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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No. * SR 2026 - * 018
Amendment No. (req. for Amendments *)

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
✓	☐	☐	✓	☐	☐

Pilot ☐

Extension of Time Period for Commission Action * ☐

Date Expires *

Rule

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) * ☐ Section 806(e)(2) * ☐

Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 3C(b)(2) * ☐

Exhibit 2 Sent As Paper Document ☐ Exhibit 3 Sent As Paper Document ☐

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Amend FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2165 (Financial Exploitation of Special Adults) and 4512 (Customer Account Information) and to Adopt New FINRA Rule 2166 (Temporary Delays for Suspected Fraud)

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Micah Last Name * Hauptman

Title * Associate General Counsel

E-mail * micah.hauptman@finra.org

Telephone * (202) 728-8123 Fax

Signature

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

Date 08/13/2026

By Alicia Goldin
(Name *)

(Title *)
Vice President & Associate General Counsel

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Alicia Goldin Digitally signed by Alicia Goldin
Date: 2026.08.13 15:52:21 -04'00'

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information * Add / Remove / View FINRA-2026-018 19b-4.docx	The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.
Exhibit 1 - Notice of Proposed Rule Change * Add / Remove / View FINRA-2026-018 Exhibit 1.docx	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies * Add / Remove / View	The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)
Exhibit 2- Notices, Written Comments, Transcripts, Other Communications Add / Remove / View FINRA-2026-018 Exhibit 2a.pdf FINRA-2026-018 Exhibit 2b.docx FINRA-2026-018 Exhibit 2c.pdf	Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G. ☐ Exhibit Sent As Paper Document
Exhibit 3 - Form, Report, or Questionnaire Add / Remove / View	Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change. ☐ Exhibit Sent As Paper Document
Exhibit 4 - Marked Copies Add / Remove / View	The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.
Exhibit 5 - Proposed Rule Text Add / Remove / View FINRA-2026-018 Exhibit 5.docx	The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change
Partial Amendment Add / Remove / View	If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act" or "Exchange Act"),[1] the Financial Industry Regulatory Authority, Inc. ("FINRA") is filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change to amend FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2165 (Financial Exploitation of Specified Adults) and 4512 (Customer Account Information) and to adopt new FINRA Rule 2166 (Temporary Delays for Suspected Fraud) to modernize protections for senior and vulnerable investors and to make additional fraud prevention tools available for all customers.

The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

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[1] 15 U.S.C. 78s(b)(1).

I. Background

A. FINRA's Existing Senior Investor Protection Rules

FINRA has long been committed to protecting senior investors and combating financial fraud through regulation, investor education and assistance, and engagement with member firms, state and federal agencies and investor protection advocates. FINRA recognizes that member firms are on the front line of protecting customers from threat actors and has developed a regulatory framework designed to provide member firms with flexible tools to help protect senior and vulnerable investors from financial exploitation. This framework includes two rules that facilitate early detection and intervention through member firms' ability to contact a customer's trusted contact person and place a temporary hold on a transaction or disbursement when they have a reasonable suspicion of financial exploitation.[2]

Trusted Contact Persons

Rule 4512, in part, requires member firms to make reasonable efforts to obtain the information for a trusted contact person upon the opening of all non-institutional customer accounts. The trusted contact person is intended to serve as a resource for the member firm in various situations, including helping to update customer contact information when a customer becomes unavailable, assisting when concerns arise over possible diminished capacity or other health issues, protecting assets, and responding to possible financial exploitation. Rule 4512 is not limited to senior investors, and a trusted

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[2] Other FINRA rules that are generally applicable to all customers, but can be particularly relevant in protecting senior investors, include FINRA Rule 3240 (Prohibition on Borrowing From or Lending to Customers) and FINRA Rule 3241 (Registered Person Being Named a Customer's Beneficiary or Holding a Position of Trust for a Customer).

contact person can be a valuable tool for customers of all ages. Designation as a trusted contact person does not give the person power of attorney-type authority over customer accounts, and does not give the person authority to execute transactions or make decisions about an account. Rather, trusted contact persons are an important resource for member firms and customers in special circumstances.

