computing, NLP, & ML

- When big technology shifts occur, a wave of digital disruption ensues
 - In 2006, Cloud Computing disrupted the software distribution and hosting models and enabled the Infrastructure-as-a-service (IaaS) model
 - IaaS provides virtually unlimited scalability – both data and compute
- Convergence of Cloud Computing, Natural Language Processing (NLP) and Machine Learning (ML)
 - Old technologies that were not practical due to data and compute limitations are unleashed by the Cloud Computing disruption
 - Spawning new waves of new innovation in how decision support systems are developed
 - Can now process massive amounts of data very quickly

Keeping up with an avalanche of data

FINRA



Monitoring **99%** Equities
& **65%** Options in the US



Up to
135 Billion
events per day



100+
Million
Unstructured
Documents



30+pb
Structure
Data



Reconstructing
Trillions
of Market Nodes & Edges

Advertisement Review Process

FINra®



Communications with the Public



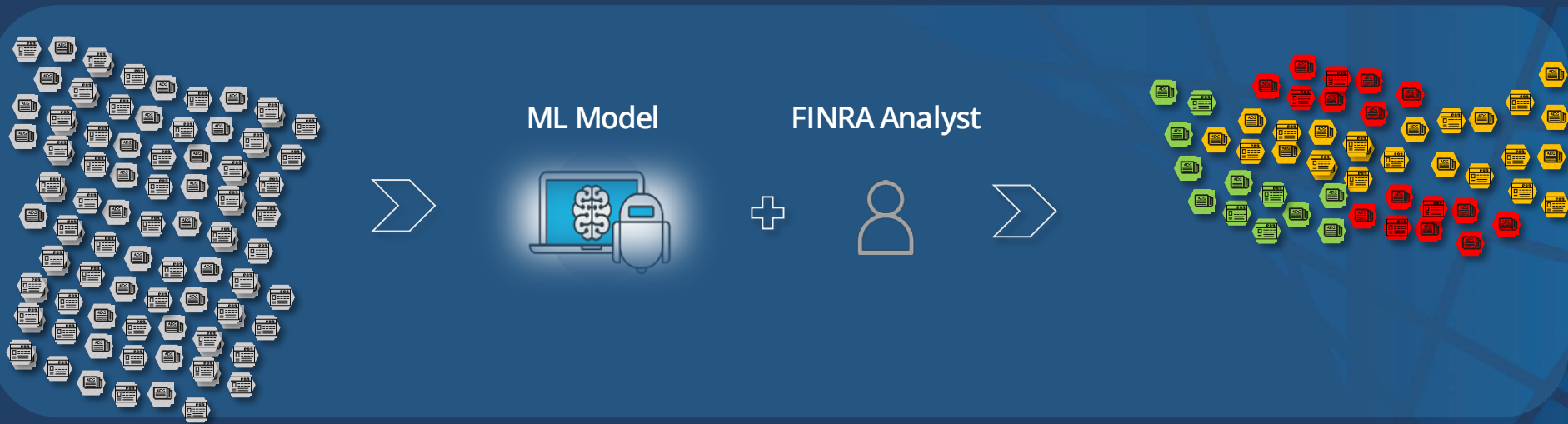
Retail Investors

75K Ads annually



Challenge

Goals for using NLP + ML to assist with Reviews

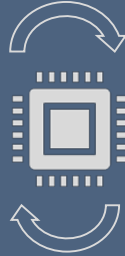


- Identify “risky” ads
- Identify “most similar” communications previously reviewed or pending review
- Extract pertinent information from documents and summarize
- Provide a seamless experience to the users

Machine Learning : Model Training and Prediction



Historical Advertisements



Machine Learning Algorithms



Trained Model



New Advertisements



Trained Model



Model Predictions



FINRA Analysts



2019 Advertising Regulation Conference

October 24 – 25, 2019 | Washington, DC

Questions & Answers



2019 Advertising Regulation Conference

October 24—25 | Washington, DC

Sales Practices a Case Study Approach

Friday, October 25, 2019

9:45 a.m. – 10:45 a.m.

Designed for compliance professionals who supervise sales staff, this session examines the issues that registered principals confront in today's regulatory environment. Panelists representing FINRA Advertising Regulation, Enforcement and District Office staff address a wide range of topics drawn from recent enforcement cases, including supervisory procedures related to outside business activities, recent exam findings and the disciplinary process. They also highlight potential "red flags" and provide suggestions to help avoid compliance issues.

Moderator: Steven O'Mara
Associate Director, Advertising Regulation
FINRA Advertising Regulation

Speakers: Kimberly Flanders
Principal Analyst, Advertising Regulation
FINRA Advertising Regulation

Stephen Marchese
Examination Manager, Sales Practice
FINRA Philadelphia District Office

Gina Petrocelli
Chief Counsel, Enforcement
FINRA Enforcement

Sales Practices a Case Study Approach Panelist Bios:

Moderator:

Steven O'Mara is Associate Director in FINRA's Advertising Regulation Department. Before joining Advertising Regulation, he spent three years in the Market Regulation Department. He also worked for four years as a compliance officer for a regional brokerage firm. Mr. O'Mara holds a master's degree in business from Johns Hopkins University and a bachelor's degree from Saint Anselm College.

Speakers:

Kimberly Flanders is Principal Analyst in FINRA's Advertising Regulation Department. She has served in this role since 2002 and joined the Department in 1996. Prior to joining FINRA, Ms. Flanders was an investigator for the Resolution Trust Company in Washington, DC. Previous to this role, she was a staff member of the Permanent Subcommittee on Investigations, chaired by the former U.S. Senator from Georgia, Sam Nunn. Ms. Flanders received her bachelor's degree from the University of Georgia.

