

Regulatory Notice

25-07

Supporting Modern Member Workplaces

FINRA Requests Comment on Modernizing FINRA Rules, Guidance, and Processes for the Organization and Operation of Member Workplaces

Comment Period Expires: June 13, 2025

Summary

Advances in technology have transformed the workplace for members and their associated persons. These advances have changed how members and their associated persons conduct business and interact with customers, expanded customers' choices in engaging with members and the securities markets, and created opportunities for different workplace arrangements for members and associated persons. Members also increasingly leverage digital innovations to create operational efficiencies and optimize decision-making, and to respond to investor demand for digital platforms.

As a self-regulatory organization (SRO), FINRA is committed to continuous improvement that draws on deep engagement with its members. As part of this commitment, FINRA is conducting a broad review of its regulatory requirements applicable to members and associated persons.¹ FINRA has identified the modern workplace as an initial area of focus for this review.

FINRA believes that regulatory requirements should be routinely reviewed and modernized to reflect how the member workplace operates today—or could operate in the future—to reduce confusion or inconsistencies that can arise when those requirements do not account for modern practices, to better support innovative approaches in conducting business, and to enable deployment of new technologies that can better serve markets and investors, among other benefits.

FINRA has previously made significant changes to its rules, guidance and processes to support the evolution of the member workplace consistent with our mission of investor protection and market integrity. As part of the broad rule modernization review, this *Notice* seeks comment

April 14, 2025

Notice Type

- ▶ Request for Comment

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Registration
- ▶ Regulatory Reporting
- ▶ Senior Management
- ▶ Systems

Key Topics

- ▶ Artificial Intelligence
- ▶ Branch Office Definition
- ▶ Commissions
- ▶ Communications with the Public
- ▶ Continuing Education
- ▶ Customer Accounts
- ▶ Digital Communications
- ▶ Electronic Delivery
- ▶ Filing Requirements
- ▶ Hybrid Work
- ▶ Qualification Examinations
- ▶ Recordkeeping
- ▶ Senior Investors
- ▶ Social Media
- ▶ Supervision
- ▶ Uniform Registration Forms

Referenced Rules & Notices

- ▶ Exchange Act Rules 15b7-1, 15c3-3(j), 17a-4(b)(4)
- ▶ FINRA Rules 1010, 1210, 1220, 1240, 2010, 2040, 2165, 2210, 3110, 4512
- ▶ Notice to Members 98-03, 02-57, 05-67
- ▶ Regulatory Notices 15-28, 17-30, 17-38, 21-41, 23-13, 22-23, 25-04

on how FINRA can further evolve its rules, guidance and processes to reflect modern business practices and markets; support innovation and new technologies; promote efficiency; and eliminate unnecessary regulatory burdens—all in the interest of supporting vibrant capital markets in which everyone can participate with confidence.

Questions regarding this *Notice* may be directed to:

- ▶ Afshin Atabaki, Vice President and Associate General Counsel, Office of General Counsel (OGC), by [email](#) or (202) 728-8902; or
- ▶ Emily Goebel, Assistant General Counsel, OGC, by [email](#) or (202) 728-8235.

Action Requested

FINRA encourages all interested parties to submit comments. Comments must be received by June 13, 2025.

Comments must be submitted through one of the following methods:

- ▶ Online using FINRA's comment form for this *Notice*;
- ▶ Emailing comments to pubcom@finra.org; or
- ▶ Mailing comments in hard copy to:
Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

To help FINRA process comments more efficiently, persons should use only one method to comment.

Important Note: All comments received in response to this *Notice* will be made available to the public on FINRA's website. In general, FINRA will post comments as they are received.²

Background and Discussion

The broker-dealer industry is navigating rapid technological advances, changing business practices, and shifting investor preferences that require FINRA members to adapt quickly to effectively serve investors and remain competitive. As an SRO, FINRA seeks to ensure its rules, guidance and processes appropriately account for these changes and—where possible—anticipate future developments. Consistent with FINRA's mission of protecting investors and safeguarding markets, this regular review process can support innovation, including the deployment of new

technologies and services that benefit markets and investors; promote efficiency; and eliminate unnecessary regulatory burdens—all in the interest of supporting vibrant capital markets in which everyone can participate with confidence.

Evolving Workplaces and Regulatory Requirements

For decades, members operated in a paper-based environment and conducted business, including the supervision of associated persons, in conventional office settings. Further, members communicated with existing and prospective customers through in-person meetings in physical branch offices, telephone calls and hard-copy marketing materials. Customers expected members to operate in this manner. FINRA's regulatory requirements generally expected the same, requiring on-site inspections, paper-based notifications and filings, and manual review and storage of hard-copy documents.

Technologies and resulting business practices have since significantly evolved. Investors now routinely use a variety of digital platforms and communication channels and many expect to engage with members in similar ways.³ Investors and other market participants now generally expect these platforms and channels to deliver efficient and safe sharing of information, execution of transactions, account transfers, notifications and other services. In response, members have adjusted their business processes and engagement practices to incorporate digital innovations. Members are also leveraging modern technologies to work and supervise associated persons in a decentralized environment.

Further change is inevitable, driven in large part by technology. For example, cloud-based processing and storage has continued to proliferate in business applications, and both investors and members have continued to expand how they use mobile phones. More recently, artificial intelligence (AI), including large language models (LLMs) and other generative AI (Gen AI) tools, have come to present promising opportunities for members to enhance their products and services for investors and achieve operational and compliance efficiencies.⁴ The use of AI tools by members is not new, and FINRA has previously identified regulatory considerations and provided resources for members and the brokerage industry with respect to the use of AI tools.⁵ However, AI technology has rapidly evolved in the 2020s, including the development and availability of Gen AI technology capable of generating significantly better text, synthetic data, images or other media in response to prompts. Further advances in computing technology may accelerate these changes.⁶

FINRA already has taken numerous actions to adapt its rules, guidance and processes to the industry's evolving technology and workforce arrangements and to create efficiencies, including, among other things, transitioning the Regulatory Element of the continuing education (CE) program online, permitting electronic signatures on the Form U4 (Uniform Application for Securities Industry Registration or Transfer), launching the Maintaining Qualifications Program (MQP), allowing for

video conference hearings, introducing the remote inspections pilot program and providing cybersecurity compliance resources for members.⁷

Further Request for Comment on Changes to Reflect the Modern Workplace

This *Notice* seeks comment on how FINRA can further evolve its rules, guidance and processes to reflect modern business practices and markets. This *Notice* also encourages members, investors and interested parties to share their perspectives on how FINRA should anticipate emerging technologies and business practices among members and markets.

