

FINRA 2025 Annual Budget Summary

2025 Annual Budget Summary

Consistent with FINRA's commitment to transparency and engagement with member firms and other stakeholders, we publish an Annual Budget Summary describing how we plan to deploy our resources to meet our various regulatory responsibilities in the current year. The Annual Budget Summary complements FINRA's audited [Annual Financial Report](#), which details our finances and operations during the prior year.

We developed the 2025 budget as part of a multi-year strategic framework designed to support our mission of protecting investors and promoting market integrity in a manner that facilitates vibrant capital markets. The budget is also consistent with FINRA's [Financial Guiding Principles](#), which are set forth below. The operating expenses projected in the budget reflect our continued commitment to carefully managing our resources and ensuring we can carry out our regulatory responsibilities effectively and efficiently. The budget summarized below was approved by the FINRA Board of Governors—which consists of both member firm and public representatives—in December 2024, and it reflects financial projections for 2025 as of that time.

As described in the Annual Budget Summary, FINRA's 2025 operating revenues are budgeted to be \$1,461 million. The increase in operating revenue is primarily driven by higher member firm revenues, which is the basis for the Gross Income Assessment FINRA collects from firms, and higher average daily share volume driving increased Trading Activity Fees. The remainder of the increase reflects the impact of targeted fee increases that are part of a [multi-year funding plan](#) filed with the SEC last year.

We project operating expenses in 2025 of \$1,375 million, primarily due to higher compensation costs, as well as rising technology costs. Technology costs reflect our continued spending to support the platforms and applications we use in our regulatory programs, cloud hosting costs, and costs to address our cyber and information security needs. Our 2025 budget also includes initiative spending of \$140 million. We continue to focus on investments, such as technology enhancements, to improve the efficiency, effectiveness and quality of our operations and regulatory and other programs, as well as strategic investments that reduce costs for FINRA or its members. Among the planned investments for 2025 are projects to continue enhancements to our examination and surveillance platforms, further update investigative processes and tools, and modernize our public offerings reporting tool.

The 2025 budget continues to reflect the intentionally conservative methodology we have used in prior years, which assumes there are no fine monies available to support capital initiatives, and that there are no investment gains or losses on our financial reserves. Fine monies are excluded because we do not establish fine targets based on revenue considerations or otherwise. Under our [Financial Guiding Principles](#), they are accounted for separately and their use must be approved by the Board or its Finance Committee only for enumerated purposes. We [published](#) a separate report describing the use of fine monies from 2024, as we have for the last several years.

Based on this methodology, we expect to draw down about \$54 million from our reserves (referred to as the Potential Reserve Reliance). The Potential Reserve Reliance calculation helps us understand at the beginning of the year, for budgeting purposes, how reliant we may have to be on our reserves during the year. Our actual 2025 net income or loss—which will be reflected in our 2025 Annual Financial Report—will ultimately include fines, investment returns and other accounting adjustments, as well as the financial performance of consolidated subsidiaries such as the FINRA Investor Education Foundation and FINRA CAT, LLC.

As noted earlier, the 2025 budget summarized below was approved by the Board in December 2024 based on projections for 2025 at that time. It has not been updated to reflect FINRA's financial experience or other developments since then. In that regard, we note that based on positive net income received in 2024, in April 2025 FINRA's Board approved a rebate to member firms of \$50 million. In addition, consistent with our Financial Guiding Principles and our ongoing commitment to carefully and responsibly managing our finances, in 2025, FINRA initiated further steps to ensure we are utilizing our resources efficiently without compromising our mission. This includes a new, strategic review of our resources and programs with the assistance of a third party to evaluate whether they are in line with the current needs of our mission. In addition, FINRA has [filed](#) with the SEC an amendment to delay the implementation of certain securities offering review fee increases that would otherwise have gone into effect in 2025. The impact of these and other developments on FINRA's 2025 financial performance will be reflected in the Annual Financial Report for 2025.