While the trusted contact framework has proven valuable, greater rates of adoption could significantly improve investor protection. According to the FINRA Foundation's National Financial Capability Study: 2024 Investor Survey, 42 percent of respondents say they have authorized a trusted contact person for their investment accounts, up from 38 percent in 2021, while over half (53 percent) say they have not.[3] Among those who have not named a trusted contact person, nearly half (49 percent, or just over one-quarter of all survey respondents) say they would be willing to do so.[4]

Temporary Hold Framework

Rule 2165 represents the first uniform national standard for placing temporary holds to address suspected financial exploitation. The rule permits a member firm to

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3 Judy T. Lin, Christopher Bumcrot, Olivia Valdes, Gary Mottola, Susan Sarver, Robert Ganem, Christine Kieffer, & Gerri Walsh, Investors in the United States: A Report of the National Financial Capability Study, FINRA Investor Education Foundation (December 2025) ("National Financial Capability Study").

4 To increase familiarity with and use of this important tool, FINRA has sought to educate investors about trusted contact persons and highlight the benefits of naming a trusted contact person. See, e.g., FINRA, SEC & North American Securities Administrators Association, Inc. ("NASAA"), Investor Bulletin: Why You Should Consider Adding a Trusted Contact to Your Account (August 25, 2025). FINRA has also shared effective practices with member firms to highlight approaches that have helped some member firms achieve higher rates of trusted contact adoption. See Regulatory Notice 22-31 (December 2022); see also FINRA, 2025 FINRA Annual Regulatory Oversight Report (January 2025); FINRA, 2026 FINRA Annual Regulatory Oversight Report (December 2025).

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" when the member firm reasonably believes that financial exploitation of that adult has occurred, is occurring, has been attempted or will be attempted. For purposes of Rule 2165, 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."[5]

Currently, Rule 2165 permits a temporary hold for initial periods of 15 to 25 business days, with the possibility of a single 30-business-day extension (for a total maximum of 55 business days) if the member firm has reported the matter to a state regulator or agency of competent jurisdiction or a court of competent jurisdiction and the member firm continues to have a reasonable belief of financial exploitation. The rule allows member firms to extend a temporary hold beyond the 55-business-day maximum upon a state agency's request to do so, which is not required to be accomplished through a formal order.[6]

Temporary holds under Rule 2165 have played an important role in providing member firms a way to quickly respond to suspicions of financial exploitation before losses occur for customers. However, FINRA has learned through research and feedback from member firms and other interested parties that, in some cases, the current 55-business-day limit poses challenges. Notably, according to the National Adult Protective

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5 Rule 2165(a)(1).

6 See FINRA, Frequently Asked Questions Regarding FINRA Rules Relating to Financial Exploitation of Senior Investors at Q.3.2 ("FINRA Seniors FAQs").

Services Association ("NAPSA"), financial exploitation investigations are often the most complex and time-consuming, and in many instances can take longer than a year.[7]

B. The Growing Threat of Fraud and Financial Exploitation

The Federal Trade Commission ("FTC") found the overall cost of fraud to older adults in 2024 to be approximately $81.5 billion when accounting for underreporting.[8] Representing a portion of fraud losses, the Federal Bureau of Investigation's Internet Crime Complaint Center ("FBI IC3") received reports of more than $7.7 billion lost to

7 See Letter from Jennifer Spoeri, Executive Director, William Benson & Kendra Kuehn, National Policy Advisors, and Joe Snyder, Policy Chair, National Adult Protective Services Association, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated June 12, 2025 (noting that FINRA's prior amendments to Rule 2165, extending the temporary hold period to 55 business days, "mirror the average time it takes to conduct an APS investigation. This average encapsulates all categories of reports that APS investigates (i.e., physical, sexual and emotional abuse, self-neglect, caregiver neglect), in addition to financial abuse. Financial exploitation investigations are often the most complex and time-consuming and there are many examples of cases being open for more than a year.").

8 Federal Trade Commission ("FTC"), Protecting Older Consumers 2024–2025: A Report of the Federal Trade Commission at 28 (December 1, 2025), https://www.ftc.gov/system/files/ftc_gov/pdf/P144400-OlderAdultsReportDec2025.pdf ("FTC Protecting Older Consumers"). The actual magnitude of fraud losses is challenging to estimate due to underreporting. See, e.g., Rachel E. Morgan & Susannah N. Tapp, Examining Financial Fraud Against Older Adults, Nat'l Inst. of Justice J. (March 20, 2024) (citing data on fraud against older adults, but noting that "the actual number of fraud cases is unknown as many people do not report their victimization, and underreporting is especially high for older adults"); U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN"), FIN-2022-A002: Advisory on Elder Financial Exploitation at 1-2 (June 15, 2022) ("FinCEN 2022 Advisory") ("Despite the fact that [elder financial exploitation] is the most common form of elder abuse, the majority of incidents go unidentified and unreported as victims may choose not to come forward out of fear, embarrassment, or lack of resources.").

fraud by Americans over age 60 in 2025.[9] These estimates represent not only devastating financial losses but also the profound personal toll fraud takes on victims, including shame, isolation and diminished quality of life.