This *Notice* highlights certain rules, guidance and processes for comment. Commenters, however, should not be limited by the topics and questions FINRA identifies below. In particular, FINRA recognizes that significant changes in technology, such as the deployment of Gen AI, can have wide-ranging effects that may raise questions for members under existing rules, guidance and processes. While this *Notice* identifies key areas where these questions may be most salient, there may be other areas that commenters believe merit attention. FINRA also recognizes that its members are subject to regulatory requirements beyond FINRA rules (*e.g.*, Securities and Exchange Commission (SEC) rules and regulations, state regulatory requirements), and welcomes comment on how FINRA's rules and processes interact with other regulatory requirements applicable to members and their associated persons.⁸

As part of these efforts, FINRA will separately engage in its normal rulemaking process to propose any specific rule amendments, which includes discussions with the FINRA Board, input from FINRA's advisory committees and an opportunity for comment on specific proposed revisions in a *Notice* or rule filing with the SEC or both. Before becoming effective, a proposed rule change must be authorized by the FINRA Board and filed with the SEC pursuant to Section 19(b) of the Securities Exchange Act of 1934 (Exchange Act).⁹

A. Branch Offices and Hybrid Work

FINRA Rule 3110 (the Supervision Rule) is largely principles-based, but for some requirements relies on categories of member offices (*e.g.*, offices of supervisory jurisdiction (OSJ), branch offices, non-branch offices).¹⁰ As developments in technology have enhanced firms' overall and ongoing supervision and monitoring of the activities occurring at offices, there has been an increased interest in reevaluating the prevailing office categories and their associated regulatory requirements. In addition, some firms have sought to provide broader flexibility to permit staff to work remotely at times.

As a partial response to changes in work arrangements, FINRA amended the Supervision Rule in 2024 to permit members to designate eligible private residences as residential supervisory locations (RSLs) and treat them as non-branch locations.¹¹ FINRA further launched a voluntary, three-year remote inspections pilot program to assess, through structured data and information, the use of inspections conducted onsite and remotely (*i.e.*, virtually) (Pilot Program).¹² Under the Pilot Program, eligible members have the flexibility to satisfy their inspection obligations under the Supervision Rule without an on-site visit to the office or location, subject to specified terms.

FINRA has heard from members the need to reconceptualize the use of specific types of offices in defining supervisory requirements to better reflect members' workplaces.

Request for Comment:

- A.1. What are the impacts of modern technologies and compliance tools on the effective supervision of decentralized workplaces and evolving hybrid work arrangements?
- A.2. Should the Supervision Rule's branch office and OSJ definitions, inspection requirements, and designation and registration of offices be modernized to eliminate unnecessary burdens or ambiguities while maintaining investor protection and market integrity? Should the branch office definition be amended in light of the technological advances that have changed how and where individuals work? Is the OSJ definition still relevant in today's environment?
- A.3. Are there ways the Central Registration Depository® (CRD system) and Form BR (Uniform Branch Office Registration Form) can be revised to better align FINRA, other SRO and state requirements for broker-dealers with the uniform branch office definition and registration and designation of offices and locations?
- A.4. Given members' experience with RSLs as non-branch locations and the Pilot Program, what further revisions or extensions would be helpful, and how would effective supervision be maintained under these revisions? For example, should the conditions and ineligibility criteria be revised based on business attributes such as the size of the member or differences in business models?

B. Registration Process and Information

SROs, states and federal regulators collect registration information through uniform forms for individuals, branches and members (collectively, the Uniform Registration Forms).¹³ The Uniform Registration Forms allow members to submit registration

information online through filings that SROs, states and federal regulators accept. FINRA processes the filings through the CRD system,¹⁴ a modern registration system that provides real-time access to data through a web-based user interface or an Application Programming Interface (API). The Uniform Registration Forms are SEC forms in some cases (*e.g.*, Form BD (Uniform Application for Broker-Dealer Registration)) or filed with and approved by the SEC in other cases (*e.g.*, Form U4).

This modern registration process eliminates the need for multiple filings and payments among many regulators and leverages a single consistent data collection process. Although the forms themselves remain lengthy and complex,¹⁵ FINRA has implemented data collection processes in the registration systems that simplify the submission of required information.¹⁶ Much of the registration information is made public through the BrokerCheck® system.¹⁷

Request for Comment:

- B.1.** Should the registration process and systems and information collected be changed to address the impacts of modern technologies and the evolution of the workplace? What information about workforce locations should be collected through the registration process?
- B.2.** Should changes be made to the substance or presentation of the information provided to the public?

C. Qualifications and CE

Pursuant to the Exchange Act, securities regulators have historically required securities professionals seeking registration to demonstrate qualifications by passing a standardized professional examination.¹⁸ Once registered, individuals maintain their qualifications by completing a holistic CE program that is used by all securities SROs.¹⁹ This CE program helps ensure that registered persons stay current as rules, industry standards and products evolve, helping members serve investors.²⁰

FINRA has adapted its qualification and CE requirements to benefit from improvements in technology, learning theory and assessment methodologies. For instance, FINRA has introduced technologies and programs that are responsive to industry trends in recruiting and retaining securities professionals. FINRA introduced the Securities Industry Essentials™ (SIE™) examination, in part, to support members in broadening recruitment efforts by allowing individuals to demonstrate their basic knowledge of the industry before being hired by a member.²¹ FINRA transformed the CE program to be responsive to decentralized workforces that are better served by digital courses delivered online, and rapid changes in industry products and practices by delivering more timely and tailored content.²² FINRA has responded to the increased frequency of job changes and member restructures by introducing the MQP for individuals temporarily stepping out of roles requiring active registration.²³

Members and participants have recognized the benefit of the MQP for the modern workplace. Approximately 38,000 individuals are participating, or have participated, in the MQP since its launch in 2022. More than 2,500 individuals have used extended examination validity to return to a member without having to requalify by examination since the launch of the MQP.

