



2022 Annual Conference

May 16 –18 | Washington, DC | Hybrid Event

Considerations and Practices for Supervising Independent Contractors

Tuesday, May 17, 2022

9:45 a.m. – 10:45 a.m.

This panel of FINRA staff and industry members addresses common challenges in supervising independent contractors. The session offers examples and suggestions for firms to use in their everyday supervision and compliance efforts. The panel also discusses existing rules and related guidance and shares effective industry practices.

Moderator: Todd Coppi
Director, Retail Firm Examinations
FINRA Member Supervision

Panelists: Robert Molinari
Chief Regulatory Affairs Officer
Commonwealth Financial Network

Meaghan Reim-Strange
Senior Principal Examiner, Retail Firm Examinations
FINRA Member Supervision

Douglas Wilburn
General Counsel and Chief Compliance Officer
Valmark Securities, Inc.

Considerations and Practices for Supervising Independent Contractors Panelists Bios:

Moderator:



Todd J. Coppi has been employed with FINRA for more than 22 years and is currently an Examination Director in the Boston Office. Prior to joining FINRA, Mr. Coppi was employed with Dreyfus Service Corporation (acting Branch Manager) and Morgan Stanley Dean Witter as a Financial Consultant. As Examination Director, Mr. Coppi is responsible for the execution of Member Supervision's examination program relative to a subset of firm types and business models, primarily those firm conducting retail sales, and manages a number of Member Supervision staff located throughout the Northeast. Mr. Coppi has a bachelor's degree in business administration from Mt. Ida College in Newton, MA and is also a graduate of the FINRA Institute at Wharton Certified Regulatory and Compliance Professional™ (CRCP™) program.

Panelists:



Robert Molinari has been with Commonwealth Financial Network since 2004. As the Chief Regulatory Affairs Officer, Mr. Molinari leads and manages the Regulatory Response Unit and oversees management of the Supervisory Controls Unit, which performs 3120 and 206(4)-7 testing at the firm. He received his BS in criminal justice from Northeastern University and his MBA from Babson College. In addition, Mr. Molinari holds the Certified Regulatory and Compliance Professional (CRCP)® designation, as well as a number of FINRA registrations.



Meaghan Reim-Strange is Senior Principal Examiner, Member Supervision for FINRA. Ms. Reim-Strange's responsibilities include: (i) serving primarily as lead examiner and point of contact for examinations of FINRA member Firms; Investigate FINRA member Firm's processes and procedures in areas such as AML Compliance, Supervisory Controls; Private Securities Transactions; Outside Business Activities; Consolidated Statements; Excessive Trading and Churning; (ii) analyzing examination findings and member Firm regulatory history to determine appropriate disposition; and (iii) provides on the job training for newer examiners. Ms. Reim-Strange has been with FINRA since 2010. She entered the securities industry in 2002 as a broker-trainee before moving to an Equity Capital Markets Compliance Associate position for a broker dealer within the Philadelphia area. Ms. Reim-Strange has a Bachelor of Arts degree in Political Science from Villanova and a Juris Doctor from Widener University School of Law. She has been a member of the Pennsylvania bar since 2009 and she is also a Certified Fraud Examiner (CFE).



Doug Wilburn is General Counsel and Chief Compliance Officer of Akron, Ohio-based Valmark Financial Group and its broker-dealer, Valmark Securities, and investment adviser, Valmark Advisers. Mr. Wilburn received his undergraduate degree in Political Science from the University of Missouri and, immediately upon graduating from St. Louis University School of Law, began his career in financial services at AG. Edwards & Sons. Mr. Wilburn later went on to practice law in both the public and private sectors, first as a public defender and then as an associate in the Litigation Department of St. Louis, Missouri-based Bryan Cave. Mr. Wilburn was subsequently appointed Missouri Securities Commissioner where he led his state's investor education efforts while also enforcing its securities laws. Mr. Wilburn then went on to serve as Managing Director and Deputy Chief Compliance Officer at Wachovia Securities in Richmond, Virginia and then as the Chief Compliance officer of Washington Mutual's retail broker-dealer and investment adviser in Irvine, California. Upon JP Morgan Chase's acquisition of Washington Mutual, Mr. Wilburn was named Managing Director and Chief Compliance officer of JP Morgan Chase's retail broker-dealer and investment adviser, Chase Investment Services. Mr. Wilburn holds Series 4, 7, 14, 24 and 66 registrations.