FINRA remains committed to properly funding our mission of protecting investors and promoting market integrity in a manner that facilitates a vibrant securities industry. We continue to welcome comments or suggestions from our member firms and other stakeholders regarding our financial and transparency initiatives.

Financial Guiding Principles

1. **Fund Our Mission** – As a not-for-profit organization, we target break-even cash flows that allow us to appropriately fund our mission of protecting investors and promoting market integrity while facilitating vibrant capital markets. Operating expenses are primarily funded through operating revenues. We rely on our financial reserves (discussed below) to support our mission, and draw upon the principal as needed.
2. **Ensure Financial Transparency** – We publish an Annual Financial Report that is prepared and presented in accordance with GAAP and audited by an independent public accounting firm. We also publish a top-line annual budget that demonstrates our primary sources of income and our primary expenses for the coming year. Following each fiscal year, we provide an accounting of the approved uses of fine monies (discussed below) during that year.
3. **Manage Expenses Responsibly** – We carefully manage expenses while ensuring that we can carry out our regulatory responsibilities effectively.

3.1 Compensation Oversight – Our employees are our most important asset. We seek to offer compensation in line with the competitive market in order to attract, develop and retain high-performing individuals who can help us achieve our mission. The Board's Compensation and Human Capital Committee reviews and approves the salary structure and the annual incentive compensation pool for the organization, as well as the individual incentive compensation awards for the most senior executives. Each year, the Committee provides a report that is included in our Annual Financial Report. Although a variety of factors are considered when determining compensation levels for individual employees and the organization as a whole, no compensation determinations are based on fines or other sanctions imposed on the industry.

3.2 Capital Initiatives Oversight – Appropriate investments in capital initiatives to enhance our technology and regulatory capabilities are critical to our mission. These projects are non-recurring expenditures that improve the effectiveness and efficiency of our operations; they must undergo a senior management review and approval process, with projects above defined thresholds requiring special approval by the Board or its Finance, Operations and Technology Committee (Finance Committee). These projects fall into several categories:

- **Capital** – Expenditures for items such as building/leasehold improvements or hardware/software (such as servers, storage devices or network equipment).
- **Minor Enhancements** – Funding for minor enhancements to existing technology applications that provide moderate new functionality, features and improvements.
- **Mandatory Initiatives** – Funding to address regulatory expectations driven by the SEC or other legal, regulatory, audit or contractual requirements; initiatives required by technology obsolescence (such as software no longer supported by vendors); and required infrastructure support (such as cybersecurity improvements).
- **New Initiatives** – Investments in new systems or technology that will improve our regulatory capabilities or services. These initiatives are assessed for their contribution to our operational efficiency and effectiveness, including their ability to provide demonstrable improvements to the quality of FINRA's regulatory program, tangible benefits for member firm compliance, or a measurable and acceptable financial return.
- **Carryover Initiatives** – Projects in one of the former categories that carry over from a prior year are evaluated for continued funding.

4. **Maintain Reasonable Member Fee Levels** – We increase member fees only after evaluating other potential sources of funding (*including* drawing down on excess reserves) and determining that our expenses are appropriately calibrated to our regulatory responsibilities.
5. **Use Fines to Promote Compliance and Improve Markets** – When a member firm or registered representative engages in misconduct, restitution for harmed customers is our highest priority, although there are many cases in which it is not practical. We also assess whether a sanction should be imposed in order to discourage similar conduct by the firm, registered representative, or others. When we impose fines, the amounts are based on the facts and circumstances of the misconduct and the principles set forth in our Sanction Guidelines; fines are not based on revenue considerations, and we do not establish any minimum amount of fines that must be collected for purposes of our annual budget.

Fines collected are accounted for separately, and the use of these monies is subject to special governance procedures, restrictions on use and transparency requirements.