Request for Comment:

- C.1. What technologies or assessment tools are members leveraging to identify appropriate candidates for positions that require registration? Should FINRA adopt, or modify and adopt, some of those practices?
- C.2. Are there more effective or efficient ways for individuals to demonstrate their qualifications?
- C.3. Are members or individuals facing specific challenges relating to the qualification examinations? For example, should regulators continue to require association with a member before individuals can take qualification examinations (beyond the SIE examination)?
- C.4. Should FINRA consider any changes to the CE program?
- C.5. Should FINRA consider any changes to the MQP to ensure that it is meeting the evolving needs of members, securities professionals and investors?

D. Delivery of Information to Customers

Electronic Delivery

Many customers now expect their primary mode of interaction with their firm to be digital.²⁴ Consistent with this trend, members increasingly seek to use electronic means to satisfy their information delivery requirements. Delivery of required documents is largely governed by longstanding SEC releases on electronic delivery and FINRA guidance aligned with the SEC releases (collectively, the E-Delivery Guidance).²⁵ In general, the E-Delivery Guidance requires broker-dealers that seek to electronically deliver a customer document containing the customer's personal financial information (e.g., customer account statement) to: (1) obtain the customer's informed consent, which the customer can provide electronically; and (2) take reasonable precautions to ensure the integrity, confidentiality and security of the information.²⁶

FINRA and the SEC published the E-Delivery Guidance during a period when physical delivery of information (i.e., hardcopy) was the standard practice in the broker-dealer industry. Due to the adoption of new technologies during the nearly 30 years since and increased internet usage,²⁷ more customers and members now communicate through electronic means.

Negative Consent Letters

Members may seek to transfer customer accounts in bulk for various reasons, including when they are leaving the business or ceasing a particular line of business. Also, after an introducing firm has ceased business without transferring accounts, a clearing firm may seek to transfer the customer accounts to other firms. Obtaining affirmative customer consent to these transfers often is challenging or unworkable, so many firms seek to transfer the accounts using negative consent. This can enhance efficiency and minimize disruptions to customer account access in situations where a transfer is necessary due to a change in a firm's operations or business model.

In general, a member must obtain a customer's affirmative consent or instruction to transfer the customer's account to another member.²⁸ However, in *Notice to Members* 02-57 and related guidance,²⁹ FINRA has identified several situations in which members could use negative consent letters to effect a bulk transfer of customers' accounts, subject to specified conditions.³⁰

The current guidance addresses a narrow set of situations where using negative consent letters is appropriate and consistent with investor protection. FINRA recognizes that members' business plans are subject to frequent changes to remain competitive and that customers need to have seamless and efficient access to their accounts. Due to the evolving nature of business needs, members have suggested that more flexible guidance may help to address the various situations that necessitate using negative consent letters consistent with investor protection.

Request for Comment:

- D.1. What are the costs and risks for investors and members associated with the current standards for electronic delivery? How has the balance among these costs and risks changed with advances in technology as customers have become more familiar with electronic communications? What protections should be available to customers who are less comfortable with receiving electronic communications?
- D.2. Should FINRA consider any changes to its rules relating to the delivery of disclosure documents to customers, including the disclosure requirements under the FINRA Rule 2200 Series?
- D.3. Would principles-based guidance on using negative consent letters be useful for members, rather than the current guidelines? What principles should FINRA apply?
- D.4. Are the practices regarding the transfer of investment advisory accounts instructive in the broker-dealer context? Given many customer advisory accounts are also accounts with a broker-dealer, would alignment be warranted and feasible?

E. Recordkeeping and Digital Communications

Exchange Act Rule 17a-4(b)(4) requires a broker-dealer to preserve originals of all communications it receives and copies of all communications the broker-dealer sends (including inter-office memoranda and communications) relating to its *business as such*, including all communications with the public that are subject to the rules of the SRO of which the broker-dealer is a member.³¹ In addition, FINRA rules require members to supervise their internal and external communications relating to their investment banking and securities business and retain records of such communications for the period specified in Exchange Act Rule 17a-4(b)(4).³²

Over time, advances in technology have significantly expanded the channels through which members and their associated persons communicate and conduct their business. Members and their associated persons and customers have since embraced a variety of digital communication channels, including email, instant messaging, and video or online meeting applications.³³ Although these digital communication channels provide several benefits and efficiencies, using these channels also raises questions about which communications the member must retain and how members should do so. FINRA has observed, for example, associated persons engaging in business-related communications through digital channels that a member has not authorized for business use, and, as a result, the member does not retain or supervise the communications (off-channel communications).

In addition, questions arise regarding members' use of other emerging communication technologies (e.g., the integration of dynamic content into websites, AI-generated chat bot communications and transcripts of video discussions). Members' and associated persons' use of these technological capabilities has raised novel questions about their ability to comply with the applicable SEC and FINRA recordkeeping rules and whether such rules need to be updated.

Request for Comment:

- E.1. The phrase *business as such* under Exchange Act Rule 17a-4(b)(4) is not defined.³⁴ What questions, concerns or challenges, if any, does this raise with respect to ensuring compliance with the recordkeeping requirements? Are there categories of records that are especially costly or difficult to capture or retain, and which may provide no appreciable regulatory benefit?
- E.2. What standards for the supervision of various digital communication channels have proved effective, including with respect to off-channel communications? What are some examples of such workable standards?
- E.3. What are members' recordkeeping challenges regarding AI-generated communications and how do these challenges vary based on the type of AI-generated communication (e.g., AI-powered chatbot, AI-generated transcripts or summaries of meetings)?

- E.4. How do members approach recordkeeping, and any related challenges, with respect to dynamic information displayed on their website or digital platforms? How do members approach customer-related interactions and experiences (e.g., the account opening process) through their systems?
- E.5. Should FINRA consider any changes to its rules, guidance or processes relating to its communications with the public requirements to address any challenges resulting from using new technologies? For example, should FINRA consider any changes to the disclosure requirements under its rules to facilitate the use of modern communication channels (e.g., through layered disclosures)?