Stephen Marchese has been with FINRA for nineteen years. Prior to joining FINRA (formerly NASD), Mr. Marchese spent four-and-a-half years working for a New York State Senator where some of his responsibilities included acting as both a business and military liaison. Since joining FINRA, Mr. Marchese has worked in four different District Offices. He began his career in the NYC District where he gained valuable experience working with market making firms. Soon after, he transferred to the Long Island Satellite Office and the Boca Raton, FL office (between 2001 to 2006) where he was active in a number of examinations and investigations involving "boiler room" type firm's that focused on high-pressure sales tactics and "churning" trading strategies. In 2007, Mr. Marchese transferred to the Philadelphia District. During his time at FINRA, Mr. Marchese has been assigned to various different internal areas including acting as a cycle examiner, a cause examiner and in 2014 was named to the Northeast Regional Exam Team, which was a group of Examiners who were responsible for examining the riskiest firms in the Northeast region. Currently, Mr. Marchese is an Examination Manager, a position he has held since 2016. Some of the more notable examinations or investigations Mr. Marchese has worked on include the following: A Firm phone taping rule case in which the Firm did not tape all required conversations; A mutual fund market timing case in which the Firm being examined was a willing participant; Fraudulent activities related to a private placement, which included material omissions; Unauthorized trading activities of a registered representative who was under significant financial strain; Identified the intentional alterations to the books and records of a firm to indicate supervision had occurred on VA transactions; and, An email case in which a registered representative purposely deleted firm related email from his personal email address which he had been using for business without approval. Mr. Marchese has also participated in a number of Special Projects, including the Regulation 60 Sweep, AML Quality Reviews and High Risk Registered Representative Quantitative Assessments to name a few. He is currently a designated regulatory specialist in the area of private placements – crowdfunding and a regional expert in Branch Examinations. Mr. Marchese graduated from Molloy College (Rockville Centre, NY) with a BA in Political Science and Business Administration, and he received his MBA from Dowling College (Oakdale, NY).

Gina Petrocelli is Chief Counsel in FINRA's Department of Enforcement and a member of FINRA's Fixed Income Committee. She manages a team of attorneys handling actions relating to sales practice, anti-money laundering and other investor protection and regulatory issues. Ms. Petrocelli previously served as a Deputy Regional Chief Counsel for the New York Region, and as an Enforcement Director and Senior Counsel in New York. Prior to joining FINRA during 2010, Ms. Petrocelli was a litigator at Latham & Watkins LLP and at Cravath, Swaine & Moore LLP. Ms. Petrocelli graduated from Harvard Law School in 2002 and is a member of the bar in New York. She obtained her B.A. in Government from Harvard College in 1999.



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Sales Practices a Case Study Approach

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9:45 a.m. – 10:45 a.m.

Designed for compliance professionals who supervise sales staff, this session examines the issues that registered principals confront in today's regulatory environment. Panelists representing FINRA Advertising Regulation, Enforcement and District Office staff address a wide range of topics drawn from recent enforcement cases, including supervisory procedures for interacting with customers, recent exam findings and the disciplinary process. They also highlight potential "red flags" and provide suggestions to help avoid compliance issues.

Moderator: Steven O'Mara
Associate Director
FINRA Advertising Regulation

Panelists: Kimberly Flanders
Principal Analyst, Advertising Regulation
FINRA Advertising Regulation

Stephen Marchese
Examination Manager, Sales Practice
FINRA Philadelphia District Office

Gina Petrocelli
Chief Counsel, Enforcement
FINRA Enforcement

I. Introduction

II. Overview of Disciplinary Process

III. Supervision

- a) Growth Capital Services, Inc.
[Letter of Acceptance, Waiver and Consent No. 2013034981501](#)
- b) Jack B. McBride
[Letter of Acceptance, Waiver and Consent No. 2014042223301](#)

IV. Private Securities/Private Placements

- a) LBMZ Securities Inc.
[Letter of Acceptance, Waiver and Consent No. 2016048230001](#)
- b) Christopher M. Hawn
[Letter of Acceptance, Waiver and Consent No. 2015046760801](#)

V. Research Report Case

- a) Citigroup Global Markets, Inc.
[Letter of Acceptance, Waiver and Consent No. 2016048931101](#)

VI. Social Media Case

- a) David Apted
[Letter of Acceptance, Waiver and Consent No. 2016049587401](#)

VII. Seminars

- a) Sandeep Varma
[Letter of Acceptance, Waiver and Consent No. 2014040164801](#)



2019 Advertising Regulation Conference

October 24 – 25, 2019 | Washington, DC

Sales Practice a Case Study Approach

Panelists

■ Moderator

- **Steven O'Mara, Associate Director, Advertising Regulation, FINRA Advertising Regulation**

■ Panelists

- **Kimberly Flanders, Principal Analyst, Advertising Regulation, FINRA Advertising Regulation**
- **Stephen Marchese, Examination Manager, Sales Practice, FINRA Philadelphia District Office**
- **Gina Petrocelli, Chief Counsel, Enforcement, FINRA Enforcement**

Supervisory Issues

- **Written Supervisory Procedures**
- **Private Securities Transactions**
- **Attestations**
- **Social Media**

Interacting with Customers

- **Outside Business Activities**
- **Consolidated Reports**
- **Research Reports**
- **Seminars**

Questions and Answers





2019 Advertising Regulation Conference

October 24—25 | Washington, DC

Advertising Review Workshop

Friday, October 25, 2019

11:00 a.m. – 12:00 p.m.

During this highly interactive and dynamic session, attendees apply advertising rules to several mock advertisements and uncover the hidden concerns. Attendees work in small groups and present their findings to fellow participants, while moderators present the regulatory perspective, clarify any misperceptions and answer questions.

Moderator: Anthony Maher
Associate Director, Advertising Regulation
FINRA Advertising Regulation

Speakers: Kimberly Flanders
Principal Analyst, Advertising Regulation
FINRA Advertising Regulation

Matthew Pinto
Associate Principal Analyst, Advertising Regulation
FINRA Advertising Regulation

Advertising Review Workshop Panelist Bios:

Moderator:

Anthony T. Maher is Associate Director in FINRA's Advertising Regulation Department. He served in a similar role at NASD before its 2007 consolidation with NYSE Member Regulation, which resulted in the formation of FINRA. His chief responsibility is managing staff members dedicated to the routine review of member advertisements. Mr. Maher also speaks at FINRA and industry conferences and events, including the Department's Advertising Regulation Conference, where he conducts a highly interactive educational "hands-on" advertising review workshop. Prior to joining the NASD in 1995, he was a registered principal and a compliance analyst for a broker-dealer subsidiary of a life insurance company. Mr. Maher holds a J.D. from George Mason University Antonin Scalia Law School, a master's degree from Georgetown University and a bachelor's degree from George Mason University.