- Any use of fine monies, regardless of amount, must be separately approved by the Board or its Finance Committee. These monies are not considered in determining employee compensation and benefits.
 - The Board or Finance Committee may authorize the use of these funds for: (i) capital/initiatives or non-recurring strategic expenditures that promote more effective and efficient regulatory oversight by FINRA (including leveraging technology and data in a secure manner) or that enable improved compliance by member firms; (ii) activities to educate investors, promote compliance by member firms through education, compliance resources or similar projects, or ensure our employees are highly trained in the markets, products and businesses we regulate; (iii) capital/initiatives required by new legal, regulatory or audit requirements; or (iv) replenishing reserves (described below) in years where such reserves drop below levels reasonably appropriate to preserve FINRA's long-term ability to fund its regulatory obligations.
 - On an annual basis, we make public a description of the Board or Finance Committee-approved uses of fine monies during the prior year.
6. **Sustain Appropriate Reserves** – We rely on our financial reserves, which originally derived from the sale of Nasdaq, to support our regulatory mission. We strive to maintain an appropriate level of reserves; currently, the Board believes that level is at least one year of expenditures. Reserves are invested at the direction of the Board's Investment Committee, which provides a report that is included in our Annual Financial Report. The Board may draw upon the principal as needed, including to cover cash flow losses, defer fee increases, support FINRA's regulatory operations, enhance member firm compliance or otherwise improve markets.

The FINRA Board will review these Principles every two years.

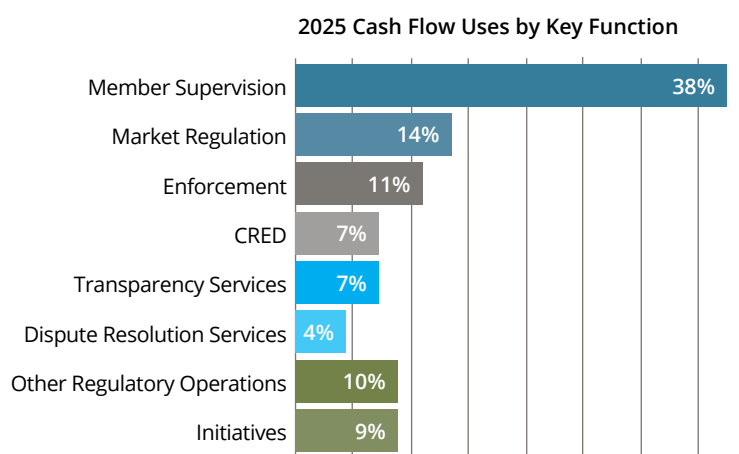
FINRA 2025 Annual Budget Summary

Budget summaries reflect management's internal reporting framework and differ from U.S. generally accepted accounting principles (GAAP). Annual budgets are subject to change during the year as circumstances arise.

Financial Trends <i>(in millions)</i>	2023 Budget	2024 Budget	2025 Budget
Operating Expenses	\$1,233.0	\$1,333.1	\$1,375.3
Initiatives	\$187.2	\$150.0	\$140.0
Total Cash Flow Uses	\$1,420.2	\$1,483.1	\$1,515.3
Operating Revenues	\$1,157.7	\$1,382.3	\$1,461.2
Potential Reserve Reliance ¹	\$262.5	\$100.8	\$54.1
Total Cash Flow Sources	\$1,420.2	\$1,483.1	\$1,515.3

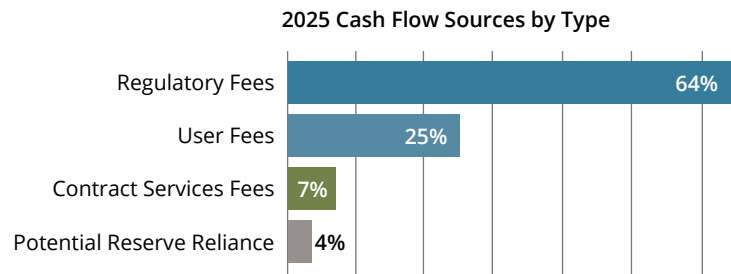
1. The Potential Reserve Reliance excludes the impact of any Board-approved use of fine monies and investment gains/losses.