F. Compensation Arrangements

Payment of Compensation to Personal Services Entities

Under some broker-dealer business models, registered representatives of the member have established personal services entities (PSEs)—legal entities such as limited liability companies—to receive compensation for their services and to achieve tax savings and other benefits. At times, representatives work in teams to provide a broader array of financial services (e.g., brokerage, investment advisory, insurance), with the member paying compensation to the team. However, members may be reluctant to pay transaction-based compensation directly to PSEs or to teams of registered representatives because of uncertainty about broker-dealer registration and supervision obligations and FINRA commission requirements.³⁵

In this context, the SEC has most recently stated that the receipt of transaction-based compensation is not *in itself* determinative of broker status.³⁶ Prior guidance the SEC staff has issued also emphasized the importance of a broker-dealer's ability to retain supervisory control over an unregistered entity performing the administrative function of making payments to the broker-dealer's registered representatives, and that such unregistered entity would neither engage in securities activities nor market its services as securities related.³⁷ Further, this prior guidance required the broker-dealer to retain the sole and exclusive direction and supervisory control over the day-to-day securities activities of its associated persons, including the right to determine the frequency and amount of the securities-related compensation distributed to such individuals.³⁸

Continuing Commission Programs

The increase in representatives at or near retirement age has spurred greater focus on programs that pay continuing commissions to retired registered representatives or their beneficiaries without giving rise to the recipient of such payments being considered a "broker" under the Exchange Act (Continuing Commission Programs).³⁹ FINRA Rule 2040(b) (Retiring Representatives) permits members to make continuing

commission payments to retired registered representatives or their beneficiaries, subject to specified conditions, including a requirement that the member and retiring registered representative enter into a contract (while the individual is a registered representative of the member) providing for the continuing payments.⁴⁰

As associated persons increasingly face life events that impact their continued work, such as early retirement, illness, death or disability, limitations in Rule 2040(b) may present challenges. For example, the rule does not provide for a registered representative, or the beneficiaries of the registered representative (in the event of the representative's death) to receive continuing commissions unless the registered representative contracts for continuing commissions before an unexpected life event that impacts the representative's ability to work.

Request for Comment:

- F.1. If you are a member, what is your experience with supervising persons receiving their compensation through PSEs?
- F.2. Are there regulatory or rulemaking changes that could facilitate these types of compensation arrangements, while continuing to preserve effective broker-dealer supervision?
- F.3. With respect to both PSE compensation arrangements and Continuing Commission Programs, are there other ways to ease burdens while continuing to assure effective supervision?

G. Fraud Protection

Fraud is a significant and growing risk for investors and members, driven by many of the same technologies that have transformed the modern workplace.

Criminal perpetrators employ increasingly sophisticated tactics using technology, including AI tools that may make it more difficult for members and investors to identify scams by removing errors⁴¹ or improving the viability of imposter schemes.⁴² Fighting these threats requires new levels of information sharing and cooperation across the industry and regulators. FINRA has facilitated many such exchanges and produced expansive resources for its members in addressing technology-driven fraud.⁴³

FINRA has also worked with its members to develop rule-based tools to fight fraud, particularly with respect to senior and vulnerable adult investors. According to the FBI's Elder Fraud Report 2023, Americans over age 60 lose more than \$3 billion annually due to fraud.⁴⁴ Members play a crucial role in protecting senior investors, who often are living on fixed incomes and budgets without the ability to offset significant losses over time or through other means. FINRA's rules with respect to

these investors have been designed to provide members with additional tools to fight fraud and other types of financial exploitation.⁴⁵

FINRA Rule 2165 (Financial Exploitation of Specified Adults) is the first uniform national standard for placing temporary holds to address suspected financial exploitation. Initially adopted in 2017 and later amended in 2022,⁴⁶ Rule 2165 permits a member to place a temporary hold, with stated time limits, on a securities transaction or disbursement of funds or securities from the account of a “specified adult” customer when the member reasonably believes that financial exploitation of that adult has occurred, is occurring, has been attempted or will be attempted.⁴⁷

In 2017, FINRA also adopted amendments to FINRA Rule 4512 (Customer Account Information) to require members to make reasonable efforts to obtain the name of and contact information for a trusted contact person upon the opening of all non-institutional customer accounts.⁴⁸ The trusted contact is intended to be a resource for the member in a host of situations (e.g., helping to update contact information when a customer becomes unavailable, offering assistance when concerns arise over possible diminished capacity or other health issues, protecting assets and responding to possible financial exploitation).⁴⁹

FINRA is committed to working with members and other interested parties to identify ways to ensure that members have all the necessary tools to proactively prevent customer harm, particularly in the face of threats accelerated by new technologies.

Request for Comment:

- G.1. How have technological advances helped or hindered members’ ability to fight fraud under FINRA rules, guidance and processes? What additional modifications or changes should FINRA consider to further address changes in fraud practices created by these advances?
- G.2. Members have raised concerns that the time limits Rule 2165 specifies restrict their ability to protect customer assets when the financial exploitation is ongoing (e.g., when a member has been unable to convince the customer of the financial exploitation and adult protective services has not concluded its investigation before time expires). Should FINRA further extend the temporary hold period in Rule 2165? If so, for how long?
- G.3. Should FINRA expand the application of Rule 2165: such as (1) beyond “specified adults” to any customer where there is a reasonable belief of financial exploitation; or (2) where there is a reasonable belief that the customer has an impairment that renders the individual unable to protect his or her own interests (e.g., a cognitive impairment or diminished capacity), irrespective of whether there is evidence that the customer may be the victim of financial exploitation by a third party?

- G.4. Are there aspects of the trusted contact provisions in Rule 4512 that FINRA should consider modifying or enhancing?
- G.5. Are there other tools (including rules, guidance or technology solutions) that FINRA can provide to members to further facilitate protection of senior and vulnerable investors from fraud and other types of financial exploitation?