Speakers:

Kimberly Flanders is Principal Analyst in FINRA's Advertising Regulation Department. She has served in this role since 2002 and joined the Department in 1996. Prior to joining FINRA, Ms. Flanders was an investigator for the Resolution Trust Company in Washington, DC. Previous to this role, she was a staff member of the Permanent Subcommittee on Investigations, chaired by the former U.S. Senator from Georgia, Sam Nunn. Ms. Flanders received her bachelor's degree from the University of Georgia.

Matt Pinto is Associate Principal Analyst in FINRA's Advertising Regulation Department. His primary function includes reviewing sales communications filed by member firms. Mr. Pinto joined the Advertising Regulation Department in 2007. Prior to joining FINRA, Mr. Pinto worked in the mortgage industry and as a Financial Advisor holding the Series 7 and 66 registrations. Mr. Pinto received a bachelor's degree in Marketing from Loyola University, New Orleans, LA.



2019 Advertising Regulation Conference

October 24 – 25, 2019 | Washington, DC

Advertising Review Workshop

Panelists

■ Moderator

- **Anthony Maher, Associate Director, Advertising Regulation, FINRA Advertising Regulation**

■ Panelists

- **Steven Choi, Principal Analyst, Advertising Regulation, FINRA Advertising Regulation**
- **Kimberly Flanders, Principal Analyst, Advertising Regulation, FINRA Advertising Regulation**

Communication No. 1: Print Advertisement



MARCO POLO AMAZON FUND

SEARCHING THE WORLD FOR SOCIALLY RESPONSIBLE &
ENVIRONMENTALLY CONSCIOUS OPPORTUNITIES

The Marco Polo Amazon Fund invests in dynamic companies pursuing innovative solutions to the complex issues of energy production, resource recovery and sustainable agriculture and forestry.

Disclosures: The fund employs a research-intensive bottom-up stock selection process to find the leading companies in increasingly important global environmental markets. The market price of equity securities may fluctuate significantly, rapidly and unpredictably, causing the Fund to experience losses. The prices of equity securities generally are more volatile than the prices of debt securities. Market Risk Conditions in a broad or specialized market, a sector thereof or an individual industry may adversely affect security prices, thereby reducing the value of the Fund's investments. To the extent the Fund takes significant positions in one or more specific sectors, countries or regions, the Fund will be subject to the risks associated with such sector(s), country(ies) or region(s) to a greater extent than would be a more broadly diversified fund. Companies that issue value securities may have experienced adverse business developments or may be subject to special risks that have caused their securities to be out of favor. The Fund may invest in companies that may not be expected to experience significant earnings growth, but whose securities the investment adviser believes are selling at a price lower than their true value. Companies that issue value securities may have experienced adverse business developments or may be subject to special risks that have caused their securities to be out of favor. If the investment adviser's assessment of a company's prospects is wrong, or if the market does not recognize the value of the company, the price of its securities may decline or may not approach the value that the investment adviser anticipates. The Fund is actively managed. The investment techniques and decisions of the investment adviser and the Fund's portfolio manager(s) may not produce the desired results. As with all mutual funds, investors may lose money by investing in the Fund.





Marco Polo Alternative Funds
Discovering a New World of Opportunities


Consider the investment objectives, risks, and charges and expenses of the Marco Polo Amazon Fund carefully before investing; the prospectus contains this and other information; call your financial advisor or visit www.marco-polo-funds.com to obtain a prospectus. Read it carefully before investing.


Marco Polo Funds Distributors, LLC Member, FINRA.


Communication No. 2: Social Media


Chirper

home


@friends

#tag






John "Jack" Dawkins
@JDawkins
Husband. Father. Son.
Financial Advisor with
Charles Dickens Financial Services, LLC

Follow

3,775 Chirps
1,587 Following
1,585 Followers


Compose a new Chirp...

Following more...



Trending more...

#football
#back2school
#electionnews
#sports
#autumn



Chirps

Jack Dawkins @JDawkins 1 day ago
Looking for an advisor? I've got 20+ years experience and \$500million assets under management. Check my record or anyone else's at brokercheck.finra.org brokercheck

Jack Dawkins @JDawkins 2 days ago
Charles Dickens Financial introduces new Cash Savings Account with 2.19% interest! Better than your bank's savings account! #FDIC

Jack Dawkins @JDawkins 3 days ago
Earn 2.19% interest all day every day! Take advantage of Charles Dickens Financial's new Cash Savings Account today. #Savings #Online banking #FDIC

Jack Dawkins @JDawkins 4 days ago
My daughter just got accepted into Georgetown University. Now 2 kids at private \$5 universities. Glad I followed my own advice and planned for the expense. #College Planning

Jack Dawkins @JDawkins 4 days ago
"Charles Dickens Financial launches new Cash Savings Account" via cnnnews.com

Jack Dawkins @JDawkins 5 days ago
I offer personalized comprehensive financial plans for busy professionals. Let me draw your retirement roadmap. Follow expert advice! Read <http://www.barrons.com> <http://www.wsj.com>

Jack Dawkins @JDawkins 6 days ago
Back refreshed from our Yosemite vacation! We have a beautiful country!

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Careers Privacy
Terms Advertisers

Communication No. 3: Enlightenment 529 Postcard

Kids Dream BIG... So Should Their Parents



Rollover an Out of State 529 Plan & Save!

Investing in the Enlightenment 529 Growth Fund entitles you to a \$5,000 (for single filers) and \$10,000 (for investors filing jointly) state income tax deduction. Rollover money counts!

Tax-advantage Savings: Withdrawals from an Enlightenment 529 Growth Fund account are free from Federal and, in most cases, State income tax if the money is used for qualified education expenses*.