Considerations and Practices for Supervising Independent Contractors

Panelists

○ Moderator

- Todd Coppi, Director, Retail Firm Examinations, FINRA Member Supervision

○ Panelists

- Robert Molinari, Chief Regulatory Affairs Officer, Commonwealth Financial Network
- Meaghan Reim-Strange, Senior Principal Examiner, Retail Firm Examinations, FINRA Member Supervision
- Douglas Wilburn, General Counsel and Chief Compliance Officer, Valmark Securities, Inc.

To Access Polling

- **Please get your devices out:**

- Type the polling address, <https://finra.cnf.io/sessions/nqxm> into the browser or scan the QR code with your camera.



- Select your polling answers.

Polling Question 1

1. What size firm are you from?

- a. 1-100 RRs
- b. 101-500 RRs
- c. 500-5000 RRs
- d. Over 5,000 RRs

Polling address: <https://finra.cnf.io/sessions/nqxm>



Polling Question 2

2. What supervisory structure does your firm employ?

- a. Centralized (A separate unit within the main/home office dedicated to overseeing specific functions such as trade review; account review; correspondence; and/or advertising. All supervisory reviews are submitted to and reviewed by this unit/group.)
- b. Hub and Spoke (Centrally located OSJs that supervise the branch office activity of several branches that report into the OSJ.)
- c. Decentralized (OSJs and/or branches are responsible for the review and approval of all functions at the branch office location such as trade review; account review; correspondence and/or advertising.)
- d. Hybrid: Supervision duties are split between A, B, and/or C.

Polling address: <https://finra.cnf.io/sessions/nqxm>



Polling Question 3

3. To what extent does your firm use automated surveillance (technology) to supervise transactions?
- a. Most surveillance is automated
 - b. Some surveillance is automated
 - c. Manual surveillance

Polling address: <https://finra.cnf.io/sessions/nqxm>



Polling Question 4

4. What best describes your firm's approach relative to OBA/PST?

- a. We do not permit OBA/PST
- b. We permit limited OBA/PST (Fixed Insurance, Professional Services, etc.)
- c. We permit most OBA/PST

Polling address: <https://finra.cnf.io/sessions/nqxm>



Polling Question 5

5. To what degree do you control the security protocols on devices used by your firm's APs?

- a. All RRs use devices provided by the firm with built-in security protocols
- b. RRs use their own devices but with significant firm-imposed security protocols
- c. RRs use their own devices but with some firm-imposed security protocols
- d. RRs use their own devices with no firm-imposed security protocols

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Resources:

- FINRA Regulatory Notice 20-16, *FINRA Shares Practices Implemented by Firms to Transition to, and Supervise in, a Remote Work Environment During the COVID-19 Pandemic* (May 2020)

www.finra.org/rules-guidance/notices/20-16

- FINRA Regulatory Notice 18-08, *FINRA Requests Comment on Proposed New Rule Governing Outside Business Activities and Private Securities Transactions* (February 2018)

www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-18-08.pdf

- FINRA Rule 3270, *Outside Business Activities of Registered Persons*

www.finra.org/rules-guidance/rulebooks/finra-rules/3270

- FINRA Rule 3280, *Private Securities Transactions of an Associated Person*

www.finra.org/rules-guidance/rulebooks/finra-rules/3280

- Remote Branch Office Inspections

www.finra.org/about/finra-360/progress-report/remote-branch-office-inspections