H. Leveraging FINRA Systems to Support Member Compliance

FINRA currently employs its systems in several ways to support member compliance with regulatory requirements and reduce unnecessary burdens. For example:

- ▶ Members may rely on the CRD system to satisfy their record retention requirements under Exchange Act Section 17(a) and Rule 17a-4 with respect to certain Uniform Registration Forms electronically submitted through the system.⁵⁰
- ▶ Members may rely on FINRA's verification process, performed using FINRA systems, to satisfy the requirement under Rule 3110(e) (Responsibility of Member to Investigate Applicants for Registration) to conduct a search of public records relating to bankruptcies, judgments and liens for purposes of evaluating an applicant's Form U4 disclosures.⁵¹
- ▶ FINRA has leveraged its online platform, Financial Professional Gateway (FinPro®),⁵² to streamline other work associated with the onboarding of applicants by allowing applicants to work with members to fill out a draft Form U4 and to electronically sign a draft Form U4.⁵³
- ▶ FINRA launched the Financial Learning Experience™ (FLEX™), a centralized CE platform that provides e-learning content that members have the option to leverage for their Firm Element or other training needs. FLEX allows individuals to take their training directly from their FinPro account.⁵⁴
- ▶ FINRA has used technology to develop compliance tools and related resources for members.⁵⁵

Request for Comment:

- H.1. Should FINRA consider other ways to employ its systems to reduce costs associated with, or create efficiencies for, the onboarding process for applicants seeking to become registered? Should FINRA use its data and systems to better assist members in identifying potential candidates for securities industry careers?
- H.2. What, if any, practical issues have members experienced with delivering to associated persons documents required under FINRA rules (e.g., the Form U5)? How should FINRA address such issues?

- H.3. Are there ways that FINRA can use its systems to address members' recordkeeping challenges or simplify recordkeeping processes to create efficiencies?
- H.4. What other enhancements to its systems should FINRA consider to create efficiencies for its members or provide improved functionality? Would any such enhancements result in investor protection issues? If so, please explain.

Conclusion

FINRA is committed to continuous improvement that draws on deep engagement with its members. As part of this commitment, FINRA believes it should routinely review and modernize regulatory requirements to reflect how the member workplace operates today—or could operate in the future—to reduce confusion or inconsistencies that can arise when those requirements do not account for modern practices, to better support innovative approaches in conducting business, and to enable deployment of new technologies that can better serve markets and investors, among other benefits.

To this end, this *Notice* seeks comment on how FINRA can further evolve its rules, guidance and processes to reflect modern business practices and markets; support innovation and new technologies; promote efficiency; and eliminate unnecessary regulatory burdens—all in the interest of supporting vibrant capital markets in which everyone can participate with confidence. FINRA looks forward to hearing from interested parties in response to this *Notice*.

Endnotes

- 1 See [Regulatory Notice 25-04](#) (March 12, 2025).
- 2 Parties should submit in their comments only personally identifiable information, such as phone numbers and addresses, that they wish to make available publicly. FINRA, however, reserves the right to redact, remove or decline to post comments that are inappropriate for publication, such as vulgar, abusive or potentially fraudulent comment letters. FINRA also reserves the right to redact or edit personally identifiable information from comment submissions.
- 3 See generally [FINRA Investor Education Foundation & NORC, Consumer Insights: Money & Investing, Investing 2020: New Accounts and the People Who Opened Them](#) (February 2021) at 17 (In a study to learn about investors who, during year 2020, entered into the markets using taxable, non-retirement investment accounts, FINRA found that nearly half (48 percent) of “new investors” (investors who opened a non-retirement investment account during 2020) indicated that they accessed their account primarily through a mobile application, and three-quarters (75 percent) of “holdover account owners” (investors who maintained a taxable investment account opened before year 2020) indicated they accessed their account primarily through a website.).
- 4 See [Regulatory Notice 24-09](#) (June 27, 2024).
- 5 See e.g., FINRA Report: [Artificial Intelligence \(AI\) in the Securities Industry](#) (June 10, 2020); FINRA, SEC, NASAA Investor Insight: [Artificial Intelligence \(AI\) and Investment Fraud](#) (January 25, 2024); FINRA Podcast: [An Evolving Landscape: Generative AI and Large Language Models in the Financial Industry](#) (March 5, 2024); and FINRA Report: [Technology Based Innovations for Regulatory Compliance \(“RegTech”\) in the Securities Industry](#) (September 2018).
- 6 See [Quantum Computing and the Implications for the Securities Industry](#) (October 30, 2023).
- 7 Since 2016, the Regulatory Element of CE has been available online, including through personal tablets. See [Regulatory Notice 15-28](#) (August 3, 2015). The Regulatory Element has also been available on mobile devices since 2023. See [CE Transformation Before and After](#) (last updated in 2022). Further, in 2021, FINRA amended Rule 1010(c) to permit members to file an initial or a transfer Form U4, or any amendments to the disclosure information on the form, based on an electronically signed copy of the form. See Exchange Act Release No. 91262 (March 5, 2021), [86 FR 13935](#) (March 11, 2021) (Notice of Immediate Effectiveness of File No. SR-FINRA-2021-003). Concurrent with this amendment, FINRA implemented an electronic signature capability through its FinPro that provides a secure mechanism for individuals and members to sign and submit Form U4 filings. In 2022, FINRA launched the MQP to allow eligible individuals to maintain their qualifications for up to five years following the termination of their registrations by completing CE annually. See [Regulatory Notice 21-41](#) (November 17, 2021); [The Maintaining Qualifications Program](#). In 2023, FINRA adopted changes to its rules to allow for video conference hearings before the Office of Hearing Officers and the National Adjudicatory Council under specified conditions. See [Regulatory Notice 23-13](#) (August 23, 2023). In addition, in 2024, FINRA initiated the voluntary, three-year remote inspections pilot program. See *infra* note 12. FINRA has also developed resources to assist members in establishing and maintaining effective cybersecurity programs. See FINRA’s [Cybersecurity](#) key topics page.
- 8 FINRA welcomes comment on where the interaction with non-FINRA requirements is such that FINRA should reassess its rules, guidance

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and processes to more effectively tailor FINRA requirements to the broader regulatory and business environment of its members or remove unnecessary burdens. Comment on these areas will also facilitate FINRA's engagement with other regulators on opportunities and challenges facing its membership.