Use Your Savings to Pay Education Expenses: You can use the money in your account to pay for education expenses, including tuition, room and board, and required books and supplies at undergraduate and graduate universities nationwide and now, K-12 tuition costs!

*If withdrawals from your Enlightenment 529 Growth Fund account for purposes other than qualified educational expenses (elementary to secondary to university expenses), the earnings will be subject to a 10% federal tax penalty in addition to federal and state income tax, if applicable.

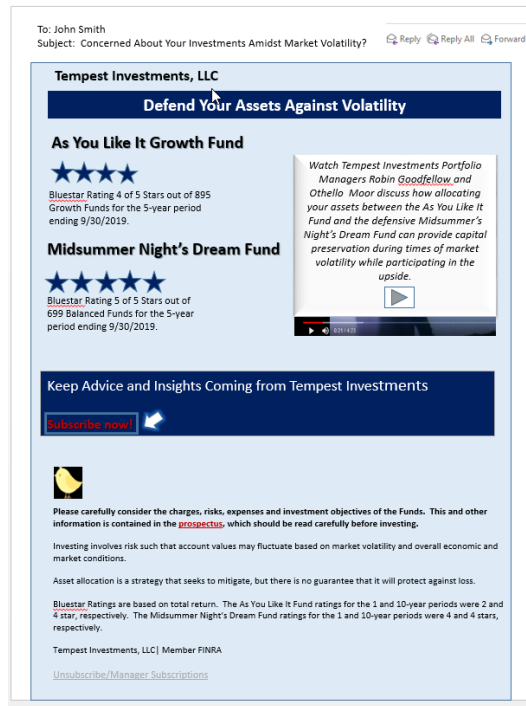
Investors should carefully consider the investment objectives, risks, charges and expenses associated with municipal fund securities before investing. This, and other information, is contained in the Enlightenment 529 Growth Fund Disclosure Statement and the fund prospectus, which can be obtained from your financial professional or enlightenment529.org and should be read carefully before investing. As with all investments, there are risks posed by the fund and they are discussed in the Disclosure Statement.

Investors are encouraged to consult a tax professional. Enlightenment Plan Services, LLC. Member FINRA.



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Communication No. 4: Email Blast



2019 Advertising Regulation Conference

October 24 – 25 | Washington, DC



Advertising Review Workshop





2019 Advertising Regulation Conference

October 24—25 | Washington, DC

Advertising Review Workshop

Thursday, October 24

3:00 p.m. – 4:00 p.m.

Friday, October 25

11:00 a.m. – 12:00 p.m.

During this highly interactive and dynamic session, attendees apply advertising rules to several mock advertisements and uncover the hidden concerns. Attendees work in small groups and present their findings to fellow participants, while moderators present the regulatory perspective, clarify any misperceptions and answer questions.

Moderator: Anthony Maher (Moderator)
Associate Director

Panelists: Steven Choi
Principal Analyst

Kimberly Flanders
Principal Analyst

Matthew Pinto
Associate Principal Analyst

- I. Introduction
- II. Open discussion and analysis among Workshop attendees in small groups
- III. Presentation of small group analyses to full audience
- IV. Department presentation

Communication No. 1: Print Advertisement



MARCO POLO AMAZON FUND

SEARCHING THE WORLD FOR SOCIALLY RESPONSIBLE &
ENVIRONMENTALLY CONSCIOUS OPPORTUNITIES

The Marco Polo Amazon Fund invests in dynamic companies pursuing innovative solutions to the complex issues of energy production, resource recovery and sustainable agriculture and forestry.

Disclosures: The fund employs a research-intensive bottom-up stock selection process to find the leading companies in increasingly important global environmental markets. The market price of equity securities may fluctuate significantly, rapidly and unpredictably, causing the Fund to experience losses. The prices of equity securities generally are more volatile than the prices of debt securities. Market Risk Conditions in a broad or specialized market, a sector thereof or an individual industry may adversely affect security prices, thereby reducing the value of the Fund's investments. To the extent the Fund takes significant positions in one or more specific sectors, countries or regions, the Fund will be subject to the risks associated with such sector(s), country(ies) or region(s) to a greater extent than would be a more broadly diversified fund. Companies that issue value securities may have experienced adverse business developments or may be subject to special risks that have caused their securities to be out of favor. The Fund may invest in companies that may not be expected to experience significant earnings growth, but whose securities the investment adviser believes are selling at a price lower than their true value. Companies that issue value securities may have experienced adverse business developments or may be subject to special risks that have caused their securities to be out of favor. If the investment adviser's assessment of a company's prospects is wrong, or if the market does not recognize the value of the company, the price of its securities may decline or may not approach the value that the investment adviser anticipates. The Fund is actively managed. The investment techniques and decisions of the investment adviser and the Fund's portfolio manager(s) may not produce the desired results. As with all mutual funds, investors may lose money by investing in the Fund.



Marco Polo Alternative Funds
Discovering a New World of Opportunities

Consider the investment objectives, risks, and charges and expenses of the Marco Polo Amazon Fund carefully before investing; the prospectus contains this and other information; call your financial advisor or visit www.marcopolofunds.com to obtain a prospectus. Read it carefully before investing.

Marco Polo Funds Distributors, LLC. Member, FINRA.

Additional Information

Filing Information

- Print advertisement filed with the Advertising Regulation Department on September 9, 2019.
- Published in national newspapers, magazines and other national media.
- Date of registered principal approval: September 1, 2019.
- Anticipated date of first use: September 16, 2019.

Fund Information

- Open-end actively managed mutual fund.
- Benchmark: FTSE Environmental Opportunities Index Series.
- Investment Objective: Seeks long-term growth of capital.
- Strategy: Bottom-up stock selection is focused on earnings growth consistency, capital discipline, relative valuation and identified catalysts with potential for stock price appreciation. Environmental, Social and Governance (ESG) research is an integral component of securities analysis.
- Risks: Market risk, including potential loss of principal. Derivatives risk, Non U.S. Securities Risk, Value Securities Risk.

Communication No 2.: Social Media



John "Jack" Dawkins

@JDawkins

Husband. Father. Son.