For senior investors, fraud losses can be catastrophic. Unlike younger investors who may have years of future earnings to rebuild their financial security, senior investors are often living on fixed incomes derived from a lifetime of savings, with limited or no ability to offset significant losses. The frequently irreversible nature of these losses underscores why FINRA has placed special emphasis on protecting this vulnerable population and why member firms play such a crucial role as the first line of defense against financial exploitation.

While the impact of fraud can be devastating for senior investors as a group, the threat of fraud extends across all age demographics and is growing at an alarming pace.[10] The FTC estimated overall fraud losses in 2024, adjusted to account for underreporting, at $195.9 billion.[11] The FBI IC3 had a record-breaking $20.877 billion in reported fraud

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9 See FBI IC3, FBI Internet Crime Report 2025 at 6 ("FBI IC3 Report"). This represents a 59 percent increase in losses from 2024.

10 For example, FTC data show that median losses are highest for older adults, but individuals under age 60 accounted for 64 percent of reported fraud in 2024. See FTC Protecting Older Consumers, supra note 8, at 18; see also FTC, Consumer Sentinel Network Data Book 2024 (March 2025) ("FTC 2024 Data Book"). The FTC's Consumer Sentinel data are available online in an interactive format.

11 See FTC Protecting Older Consumers, supra note 8, at 28.

losses in 2025, representing a 26 percent increase from 2024.[12] Globally, consumers lost over $1 trillion to scams in 2024.[13]

Criminal perpetrators employ increasingly sophisticated tactics using technology and artificial intelligence ("AI"), making it more difficult for both member firms and investors to identify scams.[14] These advances have contributed to the rapid evolution and proliferation of fraud schemes that can victimize investors regardless of age, capacity or sophistication.[15]

C. Overview of Proposed Rule Changes

In light of these evolving threats and based on extensive engagement with member firms and other interested parties, FINRA is filing this proposed rule change to make additional fraud prevention tools available for all customers. As discussed in more detail below, FINRA is proposing:

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12 See FBI IC3 Report, supra note 9.

13 Sam Rogers, International Scammers Steal Over $1 Trillion in 12 Months in Global State of Scams Report 2024, Global Anti-Scam Alliance (November 7, 2024).

14 See, e.g., FBI, Alert Number: I-120324-PSA: Criminals Use Generative Artificial Intelligence to Facilitate Financial Fraud (December 3, 2024).

15 See, e.g., FBI IC3 Report, supra note 9, at 3 ("It has never been more important to be diligent with your cybersecurity, social media footprint, and electronic interactions. Cyber threats and cyber-enabled crime will continue to evolve as the world embraces emerging technologies such as artificial intelligence."); INTERPOL, INTERPOL Global Financial Fraud Threat Assessment at 17 (March 2026) ("The proliferation of AI-driven tools, large language models ("LLMs"), cryptocurrencies, and the rapid expansion of the Fraud-as-a-service ("FaaS") platforms have collectively lowered barriers to entry, enabling widespread access to sophisticated fraud capabilities, elevating the generation of financial gain through fraud schemes to an efficient, global industry.").

- Amendments to Rule 4512 (Customer Account Information) designed to increase adoption and effectiveness of trusted contacts, by permitting member firms to use the alternative term "emergency contact" and to provide additional flexibility for a customer to name a trusted or emergency contact for use across all the customer's accounts at the member firm;
- Amendments to Rule 2165 (Financial Exploitation of Specified Adults) to extend the maximum temporary hold period under Rule 2165 from 55 business days to 145 business days, in three 30-business day increments, subject to safeguards, along with additional modifications that provide enhanced clarity and flexibility; and
- New Rule 2166 (Temporary Delays for Suspected Fraud) to offer member firms a separate safe harbor framework, modeled on existing Rule 2165, to protect all customers (irrespective of age or capacity) from suspected fraud, by permitting a temporary delay of up to 10 business days on disbursements or transactions when there is a reasonable belief of fraud. The addition of proposed new Rule 2166 would also require a conforming amendment to Rule 0150 (Application of Rules to Exempted Securities Except Municipal Securities).