- 9 See Exchange Act Section 19 and rules thereunder. After a proposed rule change is filed with the SEC, the proposed rule change generally is published for public comment in the *Federal Register*. Certain limited types of proposed rule changes take effect upon filing with the SEC. See Exchange Act Section 19(b)(3) and Exchange Act Rule 19b-4.
- 10 The uniform branch office definition, adopted in 2005, allowed for the development of a branch office registration system through the CRD system to provide a more efficient, standardized method for members to register branch office locations using Form BR as required by the rules and regulations of states and SROs, including FINRA. See Exchange Act Release No. 52403 (September 9, 2005), [70 FR 54782](#) (September 16, 2005) (Order Approving File No. SR-NASD-2003-104); see also [Notice to Members 05-67](#) (October 6, 2005). The CRD system is the central licensing and registration system used by the U.S. securities industry and its regulators.
- 11 An office or location may be exempt from branch office registration (*i.e.*, an unregistered office or non-branch location) if it fits within an express exclusion from the branch office definition listed in Rule 3110(f), such as the "primary residence exclusion," or is designated as an RSL under the terms of Rule 3110.19. See Rule 3110(f)(2)(A)(ii). In general, an RSL is a location that is a private residence at which an associated person engages in specified supervisory functions. See Rule 3110.19.
- 12 See generally Rule 3110.18 (Remote Inspections Pilot Program). Additional information is available on the key topic page [Remote Inspections Pilot Program and Frequently Asked Questions About Remote Inspection Pilot Program](#). In response to the Covid-19 pandemic, FINRA provided temporary relief to allow its members to conduct remote inspections of offices. See Rule 3110.17 (Temporary Relief to Allow Remote Inspections). In June 2024, FINRA transitioned from that temporary relief and now members, if eligible, may elect to participate in the Pilot Program or resume onsite inspections. In addition, preceding the launch of the Pilot Program in 2024, FINRA considered a proposal to give members the option of satisfying the inspection requirement remotely for "qualifying offices" that met specified criteria. See [Regulatory Notice 17-38](#) (November 13, 2017). In general, many of the comment letters FINRA received in response to that *Notice* expressed support for the underlying concept of remote inspections and offered recommendations on specific criteria to broaden the potential population of qualifying offices.
- 13 Broker-dealers use Forms BD and BDW (Uniform Request for Broker-Dealer Withdrawal) to register or to withdraw their registration with the SEC, SROs and jurisdictions. See FINRA By-Laws, Article IV, Sections 1 and 5; 15 U.S.C. § 78o(b). Registered broker-dealers (and applicants for registration) disclose, among other information, certain criminal, regulatory, civil judicial and financial information on the Form BD and provide ownership information with respect to their direct and indirect owners. The Form BDW elicits information on, among other things, whether the broker-dealer that is requesting to withdraw its registration owes any money or securities to any customer. Broker-dealers use Form U4 to register their representatives in the appropriate states and SROs and Form

- U5 (Uniform Termination Notice for Securities Industry Registration) to terminate these registrations. *See* FINRA By-Laws, Article V, Sections 2 and 3. Forms U4 and U5 are designed to elicit and collect information about registered representatives, including administrative, criminal, regulatory, customer complaint, termination and financial information. Firms use the Form BR to register their branch office locations. *See supra* note 10. The SEC, SROs and the states use the Uniform Registration Forms, and any amendments to or guidance on such forms would be subject to discussion with, and may require action by, these regulators.
- 14 FINRA and the North American Securities Administrators Association (NASAA) jointly developed the CRD Program and FINRA launched the CRD system in 1981 to centralize the registration process for the securities industry.
 - 15 In addition, there have not been substantive changes to the content of some of the forms in recent years. In 2009, Forms U4 and U5 were updated to, among other things, add new disclosure questions and increase the monetary threshold for the reporting of certain disclosure events. *See* Exchange Act Release No. 59916 (May 13, 2009); [74 FR 23750](#) (May 20, 2009) (Order Approving File No. SR-FINRA-2009-008). Although technical changes were made to the Forms BD and BDW in 2023, these forms have not been substantively amended since 1999. *See* Exchange Act Release No. 97478 (May 11, 2023), [88 FR 32963](#) (May 23, 2023) (Technical Amendments to Form BD and Form BDW); Exchange Act Release No. 41594 (July 2, 1999); 64 FR 37586 (July 12, 1999) (Broker-Dealer Registration and Reporting); Exchange Act Release No. 41356 (April 30, 1999), 64 FR 25143 (May 10, 1999) (Broker-Dealer Registration and Reporting).
 - 16 However, some of the information collected through the forms, including some of the administrative data, may no longer be relevant to the registration process given the changes to the modern workplace. For instance, the information reported on Form BR includes the facsimile number of the branch office location.
 - 17 BrokerCheck, which is mandated under Exchange Act Section 15A(i), is a free tool available on FINRA's website to help investors make informed choices about the registered persons and members with which they may conduct business. *See* 15 U.S.C. § 78o-3(i).
 - 18 *See* 15 U.S.C. § 78o(b)(7) and 17 CFR 240.15b7-1; *see also* FINRA Rules 1210 (Registration Requirements) and 1220 (Registration Categories).
 - 19 *See, e.g.*, FINRA Rule 1240 (Continuing Education).
 - 20 The current CE program consists of a Regulatory Element and Firm Element. *See* FINRA Rules 1240(a) (Regulatory Element) and (b) (Firm Element). The Regulatory Element, which FINRA administers, focuses on regulatory requirements and industry standards, while the Firm Element, which each member provides, focuses on securities products, services and strategies the member offers, member policies and industry trends. Both the Regulatory Element and Firm Element must be completed annually.
 - 21 *See* [Regulatory Notice 17-30](#) (October 5, 2017). Passing the SIE examination alone will not qualify an individual for registration with FINRA. *See id.*
 - 22 *See* [Regulatory Notice 21-41](#) (November 17, 2021).
 - 23 *See* [Having Many Careers Will be the Norm, Experts Say](#), World Economic Forum (May 2, 2023) (discussing the frequency by which individuals change jobs); *see also* [Why Non-Linear Career Paths Are The Future](#), Forbes (February 26, 2023).