Financial Advisor with

Charles Dickens Financial Services, LLC



Follow

3,775 Chirps

1,587 Following

1,585 Followers

Compose a new
Chirp...

Following

more...



Trending

more...

#football
#back2school
#electionnews
#sports
#autumn

Chirps

Jack Dawkins @JDawkins

1 day ago

Looking for an advisor? I've got 20+ years experience and \$500million assets under management. Check my record or anyone else's at brokercheck.finra.org. #brokercheck

Jack Dawkins @JDawkins

2 days ago

Charles Dickens Financial introduces new Cash Savings Account with 2.19% interest! Better than your bank's savings account! #FDIC



Jack Dawkins @JDawkins

3 days ago

Earn 2.19% interest all day every day! Take advantage of Charles Dickens Financial's new Cash Savings Account today. #Savings #Online banking #FDIC

Jack Dawkins @JDawkins

4 days ago

My daughter just got accepted into Georgetown University. Now 2 kids at private \$\$ universities. Glad I followed my own advice and planned for the expense. #College Planning

Jack Dawkins @JDawkins

4 days ago

"Charles Dickens Financial launches new Cash Savings Account" via [@XYZnewspresscorp](https://twitter.com/XYZnewspresscorp).

Jack Dawkins @JDawkins

5 days ago

I offer personalized comprehensive financial plans for busy professionals. Let me draw your retirement roadmap. Follow expert advice! Read <http://www.barrons.com> <http://www.wsj.com>.

6 days ago

Back refreshed from our Yosemite vacation! We have a beautiful country!

©2019 Chirper

About Help

Careers Privacy

Terms Advertisers

Additional Information

Filing Information:

- Jack Dawkins is a registered representative and registered investment advisor of Charles Dickens Financial Services LLC.
- Charles Dickens Financial Services LLC is a registered broker/dealer and registered investment advisor.
- Jack Dawkins' personal Chirper page.
- Obtained during a sweep focused on social media.
- Chirper page not reviewed or approved by a registered principal of the firm.
- Chirper page not retained by the firm.

Additional Information:

- The Cash Savings Account is cash management account offered by Charles Dickens Financial Services LLC, member FINRA. An investor must open a brokerage account with Charles Dickens Financial Services in order to take advantage of the Cash Savings Account. The Cash Savings Account is a money market mutual fund, not a bank account insured by the FDIC. The 2.19% is the money market fund's 7-day current yield as of September 20, 2019.

Communication No. 3: Enlightenment 529 Postcard

Kids Dream BIG... So Should Their Parents

Rollover an Out of State 529 Plan & Save!

Investing in the Enlightenment 529 Growth Fund entitles you to a \$5,000 (for single filers) and \$10,000 (for investors filing jointly) state income tax deduction. Rollover money counts!

Tax-advantage Savings: Withdrawals from an Enlightenment 529 Growth Fund account are free from Federal and, in most cases, State income tax if the money is used for qualified education expenses!*

Use Your Savings to Pay Education Expenses: You can use the money in your account to pay for education expenses, including tuition, room and board, and required books and supplies at undergraduate and graduate universities nationwide and now, K-12 tuition costs!

*If withdrawals from your Enlightenment 529 Growth Fund account for purposes other than qualified educational expenses (elementary to secondary to university expenses), the earnings will be subject to a 10% federal tax penalty in addition to federal and state income tax, if applicable.

U.S.
Postage
Required

Investors should carefully consider the investment objectives, risks, charges and expenses associated with municipal fund securities before investing. This, and other information, is contained in the Enlightenment 529 Growth Fund Disclosure Statement and the fund prospectus, which can be obtained from your financial professional or enlightenment529.xyz and should be read carefully before investing. As with all investments, there are risks posed by the fund and they are discussed in the Disclosure Statement.

Investors are encouraged to consult a tax professional. Enlightened Plan Services, LLC. Member FINRA.



Additional Information

Filing information

- Postcard filed September 3, 2019.
- Date of first use: August 26, 2019.
- Date of principal approval: August 26, 2019.




Disclosure Statement information

- Investing in the underlying funds entails investment risk, including the risks of fluctuating account values and the potential to lose money.
- Withdrawals must be used for qualified educational expenses or adverse tax consequences may result. For example, a 10% federal tax penalty will apply and earnings will be subject to federal and, if applicable, state income tax.
- Not all states conform to federal tax treatment for 529 Plans. In some states, 529 plan distributions used to pay for K-12 tuition are considered non-qualified and the earnings portion of the withdrawal is subject to state income tax and/or tax penalties. For instance, California imposes a 2.5% penalty on such withdrawals.
- With respect to rollovers, funds may be transferred from one 529 plan to another 529 plan for the same beneficiary without federal tax consequences, as long as the rollover is completed within 60 days of the distribution. 529 plan rollovers can only be completed once every 12 months for the same beneficiary. However, in many states, if the 529 plan account owner previously claimed a state income tax deduction or credit, the state income tax benefits attributable to the outbound rollover will be subject to recapture.

Communication No. 4: Email Blast

To: John Smith

Subject: Concerned About Your Investments Amidst Market Volatility?

 Reply  Reply All  Forward

Tempest Investments, LLC

Defend Your Assets Against Volatility

As You Like It Growth Fund



Bluestar Rating 4 of 5 Stars out of 895 Growth Funds for the 5-year period ending 9/30/2019.

Midsummer Night's Dream Fund



Bluestar Rating 5 of 5 Stars out of 699 Balanced Funds for the 5-year period ending 9/30/2019.

Watch Tempest Investments Portfolio Managers Robin Goodfellow and Othello Moor discuss how allocating your assets between the As You Like It Fund and the defensive Midsummer's Night's Dream Fund can provide capital preservation during times of market volatility while participating in the upside.



0:21 / 4:23

Keep Advice and Insights Coming from Tempest Investments

Subscribe now!



Please carefully consider the charges, risks, expenses and investment objectives of the Funds. This and other information is contained in the [prospectus](#), which should be read carefully before investing.

Investing involves risk such that account values may fluctuate based on market volatility and overall economic and market conditions.