II. Proposed Amendments to Rule 4512

A. Enabling Use of the Alternate Term "Emergency Contact"

The proposed addition of new paragraph (e) of Rule 4512.06 would give member firms the option to use the term "emergency contact" as an alternative to "trusted contact person." FINRA believes that providing member firms the flexibility to use the term "emergency contact" as an alternative to "trusted contact person" would clarify the role for customers who are unfamiliar with the term "trusted contact person" and potentially increase use of this tool. Member firms' written supervisory procedures and training materials would need to reflect that the terms have the same meaning and obligations.

B. Providing Additional Flexibility in Naming a Trusted Contact Person for All Accounts

The trusted contact provisions are part of Rule 4512 and apply to each non-institutional customer account. FINRA has previously provided guidance permitting a member firm to seek to obtain trusted contact person information collectively where a customer has more than one account (e.g., in one update letter for all the customer's accounts), provided that each of the affected accounts is clearly identified to the customer.[16]

To provide additional flexibility, FINRA is proposing to expand this guidance in proposed new paragraph (d) of Rule 4512.06. This would permit member firms to seek the customer's authorization to apply a trusted contact person to all of the customer's existing and future accounts with the member firm, provided that the customer is also offered the choice to assign the trusted contact person on an account-by-account basis rather than to all accounts.

C. Clarifying and Other Ministerial Changes

As a ministerial matter, the proposed amendments delete from Rule 4512.06(a) a transitional provision that addressed the application of the trusted contact requirement to accounts that were opened pursuant to a prior rule. Due to the passage of time, this provision is no longer needed.

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16 See FINRA Seniors FAQs, supra note 6, at Q.4.5.

In addition, to clarify that member firms are permitted to obtain more than one trusted contact person, FINRA proposes a minor addition to Supplementary Material .06 to clarify that nothing in the rule shall prevent a member from obtaining more than one trusted contact person from a customer.[17]

III. Proposed Amendments to Rule 2165

A. Proposed Changes to Extend the Maximum Temporary Hold Period

FINRA is proposing a structured framework for extending temporary holds beyond the current 55-business-day maximum, by adding three 30-business-day extensions to a new maximum of 145 business days (unless otherwise terminated or extended by the relevant authority) in proposed Rule 2165(b)(5). While many financial exploitation situations are resolved within the existing framework of the rule, these additional extensions are designed to be used in those limited circumstances where Adult Protective Services ("APS"), law enforcement, and other relevant agencies and regulators may need additional time to assess referrals, determine whether to investigate, and communicate to member firms that additional time will be needed to investigate or resolve the matter.[18]

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17 For example, Rule 2165 expressly includes reference to plural "Trusted Contact Person(s)." See Rule 2165(b)(1)(B)(ii). See also, e.g., SEC, FINRA, & NASAA, Investor Bulletin: Why You Should Consider Adding a Trusted Contact to Your Account (August 25, 2025), https://www.finra.org/investors/insights/trusted-contact ("A trusted contact person must be age 18 or older. They may be a family member, close friend, attorney, accountant or another third party you believe would respect your privacy and be willing to help. You may also choose to add more than one trusted contact to your account. Finally, you may change your trusted contact in your account as often as you wish.") (emphasis added).

18 See supra note 7 and accompanying text.

The new structured framework would impose measured conditions and other safeguards to prevent inappropriate extensions of a temporary hold. The ability to extend for each 30-business-day period would be conditioned on the member firm making reasonable follow-up efforts with the relevant authority regarding the status of the reported matter; not having received a response;[19] and continuing to have a reasonable belief of financial exploitation.[20]

The first extension beyond 55 business days would require notification, which may be oral, to all parties authorized to transact business on the account and to the trusted contact person(s) (subject to certain exceptions).[21] These individuals would need to be notified of the extension, the reason for and potential duration of the extension, and how the member firm can be contacted for questions or concerns.[22]

The amendment would also require documentation associated with any additional extension, including the documentation of follow-up efforts, the lack of a response from

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19 An automated response or acknowledgement or other communication that does not address the status of the referral would not be considered a response for these purposes.

20 Proposed Rule 2165(b)(5)(A).

21 Proposed Rule 2165(b)(5)(B) (stating that members must "provide notification of the extension of the temporary hold, the reason for the extension, and the potential for the extension to last 90 business days" to the trusted contact person(s) and all parties authorized to transact business on the account, unless a party is unavailable or the member reasonably believes that the party has engaged, is engaged, or will engage in the financial exploitation of the Specified Adult).