(describing the importance of developing and maintaining skills and knowledge in the context of non-linear career paths). The MQP is intended to address workplace trends by providing eligible participants the ability to maintain their qualifications for up to five years following the termination of their registrations without having to requalify by examination. See Rule 1240(c) (Continuing Education Program for Persons Maintaining Their Qualification Following the Termination of a Registration Category). FINRA previously stated that it would review the efficacy of the MQP after its implementation, including a review of the participation period. See Exchange Act Release No. 92183 (June 15, 2021), [86 FR 33427](#) (June 24, 2021) (Notice of Filing of File No. SR-FINRA-2021-015).

24 See *supra* note 3.

25 See [Notice to Members 98-03](#) (January 1, 1998) (discussing, in part, the guidance and principles articulated in the applicable SEC guidance on electronic delivery); see also Securities Act Release No. 7233 (October 6, 1995), 60 FR 53458 (October 13, 1995) and Securities Act Release No. 7288 (May 9, 1996), 61 FR 24644 (May 15, 1996) (collectively, SEC Releases).

26 See SEC Releases (providing, in part, that broker-dealers may use electronic delivery to satisfy their delivery obligations under federal securities laws provided the electronic communication satisfies the following principles: the electronic communication provides timely and adequate notice to customers that the information is available electronically; customers who are provided information through electronic delivery have access to that information substantially equivalent to the access that would be provided if the information were delivered in paper form; and broker-dealers must have reason to believe that electronically delivered information

will result in the satisfaction of the delivery requirements under the federal securities laws).

- 27 See, e.g., Pew Research Center's [Internet Broadband Fact Sheet](#). As of 2024, 96 percent of U.S. adults use the internet, compared to 52 percent in 2000.
- 28 See [Notice to Members 02-57](#) (September 11, 2002) (stating that "transfers of customer accounts by a member using negative response letters may, under certain circumstances, conflict with a member's obligation to observe high standards of commercial honor and just and equitable principles of trade under [FINRA Rule 2010, formerly] NASD Rule 2110.")
- 29 For example, the use of negative consent letters may be appropriate when an introducing firm decides to enter into a clearing arrangement with a different firm, among other facts and circumstances. See also [Memorandum from NASD Office of General Counsel, Regulatory Policy and Oversight](#) (November 8, 2004) (permitting a member named as broker-dealer of record on directly held mutual fund and variable insurance product accounts to use negative consent letters to change the broker-dealer of record on the accounts to another firm in various situations). Over the years, FINRA has also issued interpretive letters regarding the use of negative consent letters in other situations. See, e.g., [letter from Ilana Herscovitz Reid, Associate General Counsel, FINRA, to Janet Dyer, National Financial Services, LLC](#) (April 25, 2023) (a clearing member may use negative consent letters to assign orphan accounts to an introducing broker-dealer on the clearing member's platform).
- 30 Among other conditions, the negative consent letters should include a brief description of the circumstances necessitating the transfer, assignment or change in the broker-dealer of record, a statement that the customer has the

right to object and the manner in which the customer can effectuate a transfer to another firm. The letter should also provide the customer with sufficient time to respond to the letter (at least 30 days from the receipt of the letter unless exigent circumstances exist that warrant a shorter time period).

In addition to FINRA's guidance, there are other regulatory requirements to address bulk transfers of customer accounts. For example, certain transfers may require the member to obtain approval under FINRA Rule 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) before sending negative consent letters to customers. As another example, bulk transfers of customer accounts that involve free credit balances are subject to SEC requirements and related guidance. Exchange Act Rule 15c3-3 (j) (Treatment of Free Credit Balances) sets forth specific requirements regarding the treatment of free credit balances carried for the account of a customer. SEC staff has published guidance regarding the applicability of Rule 15c3-3(j) to the use of negative consent letters to effect bulk transfers. See [Frequently Asked Questions Concerning the Amendments to Certain Broker-Dealer Financial Responsibility Rules, Bulk Transfer Questions](#), Division of Trading and Markets (March 2014). Further, members must ensure that the use of negative consent letters is consistent with all other applicable laws, rules and regulations, such as SEC Regulation S-P (Privacy of Consumer Financial Information).

31 17 CFR 240.17a-4(b)(4) (emphasis added).

32 See FINRA Rules 2210(b)(4) (Recordkeeping), 3110(b)(4) (Review of Correspondence and Internal Communications), 3110.06 (Risk-based Review of Correspondence and Internal Communications), 3110.07 (Evidence

of Review of Correspondence and Internal Communications), 3110.09 (Retention of Correspondence and Internal Communications) and 4511(a) (General Requirements). See also FINRA's [Social Media](#) key topics page.

33 See *supra* note 3.

34 See also 17 CFR 240.17a-1(a) (stating that "[e]very national securities exchange, national securities association, registered clearing agency and the Municipal Securities Rulemaking Board shall keep and preserve at least one copy of all documents, including all correspondence, memoranda, papers, books, notices, accounts, and other such records as shall be made or received by it in the course of its *business as such* and in the conduct of its self-regulatory activity.") (emphasis added).

35 The Exchange Act defines a "broker" as a "person engaged in the business of effecting transactions in securities for the account of others." 15 U.S.C. § 78c(a)(4)(A). While receipt of transaction-based compensation traditionally has been a strong indicator of broker-dealer activity, courts have looked to a variety of factors beyond the mere receipt of transaction-based compensation when determining whether a person is acting as a broker. See, e.g., *SEC v. Helms*, No. 13-cv-01036, 2015 U.S. Dist. LEXIS 110758, at 51 (W.D. Tex. Aug. 21, 2015) ("In determining whether a person 'effected transactions [for purposes of the Exchange Act registration requirements],' courts consider several factors, such as whether the person: (1) solicited investors to purchase securities, (2) was involved in negotiations between the issuer and the investor, and (3) received transaction-related compensation."). FINRA Rule 2040 (Payments to Unregistered Persons) generally prohibits members from paying transaction-based compensation to an unregistered person if doing so would require

such person to become registered as a broker-dealer under Section 15(a) of the Exchange Act.