Asset allocation is a strategy that seeks to mitigate, but there is no guarantee that it will protect against loss.

Bluestar Ratings are based on total return. The As You Like It Fund ratings for the 1 and 10-year periods were 2 and 4 star, respectively. The Midsummer Night's Dream Fund ratings for the 1 and 10-year periods were 4 and 4 stars, respectively.

Tempest Investments, LLC | Member FINRA

[Unsubscribe/Manager Subscriptions](#)

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Additional Information

Filing Information:

- Email was filed on October 10, 2019.
- Date of first use: October 10, 2019.
- Date of principal approval: October 10, 2019.
- Video was approved and first used October 10, 2019. It was not filed with FINRA.

Ranking information:

- Ratings are based on total return.
- Top 10% of funds receive 5 stars.
- Next 15% receive 4 stars.
- Next 30% receive 3 stars.
- Next 25% receive 2 stars.
- Remaining funds receive 1 star.

Additional information:



Tempest Investments LLC maintains a Chirper interactive social media site.



FINra[®]



2019 Advertising Regulation Conference

October 24—25 | Washington, DC

Municipal Rules and 529 Plans Update

Friday, October 25, 2019

11:00 a.m. – 12:00 p.m.

The municipal securities advertising rules have changed. Attend this session to learn how the regulators are applying the modernized standards including the new rule for municipal adviser firms. Plus FINRA staff will discuss the recent sweep involving 529 educational savings plans and developments in the marketing of these products. Panelists discuss how these rule changes impact firms marketing and advertising efforts.

Moderator: Amy Sochard
Senior Director, Advertising Regulation
FINRA Advertising Regulation

Speakers: Pamela Ellis
Associate General Counsel
Municipal Securities Rulemaking Board (MSRB)

Christopher Kelly
Senior Vice President, Enforcement
FINRA Enforcement

Municipal Rules and 529 Plans Update Panelist Bios:

Moderator:

Amy C. Sochard is Senior Director in FINRA's Advertising Regulation Department. The department helps protect investors by ensuring broker-dealer members of FINRA use advertisements and other sales communications that are fair, balanced and not misleading. Ms. Sochard leads the department's complex and targeted review activities and serves as liaison to FINRA's Member Supervision and Enforcement departments. She also oversees staff dedicated to the routine review of communications filed with the department by broker-dealers. Ms. Sochard assists in the development of rules and interpretations for communications with the public and social media, and she routinely speaks at industry events on these topics. Prior to joining FINRA's predecessor (NASD), Ms. Sochard worked with a real estate syndication firm in Washington, DC. She received a bachelor's degree with distinction in English from the University of Virginia and studied poetry writing at Columbia University.

Speakers:

Pamela Ellis is Associate General Counsel for the Municipal Securities Rulemaking Board (MSRB). She provides legal expertise and support associated with the development of regulations governing municipal market professionals, including dealers and municipal advisors. Among her areas of expertise are the MSRB's advertising rules and the MSRB's regulation of dealers that sell interests in 529 savings plans and ABLE programs. Before joining the MSRB, Ms. Ellis was counsel at Sutherland Asbill & Brennan LLP (Sutherland), where she worked for more than 15 years. At Sutherland, she advised financial institutions on the organization and operation of Section 529 savings plans; she also advised financial institutions on the development, disclosure, and administration of innovative life insurance products, including variable, indexed and fixed products. Further, Ms. Ellis served on the staff of the U.S. Securities and Exchange Commission in the Division of Investment Management. Ms. Ellis earned an A.B. from Wellesley College as a Wellesley College Scholar with Honors in Political Science and a juris doctor from Vanderbilt University School of Law.

Christopher Kelly serves as Senior Vice President of Sales Practice Enforcement within FINRA's Enforcement Department. As Senior Vice President, Mr. Kelly oversees the work of the Enforcement Staff in 14 FINRA District Offices throughout the country. He joined FINRA in 2014 and served as Chief Counsel in FINRA's North Region until early 2018. Prior to joining FINRA, Mr. Kelly served as Deputy Chief of the Criminal Division at the U.S. Attorney's Office for the District of New Jersey. In that role, Mr. Kelly supervised more than 35 Assistant U.S. Attorneys in the Office's white collar units: Economic Crimes, National Security, Healthcare and Government Fraud, and Cybercrime. Prior to his promotion to the position of Deputy Chief, Mr. Kelly served as the Chief of the Economic Crimes Unit at the U.S. Attorney's Office, where he oversaw the Office's prosecution of complex economic crimes, including crimes involving insider trading, securities fraud, tax evasion, bank fraud, corporate fraud and embezzlement. Mr. Kelly also served as the lead prosecutor on numerous criminal prosecutions. Mr. Kelly graduated from Duke University and Harvard Law School. Prior to joining the U.S. Attorney's Office, he was an associate at the law firm Dechert LLP. Mr. Kelly also clerked for the Honorable Joseph E. Irenas, U.S. District Court Judge for the District of New Jersey.



2019 Advertising Regulation Conference

October 24—25 | Washington, DC

Municipal Rules and 529 Plans Update

Friday, October 25, 2019

11:00 a.m. – 12:00 p.m.

The municipal securities advertising rules have changed. Attend this session to learn how the regulators are applying the modernized standards including the new rule for municipal adviser firms. Plus FINRA staff will discuss the recent sweep involving 529 educational savings plans and developments in the marketing of these products. Panelists discuss how these rule changes impact firms' marketing and advertising efforts.