22 Currently, Rule 2165 requires notification of the hold and the reason for the hold to authorized parties and the trusted contact person within two business days of placing the hold. FINRA is proposing to amend this requirement to also require information about how the member can be contacted for questions or concerns. See proposed Rule 2165.06.

the relevant regulator or agency of competent jurisdiction or court of competent jurisdiction, and the member's continuing belief of financial exploitation.[23] In accordance with proposed Rule 2165.05, documentation of follow-up efforts with the relevant regulator, agency or court of competent jurisdiction "shall include dates of communication attempts, methods used, and any communications received."[24] Member firms would also be required to maintain records demonstrating that they made reasonable efforts to determine the status of the referred matter.[25] As discussed below, at any time, if the relevant authority requests an extension, the member firm would be permitted to continue the hold outside of the structured time periods.[26]

This balanced approach provides for longer holds in complex cases while maintaining the integrity of the existing temporary hold framework through a clearly defined process.

B. Reporting Financial Exploitation to Federal Authorities

Currently, Rule 2165 permits a temporary hold to be extended if the member firm has provided notification of the member firm's reasonable belief of financial exploitation to a state regulator or agency of competent jurisdiction or a court of competent

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[23] Proposed Rule 2165(d)(7). In circumstances where the member receives no communication from the relevant authority, documentation of a lack of response could include a notation or attestation that no response was received from the relevant authority as of a specified date.

[24] Proposed Rule 2165.05.

[25] See supra note 24.

[26] See proposed Rule 2165(b)(2)–(4) ("unless otherwise terminated or extended by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction") and proposed Rule 2165.04; see infra Item 3(a)III.D.

jurisdiction. In recognition of the multi-jurisdictional nature of many instances of financial exploitation and potential avenues at the federal level for investigation and redress, FINRA proposes to expand existing references in Rule 2165(b)(2)–(4) and 2165(d) to expressly include a federal regulator or federal agency of competent jurisdiction, and include these references in the proposed new provisions.[27]

C. Individuals Authorized to Place, Extend or Terminate a Hold

Pursuant to existing Rule 2165(c)(2), a member firm's written supervisory procedures must identify the title of each person authorized to place, terminate or extend a temporary hold on behalf of the member firm. Such individuals must be associated persons who serve in a supervisory, compliance or legal capacity for the member firm.

To facilitate the administration of the temporary hold provisions by member firm personnel who do not serve in a supervisory, compliance or legal capacity but who have relevant expertise and day-to-day responsibilities, FINRA proposes a limited expansion of the types of individuals whom a member firm can authorize to place, terminate or extend a temporary hold. The proposed addition of Rule 2165(c)(2)(B) would cover associated persons who serve in "a specialized senior investor protection or fraud

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27 See, e.g., Board of Governors of the Federal Reserve System et al., Interagency Statement on Elder Financial Exploitation at 7 (December 2024) ("Some agencies or programs may be able to help victims recover stolen funds. For example, the IC3 Recovery Asset Team is a domestic program designed to 'streamline communication between financial institutions and assist FBI field offices with the freezing of funds for those who made transfers to fraudulent accounts under false pretenses.' Another example is FinCEN's international Rapid Response Program that 'helps victims and their financial institutions recover funds stolen as the result of certain cyber-enabled financial crime schemes, including business e-mail compromise.'") (citations omitted).

prevention role with responsibilities that include, as appropriate, investigating, evaluating, escalating, and reporting potential financial exploitation of Specified Adults."

D. Codifying Guidance Articulated in Frequently Asked Questions

For clarity, FINRA proposes to largely codify existing guidance articulated in two Frequently Asked Questions ("FAQs"). First, pursuant to proposed Supplementary Material .04, a member firm may extend a temporary hold beyond the periods specified in Rule 2165 upon the request of a federal or state regulator or agency of competent jurisdiction or court of competent jurisdiction, and that request need not be in the form of a formal order or in writing,[28] so long as the member firm maintains a record of the authority's request.[29] Accordingly, if a relevant authority indicates to a member firm, by telephone, email or otherwise, that additional time is needed to address a reported matter, the member firm may extend the hold and retain a record of the request.

Second, pursuant to proposed Supplementary Material .07, a member firm may place restrictions on an entire account rather than a particular disbursement or transaction when the member firm has a reasonable belief of financial exploitation, has procedures

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28 To the extent a member receives an oral request from the relevant authority, the member would be expected to create a record of such communication and maintain it in accordance with proposed Rule 2165.04.