Cash Flow Uses <i>(in millions)</i>	2025
Member Supervision	\$572.0
Market Regulation	\$208.8
Enforcement	\$167.8
Credentialing, Registration, Education and Disclosure (CRED)	\$109.0
Transparency Services	\$105.9
Dispute Resolution Services	\$66.1
Other Regulatory Operations ²	\$145.8
Total Operating Expenses ³	\$1,375.3
Initiatives	\$140.0
Total Cash Flow Uses	\$1,515.3



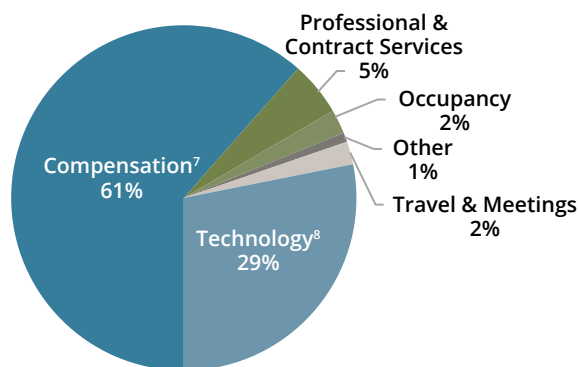
- Other Regulatory Operations include the Office of General Counsel, Advertising Regulation, Corporate Financing, the Office of Hearing Officers, the Office of Member Relations and Education, the Office of Investor Education and other regulatory and support functions. Descriptions for Key Functions can be found on page 9.
- Operating Expenses reflect an allocation to each key function for compensation and benefits, professional and contract services, technology and occupancy, as well as costs attributed to other general and administrative services.

Cash Flow Sources <i>(in millions)</i>	2025
Regulatory Fees ⁴	\$972.6
User Fees ⁵	\$378.3
Contract Services Fees ⁶	\$110.2
Total Operating Revenues	\$1,461.2
Potential Reserve Reliance	\$54.1
Total Cash Flow Sources	\$1,515.3

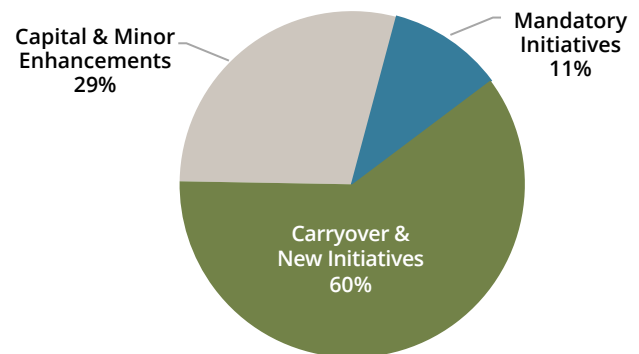


4. Regulatory Fees primarily include the Gross Income Assessment, Personnel Assessment and Trading Activity Fee.
5. User Fees primarily include Advertising Fees, Continuing Education Fees, Corporate Financing Fees, Dispute Resolution Fees, Qualification Fees, Registration Fees and Transparency Services Fees.
6. Contract Services Fees represent amounts charged for regulatory services provided primarily to markets operated by Nasdaq, NYSE, Cboe and other exchanges. These services include surveillance, investigations, examinations and disciplinary work. Contract Services Fees also include fees for the mortgage licensing system FINRA developed and maintains on behalf of the Conference of State Bank Supervisors, and fees for implementing and maintaining the Bluesheets system, eFOCUS and Form CRS on behalf of the SEC. Contract Services Fees cover the cost of the services being provided.