Moderator: Amy Sochard
Senior Director
FINRA Advertising Regulation

Panelists: Pamela Ellis
Associate General Counsel
Municipal Securities Rulemaking Board

Christopher Kelly
SVP, Member Regulation Enforcement
FINRA Enforcement

Timed Agenda:

- I. Introduction
- II. MSRB Rule Changes
 - a) Amendments to MSRB Rule G-21 for Municipal Dealer Advertising
 - b) New MSRB Rule G-40 for Municipal Advisor Advertising
 - c) New MSRB Social Media Guidance
- III. FINRA's 529 Self-Reporting Initiative
 - a) Background/Impetus for the Initiative
 - b) The Self-Reports
 - c) Status
 - d) Restitution Methodologies
 - e) Next Steps
- IV. Recent Developments in Marketing 529 Educational Savings Plans
- V. Wrap Up and Final Remarks



2019 Advertising Regulation Conference

October 24 – 25, 2019 | Washington, DC

Municipal Rules and 529 Plans Update

Panelists

■ Moderator

- **Amy Sochard, Senior Director, Advertising Regulation, FINRA Advertising Regulation**

■ Panelists

- **Pamela Ellis, Associate General Counsel, Municipal Securities Rulemaking Board (MSRB)**
- **Christopher Kelly, Senior Vice President, Enforcement, FINRA Enforcement**


Agenda

- **Amendments to MSRB Rule G-21, Advertising by Brokers, Dealers or Municipal Securities Dealers**
- **New MSRB Rule G-40, Advertising by Municipal Advisors**
- **New MSRB Interpretive Guidance on Social Media Use**
- **FINRA's 529 Self-Reporting Initiative**
- **Current Considerations for 529 Plan Advertisements**

| MSRB Advertising Rules Update

Amendments to MSRB Rule G-21

- Effective August 23, 2019
- Make explicit many of the fair dealing obligations outlined in Rules G-21 and G-17
- Promote regulatory consistency with the advertising or communications rules of other financial regulators



2019-07

Publication Date
February 26, 2019

Stakeholders
Municipal Securities
Dealers, Municipal
Advisors

Notice Type
Informational Notice

Category
Fair Practice

Affected Rules
[Rule G-21](#), [Rule G-40](#)

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MSRB Notice

MSRB Establishes Effective Date for Advertising Rules and Provides Social Media Guidance and Related Rule Amendments

Overview

The Municipal Securities Rulemaking Board ("MSRB") announces that the effective date for the amendments to MSRB Rule G-21, on advertising by brokers, dealers and municipal securities dealers and new Rule G-40, on advertising by municipal advisors (Rule G-21, together with Rule G-40, the "advertising rules"), is August 23, 2019.¹

In addition, the MSRB today filed two rule changes with the U.S. Securities and Exchange Commission (SEC) to:

- Provide social media guidance under the advertising rules² and
- Amend the advertising rules to exempt interactive content that is an advertisement from the requirement of principal pre-approval prior to first use.³

¹ The MSRB previously submitted a filing with the SEC to extend the effective date of the amendments to Rule G-21 and new Rule G-40 from February 7, 2019 to a date that would be announced in an MSRB Notice. Exchange Act Release No. 8499 (Jan. 29, 2019), 84 FR 1525 (Feb. 4, 2019) (File No. SR-MSRB-2019-01). The purpose of that extension was to allow the MSRB sufficient time to finalize its initial guidance and related rule changes regarding the use of social media and to allow dealers and municipal advisors (collectively, "regulated entities") sufficient time to establish and implement effective policies and procedures for compliance.

² [File No. SR-MSRB-2019-04](#)

³ [File No. SR-MSRB-2019-05](#). The rule change also makes a technical amendment to MSRB Rule G-8, on books and records to be made by brokers, dealers, and municipal securities dealers and municipal advisors. MSRB Rule G-27(e)(ii), on supervision, requires, in part, that each broker, dealer or municipal securities dealer (collectively, "dealer") retain correspondence of municipal securities representatives "relating to its municipal securities activities in

MSRB Rule G-21(a)(iii): New Content Standards

- **Fair dealing and good faith, fair and balanced, sound basis for evaluating the facts, material omissions prohibited;**
- **False, exaggerated, unwarranted, promissory or misleading statements or claims prohibited;**
- **Footnotes permitted only when they do not “inhibit” customer’s understanding;**
- **Statements must be clear and not misleading in context, balance risks and potential benefits, and be consistent with the risks of the investment.**

MSRB Rule G-21(a)(iii): New Content Standards (cont'd.)

- **Prohibition on predictions or projections with two exceptions –**
 - **Illustration of mathematical principles does not predict or project the performance of an investment; and**
 - **An investment analysis tool, or a written report produced by an investment analysis tool.**
- **Testimonials about technical aspects of investing may only be by qualified persons and all testimonials must include required applicable disclosures; and,**
- **May indicate MSRB registration in conformance with specific requirements.**

MSRB Rule G-21(b) and (c): Amended General Standards

- **Professional Advertisements:** updated to prohibit any professional advertisement that contains any untrue statement of a material fact or is otherwise false or misleading (see Rule G-21(b)(ii));
- **Product Advertisements:** updated to prohibit any product advertisement that the broker, dealer or municipal securities dealer knows or has reason to know contains any untrue statement of material fact or is otherwise false or misleading... (see Rule G-21(c)(ii)).

MSRB Rule G-21(a)(ii): Form Letters Changes

■ Reconciles the Definition of a Form Letter with FINRA Rule 2210 Definition of Correspondence

- “Form Letter” means any written letter or electronic mail message distributed to more than 25 persons within any period of 90 consecutive days.
- Supplementary Material .03 gives guidance on the meaning of the term “person,” i.e., the number of “persons” is determined for purposes of a response to a request for proposal (RFP), request for qualification (RFQ) or similar request is at the entity level.

New MSRB Rule G-40: Municipal Advisor Advertising

- **Effective August 23, 2019**
- **General provisions: definitions, content standards, general standard for advertisements.**
- **Professional Advertisements: definition and standard.**
- **Pre-Approval by a Principal in Writing**
- **Interactive Content**
- **Records**

New MSRB Rule G-40: Municipal Advisor Advertising

■ Content standards generally similar to Rule G-21 with the exception of testimonials.

- Rule G-40(a)(iv)(G) states: “A municipal advisor shall not, directly or indirectly, publish, circulate or distribute any advertisement which refers, directly or indirectly, to any testimonial of any kind concerning the municipal advisor or concerning the advice, analysis, report or other service rendered by the municipal advisor.”