29 <u>See</u> FINRA Seniors FAQs, <u>supra</u> note 6, at Q.3.2 ("<u>May a member extend a temporary hold beyond the period indicated in Rule 2165 if a state agency, such as adult protective services, securities regulator, or other state agency or regulator, asks a member to extend a temporary hold so that it has more time to investigate the matter or does the state agency need to issue a formal order? In addition, would the member need to report the agency's request to FINRA?</u> Rule 2165 allows a member to extend a temporary hold upon a state agency's request to do so. The state agency would not have to issue a formal order. In addition, Rule 2165 does not require a member to report a state agency's request to FINRA. However, the member would need to maintain a record of the state agency's request.").

reasonably designed to permit legitimate transactions and disbursements (e.g., regular bill payments), and permits such legitimate transactions or disbursements.[30] The provision makes clear that a member firm may not avail itself of the Rule 2165 safe harbor if it blocks transactions or disbursements where there is not a reasonable belief of financial exploitation regarding such transactions or disbursements.[31]

E. Protection of Customer Assets

FINRA recognizes that member firms may hold crypto assets for customers, such as payment stablecoins regulated by the GENIUS Act.[32] FINRA therefore proposes to

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30 See FINRA Seniors FAQs, supra note 6, at Q.1.2. ("Under Rule 2165, may a member that has a reasonable belief of financial exploitation of a Specified Adult regarding a transaction or disbursement place a temporary hold or restrictions on an entire account if the member permits legitimate disbursements from the account? Where a questionable transaction or disbursement involves less than all assets in an account, a member should not place a blanket hold on the entire account. Each transaction or disbursement should be analyzed separately. In addition, where a transaction or disbursement at issue involves all of the assets of the account (e.g., an ACATS transfer request), the member must permit transactions or disbursements from the account where there is not a reasonable belief of financial exploitation regarding such disbursements (e.g., regular bill payments). FINRA understands that some members intend, for operational reasons, to place a temporary hold or restrictions on an entire account when they have a reasonable belief of financial exploitation regarding a transaction or disbursement from the account, but also intend to permit legitimate transaction or disbursement from the account in these circumstances. FINRA believes that placing a temporary hold or restrictions on an entire account but allowing legitimate transactions or disbursements from the account is consistent with Rule 2165 and members may proceed in such a manner as long as they have procedures reasonably designed to permit legitimate transactions and disbursements. FINRA emphasizes that a member may not avail itself of the Rule 2165 safe harbor if it blocks transactions or disbursements where there is not a reasonable belief of financial exploitation regarding such transactions or disbursements.").

31 See proposed Rule 2165.07.

32 See Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119-27, 139 Stat. 419 (2025) (establishing federal guidelines for the use of stablecoins in financial markets).

change the current terminology of "funds or securities" to "funds, securities, or other assets" throughout Rule 2165, and use this same terminology in proposed Rule 2166 (discussed below), to clarify that Rule 2165 and proposed Rule 2166 would permit member firms to protect any customer assets that may be held with the member, including payment stablecoins.

IV. Proposed New Rule 2166

A. Background

The proliferation of fraud and scams targeting individuals of all ages and the evolution of fraud tactics have heightened a need for protective measures that extend beyond the current Specified Adult criteria in Rule 2165. To offer member firms a tool to protect all customers (regardless of age or capacity) from fraud, FINRA is proposing to adopt new Rule 2166.

Proposed Rule 2166 is modeled on Rule 2165 and similarly offers an optional safe harbor approach—but in a more streamlined fashion—with a "speed bump" mechanism distinct from the longer-term holds available under Rule 2165 for Specified Adults. Specifically, proposed Rule 2166 would permit a member firm to place a temporary delay of up to 10 business days on a transaction or disbursement in the account of a customer[33] if there is a reasonable belief of fraud[34] targeting the customer, with associated safeguards.[35]

Proposed Rule 2166 is designed to prevent customer losses by giving member firms a brief intervention window to facilitate outreach by the member firm to the customer (away from perpetrator influence). This brief intervention window would also facilitate outreach by the member firm to authorized parties and trusted contact persons, if the member chooses to do so. Further, it would facilitate information gathering, conversation and provision of relevant educational resources about fraud schemes. During that intervention window, a member firm could attempt to persuade the customer to recognize the attempted fraud and not proceed with the transaction or disbursement.