- 36 See Exchange Act Release No. 90112 (October 7, 2020), [85 FR 64542](#), 64545 (October 13, 2020) (Notice of Proposed Exemptive Order Granting Conditional Exemption from the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain Activities of Finders) (“Although it is not required to establish broker status and is not *in itself* determinative of broker status, the receipt of transaction-based compensation in connection with securities activities, such as solicitation of potential investors, has been considered by courts as a factor indicating that registration as a broker may be required.”) (emphasis added).
- 37 See generally letter from Daniel P. Fisher, *Special Counsel, SEC*, to David S. Mitchell, *Cadwalader, Wickersham & Taft* (August 14, 2002).
- 38 See *id.*
- 39 See generally [Regulatory Notice 22-23](#) (November 1, 2022) (noting, in part, that “brokerage industry demographics indicate that an increasing number of representatives are at or approaching traditional retirement age. As of December 2021, 16.32 percent of representatives were age 60 or older; 8.20 percent were age 65 and older; and 3.82 percent were age 70 and older. The percentage of representatives in each of these age brackets has increased in recent years.”).
- 40 See also letter from James L. Eastman, *Chief Counsel, SEC*, to Amal Aly, *Esq., Managing Director and Associate General Counsel*, SIFMA (November 20, 2008) (imposing, among other requirements, that the retiring registered representative: (1) must have been continuously employed by or otherwise associated with the broker-dealer for a minimum number of years, but not less than three years, as of the date of retirement; (2) is not subject to statutory disqualification; and (2) does not receive continuing commissions for a period exceeding five years); letter from Joseph Furey, *Assistant Chief Counsel, SEC*, to Amy Lee, *Chief Compliance Officer and Co-CEO, Packerland Brokerage Services* (March 18, 2013) (allowing for the payment of continuing commissions from new accounts opened by existing customers of the retiring registered representative).
- 41 See, e.g., FBI Alert Number: I-120324-PSA, [Criminals Use Generative Artificial Intelligence to Facilitate Financial Fraud](#) (December 3, 2024).
- 42 See, e.g., [FINRA Investor Insight: Be Alert to Signs of Imposter Investment Scams](#) (March 11, 2024) (providing examples of suspicious communications).
- 43 See, e.g., [FINRA Threat Intelligence Product: Protecting Vulnerable Adult and Senior Investors](#) (May 2024).
- 44 See FBI Internet Crime Complaint Center, [FBI Elder Fraud Report 2023](#) (April 2024). See also *supra* note 43.
- 45 See generally FINRA Key Topics – [Senior Investors](#) (highlighting FINRA’s multi-faceted approach to protecting senior investors, including through dedicated rules, guidance and training for members, regulatory oversight, the FINRA Securities Helpline for Seniors, investor education, research and outreach).
- 46 See Exchange Act Release No. 79964 (Feb. 3, 2017), 82 FR 10059 (Feb. 9, 2017) (Notice of Filing of Partial Amendment No. 1 and Order Granting Accelerated Approval of File No. SR-FINRA-2016-039); Exchange Act Release No. 94061 (Jan. 25, 2022), 87 FR 4974 (Jan. 31, 2022) (Notice of Order Approving a Proposed Rule Change to Amend Rule 2165). FINRA amended the rule in 2022 to: (1) apply to securities transactions; and (2) extend the permissible time

- period for a temporary hold on a disbursement or transaction for an additional 30 business days, beyond the previous maximum of 25 business days (for a total of 55 business days), if the member has reported the matter to a state regulator or agency, or a court of competent jurisdiction. Rule 2165 allows a member to extend a temporary hold beyond the 55-business-day maximum hold period in the rule, among other things, upon a state agency's request to do so, which is not required to be done by a formal order. See [Frequently Asked Questions Regarding FINRA Rules Relating to Financial Exploitation of Senior Investors](#), Q.3.2.
- 47 For purposes of the rule, the term "Specified Adult" means: "(A) a natural person age 65 and older; or (B) a natural person age 18 and older who the member reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests." See Rule 2165(a)(1).
- 48 See *supra* note 46.
- 49 Although the trusted contact can be a critical aid to the firm and the customer, the trusted contact does not have any authority over the customer's account, cannot make trading decisions for the account and does not act as a power of attorney by virtue of being named a trusted contact.
- 50 These include: (1) Form U4 amendments that do not require the applicant's or registrant's signature; (2) Form U5 filings that do not require the registrant's signature; and (3) Form BR filings (both initial filings and amendments). See [letter from Thomas McGowan, Assistant Director, SEC, to Richard Pullano, Associate Vice President and Chief Counsel, FINRA](#) (February 19, 2008).
- 51 See [Information Notice 05/18/18](#), Enhancements to FINRA's Disclosure Review Process Relating to Public Financial Records.
- 52 [FinPro](#) is a secure, centralized portal that provides current and former registered individuals direct access to registration, qualification and continuing education information, including the ability to view their CRD record.
- 53 See [Form U4 in FinPro](#) (discussing Allow Rep Edits and E-Signature features).
- 54 FLEX was launched in October 2024. Currently, the platform includes courses from FINRA's e-learning catalog. FINRA plans to expand the offering in the future to include courses from other CE content providers in the financial and securities industry. FINRA also plans to expand the course offerings to include content that may satisfy other CE training requirements. Since the launch of FLEX, approximately 1,000 Firm Element courses have been assigned.
- 55 For instance, the [FINRA Report Center](#) provides reports that cover a variety of topics and rulesets, including, among other things, risk monitoring reports, compliance with key equity trading and corporate finance filing rules, disclosure events and certain trading behaviors. In addition, FINRA recently introduced the [Regulatory Task Catalog](#) in the FINRA Gateway, FINRA's compliance portal, to allow members to easily access systems, forms and guidance on completing required tasks. FINRA has also made available tools to conduct analyses on certain transactions (e.g., [FINRA Fund Analyzer](#)). Further, FINRA has invested in supporting members' automation and data efforts through its [API Developer Center](#).