MSRB Notice 2019-07

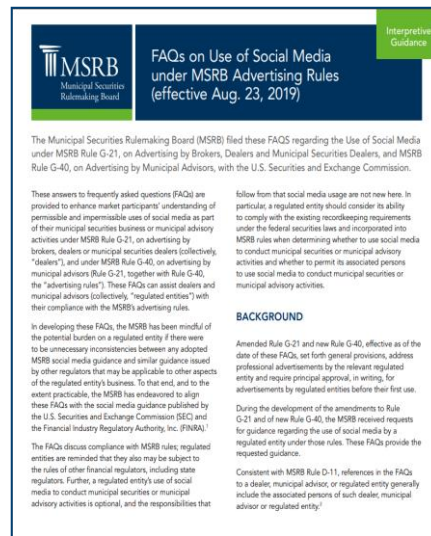
- **Established August 23, 2019 effective date for the rule changes;**
- **Announced social media guidance;**
- **Announced amendments to Rules G-21 and G-40 to exempt interactive content that is an advertisement from principal pre-approval prior to first use.**
 - **G-21 Supplementary Material .04 and G-40 Supplementary Material .02 require supervision and review of interactive content.**

MSRB Interpretative Guidance on Social Media Use

■ The interpretative guidance is designed to:

- Enhance market participants' understanding of permissible and impermissible uses of social media as part of their municipal securities business or municipal advisory activities; and
- Assist with compliance with MSRB advertising rules

■ To the extent practicable, the MSRB aligned its interpretative guidance on social media use with the social media guidance published the SEC and FINRA



MSRB Interpretative Guidance on Social Media Use

■ The FAQs in the guidance cover:

- Use of social media, including hyperlinked content
- Third-party posts
- Supervision
- Recordkeeping

| FINRA's 529 Self-Reporting Initiative

529 Educational Savings Plans

- **Named for a section of the tax code, the plans are issued by states and allow investors to save tax-deferred for future educational expenses.**
 - States may provide various benefits to participants such as state tax savings or even bonuses to invest.
- **Under MSRB rules the plans are regulated as “municipal fund securities.”**
- **Mutual funds often underlie many of the investment choices offered in the plans.**

FINRA Regulatory Notice 19-04: 529 Plans

Regulatory Notice

19-04

529 Plans

FINRA's 529 Plan Share Class Initiative Encourages Firms to Self-Report Potential Violations

Summary

Over the past several years, FINRA has found that some firms have failed to reasonably supervise brokers' recommendations of multi-share class products.¹ FINRA has raised concerns specifically regarding firms' supervision of share-class recommendations to customers of 529 savings plans ("529 plans").²

FINRA is launching a 529 Plan Share Class Initiative to promote firms' compliance with the rules governing 529 plan recommendations, to promptly remedy potential supervisory and suitability violations related to recommendations that customers of 529 plans buy share-classes that are inconsistent with the accounts' investment objectives, and to return money to harmed investors as quickly and efficiently as possible. As described in this Notice, to encourage voluntary reporting under this initiative, FINRA's Department of Enforcement (Enforcement) will recommend that FINRA accept favorable settlement terms for firms that self-report these potential violations and provide FINRA with a detailed remediation plan.³

Questions concerning this Notice should be directed to:

- Christopher Kelly, Senior Vice President, Enforcement, at (732) 596-2082; or
- Christopher Burky, Senior Director, Enforcement, at (312) 899-4348.

Background & Discussion

529 plans are tax-advantaged municipal securities that are designed to encourage saving for the future educational expenses of a designated beneficiary. Because 529 plans are municipal securities, the sale of 529 plans are governed by the rules of the Municipal Securities Rulemaking Board (MSRB).⁴ MSRB Rule G-19 (Suitability of Recommendations and Transactions)

January 28, 2019

Notice Type
► Guidance

Suggested Routing
► Compliance
► Legal
► Registered Representatives
► Senior Management

Key Topics
► 529 Plans
► Share Classes
► Suitability
► Supervision

Referenced Rules & Notices
► MSRB Rule G-19
► MSRB Rule G-27



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- **FINRA's 529 Plan Share Class Initiative Encourages Firms to Self-Report Potential Violations**
- **Issued January 29, 2019**
- **Follows up on FINRA's 2016 Regulatory and Examination Priorities Letter**

FINRA's 529 Self-Reporting Initiative

- **Background for the Initiative**
- **The Self-Reports**
- **Status**
- **Restitution methodologies**
- **Next steps**

Current Considerations for 529 Plan Advertisements

Expanded Use of Plans for K-12 Education

- In January 2018, amendments to the Internal Revenue Code expanded the use of 529 plans for tuition for grades K-12, subject to certain limitations.
- Some states that offer state tax deductions or credits for using their 529 plans may not permit use of plan funds for K-12 educational costs.
 - Residents of those states might incur state taxes, penalties or clawbacks if they use their plans to fund K-12 educational costs.
- When discussing the use of 529 plans to fund K-12 in advertisements, firms should ensure that their advertisements are fair and balanced with respect to these risks.

Rollovers

- **Some states that offer tax incentives, including credits, may penalize investors who rollover assets out of their plans and into another state's plan.**
- **When using 529 Plan advertisements that encourage rollovers, firms should ensure such discussions are fair and balanced.**
 - **For example, explain that investors may face penalties or recapture of credits when rolling over assets from one state's plan to another.**

Hypothetical Illustrations of Mathematical Principles

- **Amended Rule G-21 permits hypothetical illustrations of mathematical principles provided they do not predict or project investment performance.**
 - For example, advertisements might illustrate how an investment in a hypothetical tax-deferred product might compound over time as compared to a taxable product.
 - Such illustrations must also meet the fair and balanced standards of the rule, must be consistent with the risks of the investment and must not be exaggerated.

“Stretch” Hypothetical Illustrations

- **FINRA has observed some misleading advertisements that depict hypothetical 529 plan investments**
 - For example, an illustration that assumes a 60+ year investment earning 6% per year in a single 529 plan account held over multiple generations.
- **Firms should ensure that their illustrations are not misleading or exaggerated:**
 - Use reasonable and realistic assumptions; and,
 - Explain the basis for the illustration and its hypothetical nature.

| Questions and Answers