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33 For purposes of this rule, "customer" would mean "a natural person age 18 and older." Proposed Rule 2166(a)(2). "Account" would mean "any account of a member for which a customer has the authority to transact business." Proposed Rule 2166(a)(1). Customers who meet the definition of "Specified Adult" under Rule 2165 may be protected by a member under either Rule 2165 or proposed Rule 2166. FINRA notes that a "mental or physical impairment that renders the individual unable to protect his or her own interests" can apply to temporary impairments (e.g., due to addiction or temporary illness) as well as permanent or chronic impairments. See Securities Exchange Act Release No. 79215 (November 1, 2016), 81 FR 78238, 78246 (November 7, 2016) (Notice of Filing of File No. SR-FINRA-2016-039). In the context of placing a temporary delay in the account of a customer under the age of 65, if the member forms a reasonable belief that the customer has such a mental or physical impairment, the member could choose to rely instead on Rule 2165.

34 For purposes of this rule, "fraud" would be defined as "a deceptive scheme perpetrated by a third party that targets a customer and results in a request for a disbursement of funds, securities, or other assets or a transaction in securities based on false or misleading information." Proposed Rule 2166(a)(4).

35 Like Rule 2165, proposed Rule 2166 would provide members and their associated persons with a safe harbor from FINRA Rules 2010, 2150 and 11870 when acting in accordance with the requirements of the rule.

The FBI explains that "[o]ne of the most common tactics scammers employ is a false sense of urgency or isolation" and for this reason, the FBI "urges the public to 'Take A Beat': resist pressure to act quickly, pause for a moment, and assess the situation."[36] Using a permissible "speed bump" or "cooling off period" of this type is consistent with this FBI fraud and scam awareness campaign, and is supported by research suggesting that emotional stimulus can increase susceptibility to fraud.[37] Other research indicates that awareness about specific scams can help protect against financial loss.[38] Accordingly, the ability to pause a transaction or disbursement and educate the customer about the specific type of suspected fraud or scam could help prevent fraud losses.

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36 See FBI, FBI Announces Nationwide 'Take A Beat' Campaign to Increase Awareness of Frauds and Scams (August 19, 2024) (noting that perpetrators "may try to instill trust, induce empathy, or fear, or promise monetary gains, companionship, or employment opportunities—all to lure victims into immediate action.").

37 See Katharina Kircanski et al., Emotional Arousal May Increase Susceptibility to Fraud in Older and Younger Adults, 33(2) Psychol. & Aging 325–337 (March 2018) ("Persuasion tactics used by fraud perpetrators often elicit high levels of emotional arousal; thus, studying emotional arousal may help to identify the conditions under which individuals are particularly susceptible to fraud. We examined whether inducing high-arousal positive ("HAP") and high-arousal negative ("HAN") emotions increased susceptibility to fraud. . . . For participants who exhibited the intended induced emotional arousal, both the HAP and HAN conditions . . . significantly increased participants' reported intention to purchase falsely advertised items.").

38 See Marguerite DeLiema, Yiting Li & Gary Mottola, Correlates of responding to and becoming victimized by fraud: Examining risk factors by scam type, 47(3) Int'l J. of Consumer Stud. 1042-1059 (May 2023) ("Using survey data from 1375 American and Canadian consumers who previously reported a scam to a North American consumer complaint organization, this study examines the correlates of responding to and losing money to four categories of consumer fraud: opportunity-based scams, threat-based scams, consumer purchase scams, and phishing scams. . . . Having advance knowledge of fraud prior to being exposed was protective across nearly all scam types. Results suggest that awareness about specific scams helps protect against financial loss.").

FINRA offers a set of resources in its online Member Firm Hub, including Investor Education Resources and Scam Prevention & Assistance Resources.[39] These Key Topic pages provide consolidated resources that member firms and registered professionals can use or share with their customers.

B. Overview of Proposed New Rule 2166, Including Key Safeguards

Proposed Rule 2166 establishes a "speed bump" mechanism, distinct from the longer-term holds available under Rule 2165 for Specified Adults, which would permit a member firm to place a temporary delay of up to 10 business days on a transaction or disbursement in the account of a customer if there is a reasonable belief of fraud targeting the customer, with associated safeguards. The definition of "fraud" in Proposed Rule 2166 is intended to be broad and would include, for example, identity theft and account takeovers.[40]

The rule contains safeguards modeled on similar provisions in Rule 2165 to protect customers and prevent misapplication of the rule:

- Proposed Rule 2166(b)(1)(A): The member firm may only place the temporary delay if the member firm reasonably believes that fraud has occurred, is occurring, has been attempted, or will be attempted.
- Proposed Rule 2166(b)(1)(B) and 2166.04: Not later than two business days after placing a temporary delay, the member firm must provide notification, which may

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39 FINRA, Member Firm Hub: Customer Resources, https://www.finra.org/member-firm-hub.