2025 Operating Expenses *(in millions)*



2025 Initiatives by Type⁹ *(in millions)*



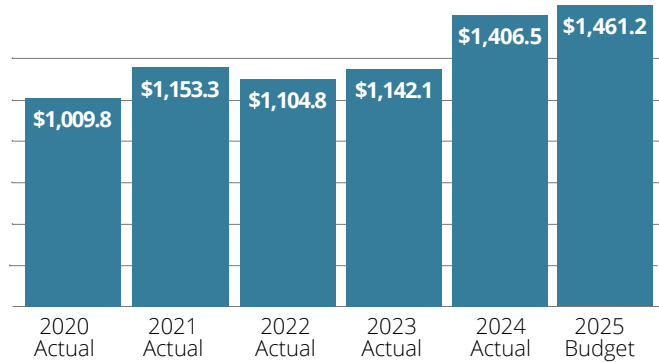
7. Compensation includes only non-Technology staff.
8. Technology includes costs for employee compensation; contractors; security; and hardware, cloud hosting and software support required to maintain and operate the applications and environments that enable FINRA's regulatory activities.
9. Refer to the Financial Guiding Principles for a description of the different categories of Capital Initiatives.

Historical Trends

Operating Revenues*

FINRA derives nearly two thirds of its revenues from industry fees that are assessed according to firms' gross revenue and trading volume, as well as firms' total number of registered representatives, while approximately 25 percent of FINRA's revenues is driven from user fees, including registration fees and qualification fees. Actual operating revenue peaked in 2024 due to higher firm revenues driving higher Gross Income Assessment fees, higher trading volume driving higher Trading Activity Fees, and the impact of phased-in fee increases. Operating revenue in 2025 is expected to be higher by approximately 5%, due to elevated industry revenues and certain additional targeted fee increases. More detail is available on the next page.

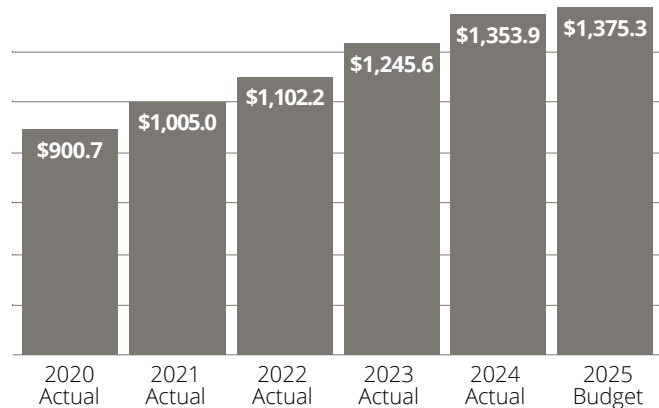
Operating Revenues (in millions)



Operating Expenses*

Ninety percent of FINRA's operating expenses are driven by compensation and technology costs. Cost-saving efforts over the last five years have included managing compensation expenses and making process and other improvements in a manner designed to improve FINRA's long-term financial sustainability without compromising the performance of our regulatory responsibilities. For example, all officer salaries were held flat in 2021, and in 2020 and 2024, we implemented a voluntary incentive program designed in part to manage long-term compensation costs. (The voluntary separation program offers the opportunity to eligible employees to voluntarily terminate their employment with FINRA with certain benefits.) We have strategically managed our real estate footprint in recent years to maintain lower capacity and save costs. In addition, we are continuing to identify opportunities to better leverage technology to do our work and become more efficient. Operating expense increases since 2021 are partially driven by annual compensation increases due to wage inflation and competitive labor markets, technology growth for new applications in production, and hiring additional staff to support our mission in a rapidly changing market and regulatory environment.

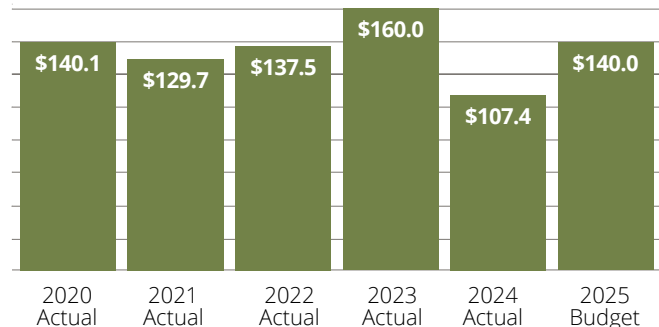
Operating Expenses (in millions)



Initiatives*

Initiative spending varies from year to year based on the need to enhance regulatory and related technology capabilities. We anticipate Initiative spending of \$140.0 million for 2025 to continue to focus on improving the efficiency, effectiveness and quality of our operations and regulatory and other programs and mandatory program enhancements.

Initiatives (in millions)

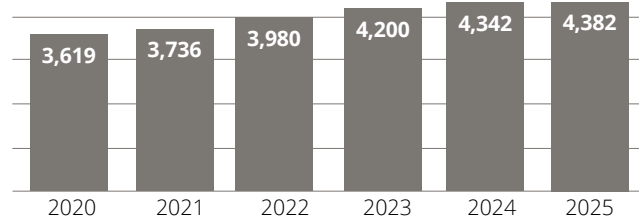


* Historical results reflect internal management reporting and will differ from GAAP, which includes depreciation and other accounting adjustments.

Workforce

FINRA's growth in headcount since 2020 is largely attributable to contractor conversions and additional staff needed to support our mission in a rapidly changing market and regulatory environment. Headcount (excluding Technology) remained relatively flat from 2015 to 2020. Over 300 contractors and temporary employees have been converted to full-time staff since 2020. FINRA's current headcount remains below budgeted levels.

Headcount*



*Reflects budgeted headcount and does not include contractors.

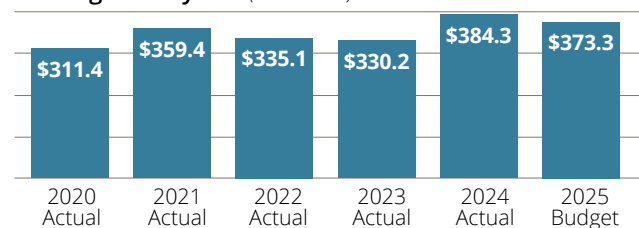
Historical Operating Revenue Trends

The following provides a five-year look back at the four fees that represent FINRA's largest sources of operating revenue. Trading Activity Fees, Gross Income Assessment, Personnel Assessment and Registration Fees for 2022 through 2024 reflect the impact of approved fee changes.

Trading Activity Fee

The Trading Activity Fee is a transaction-based fee that is assessed monthly on firm trading activity in covered securities across all markets. Fluctuations since 2020 are driven by changes in trading volumes.

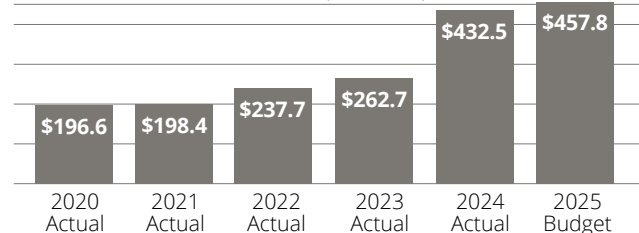
Trading Activity Fee (in millions)



Gross Income Assessment

The Gross Income Assessment is an annual fee that is assessed based on the firm's prior year's total gross revenue less commodities revenue and is based on a tiered rate structure. Increases since 2020 were driven in part by an increase in firm revenues.

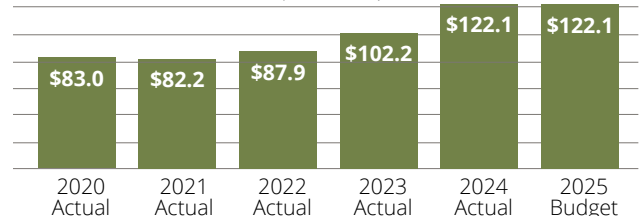
Gross Income Assessment (in millions)



Personnel Assessment

The Personnel Assessment is an annual fee that is assessed based on the firm's number of registered representatives as of December 31 of the previous year and is applied to a regressive tiered rate structure.

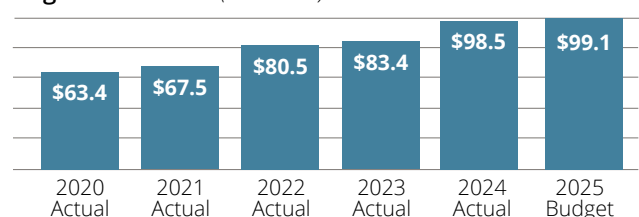
Personnel Assessment (in millions)



Registration Fees

Registration Fees include fees for various registration-related requirements for firms and registered securities representatives in the industry such as initial registration, fingerprinting, disclosures and terminations.

Registration Fees (in millions)



The 2025 budget is allocated according to the following key functions.¹⁰

Member Supervision

Member Supervision monitors and examines for member compliance with industry rules and regulations, and works to detect and address possible fraud or other misconduct.

38%

Market Regulation

Market Regulation conducts automated surveillance and investigations of trading activity in U.S. equities, options and fixed income markets.

14%

Enforcement

Enforcement investigates possible misconduct and brings disciplinary actions for violations of industry rules and regulations.

11%

Credentialing, Registration, Education and Disclosure

Credentialing, Registration, Education and Disclosure operates FINRA's utilities to register and test securities industry personnel, and provides those same services under contract for the benefit of investment advisers and mortgage brokers.

7%

Transparency Services

Transparency Services operates facilities that support the reporting and real-time dissemination of market information for over-the-counter (OTC) trading in the equity and fixed income markets including the Trade Reporting and Compliance Engine (TRACE).

7%

Dispute Resolution Services

Dispute Resolution Services operates a dispute resolution forum for investors, brokerage firms and their registered employees, and administers arbitrations and mediations through a network of four regional offices, with 70 hearing locations, including one in each state and Puerto Rico.

4%

Initiatives

Initiatives are non-recurring expenditures that improve the effectiveness and efficiency of our operations, the ongoing transformation of our regulatory programs, as well as other mandatory initiatives, capital and minor enhancements.

9%

Other Regulatory Operations

10%

FINRA's other regulatory operations include the Office of General Counsel, Advertising Regulation, Corporate Financing, the Office of Hearing Officers, the Office of Member Relations and Education, the Office of Investor Education and other regulatory and support functions.

FINRA's **Office of General Counsel** assists FINRA in adopting and interpreting rules applicable to securities firms and brokers. FINRA solicits comment on its proposed rules from its members, investors and other interested parties, and, with limited exceptions, all FINRA rules must be approved by the SEC.

Advertising Regulation oversees compliance with rules intended to ensure that member communications to the public are fair, balanced and not misleading.

Corporate Financing assists FINRA-regulated firms in complying with FINRA rules and federal securities laws by reviewing documents related to firms' capital-raising activities and arrangements.

The **Office of Hearing Officers** is an office of impartial adjudicators of disciplinary cases brought by FINRA's Enforcement Department against FINRA members.

The **Office of Member Relations and Education** is responsible for maintaining and enhancing open and effective dialogue with FINRA member firms, and oversees FINRA conferences and the FINRA Institute at Georgetown Certified Regulatory and Compliance Professional program.

The **Office of Investor Education** provides investors with financial tools and resources; and through the FINRA Investor Education Foundation®, FINRA supports important research and financial education initiatives.

The Annual Budget Summary does not include the FINRA Investor Education Foundation and FINRA CAT, LLC. FINRA's Annual Financial Report includes the consolidated results of FINRA, the Foundation and FINRA CAT, LLC.

FINRA Investor Education Foundation

The Foundation empowers underserved Americans with the knowledge, skills and tools to make sound financial decisions throughout life. The Foundation supports innovative research and educational projects aimed at segments of the investing public that could benefit from additional resources.

FINRA CAT, LLC

FINRA CAT, LLC acts as the Plan Processor of the Consolidated Audit Trail (CAT) system, the central repository of trades, quotes and orders for all U.S. exchange-listed and over-the-counter equity securities and U.S. exchange-listed options contracts across all U.S. markets and trading venues.

10. The 2025 budget by key function represents an allocation of operating expenses for compensation and benefits, professional and contract services, technology, and occupancy, as well as costs attributed to other general and administrative services.

Investor protection. Market integrity.

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