40 See supra note 34.

be oral, to the customer[41] of the temporary delay, the reason for the delay, and how the member firm can be contacted with questions or concerns.[42] Member firms may choose to also notify other authorized parties and trusted contact persons.

- Proposed Rule 2166(b)(2): The temporary delay would expire no later than 10 business days after the date that the member firm first placed the temporary delay, unless otherwise terminated or extended by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction.
- Proposed Rule 2166(c) and 2166.02: The rule would impose supervision and training requirements consistent with Rule 2165 (as proposed to be amended).

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[41] Under Rule 2165, within two business days of placing a hold, a member must notify all parties authorized on the account and the trusted contact. See Rule 2165(b)(1)(B). For purposes of the more streamlined approach in proposed Rule 2166, FINRA is proposing to require notification to the customer, while permitting member firms to choose whether to also notify other authorized parties or trusted contact persons.

[42] See proposed Rule 2166(b)(1)(B) and 2166.04. FINRA understands that a member firm may not necessarily be able to speak with or otherwise obtain a response from the customer within the two-business-day period. Consistent with guidance provided in connection with Rule 2165, FINRA would consider, for example, a member firm's sending an email to a customer's email address on file with the firm or placing a telephone call and leaving a message with the customer within the two-business-day period to constitute notification for purposes of proposed Rule 2166. See Regulatory Notice 17-11 at n.20 (March 2017). A member firm may similarly mail a letter, but due to the short duration of the temporary delay in proposed Rule 2166, delivery by mail may not be the most expedient means of communication.

- Proposed Rule 2166(d): The records requirement would be generally consistent with Rule 2165(d) (as proposed to be amended).[43] Proposed Rule 2166(d) would require member firms to retain records of requests for disbursements or transactions that may constitute fraud and the resulting temporary delay, the basis for the reasonable belief of fraud, the name and title of the associated person who authorized the temporary delay, notification to relevant parties, any information provided to the customer in connection with the temporary delay, and information regarding any communications with or by a federal or state regulator or agency or court of competent jurisdiction.

Proposed Rule 2166 seeks to balance investor protection with respect for customer autonomy. It complements Rule 2165 by addressing situations where customers of any age and capacity are targeted by fraud. The differences between Rule 2165 and proposed Rule 2166 recognize that there are some factors that may be unique to senior investors, such as the existence of agencies focused on combating financial exploitation of seniors (e.g., APS). The longer hold periods in Rule 2165 provide the member firm with the time needed to gather information that can form the basis of a referral to such agency, and the time an agency may need to evaluate the matter and conduct its investigation. The length of the Rule 2165 hold period also recognizes the severity of the consequences for seniors who experience financial exploitation, as

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43 Proposed Rule 2166(d) would not include the specific records requirements that are related to unique aspects of Rule 2165 concerning internal review and extensions of the temporary hold period.

discussed above. Those same considerations and resources do not necessarily exist for fraud perpetrated on other types of investors.[44]

C. Applying Proposed New Rule 2166 in Practice

FINRA understands that some member firms currently rely on contractual provisions in their account opening agreements to place holds on transactions or disbursements to protect customers from fraud. In some cases, these holds may exceed 10 business days. The optional safe harbor under proposed Rule 2166 would offer a structured framework for member firms (including those that do not currently have such contractual provisions) under FINRA rules, without restricting a member firm's ability to pursue contractual approaches.[45]

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44 Under both Rule 2165 and proposed Rule 2166, member firms have the ability to coordinate with relevant parties, as appropriate, to prevent or address customer harm. In addition, Section 314(b) of the USA PATRIOT Act and its implementing regulation provide financial institutions with the ability, upon providing notice to the U.S. Department of the Treasury, to share information with one another, under a safe harbor that offers protections from liability, for purposes of identifying and, where appropriate, reporting activities that may involve possible terrorist activity or money laundering, which may include information about fraud and other specified unlawful activities. See 31 CFR 1010.540 (Voluntary information sharing among financial institutions) regarding the requirements that must be met to qualify for the safe harbor from liability. In June 2026, FinCEN issued updated guidance on information sharing under Section 314(b) through a fact sheet that further clarified: (1) the permissibility of real-time information sharing under Section 314(b) of the USA PATRIOT Act; (2) under what circumstances information, including related to fraud, can be shared; and (3) how information can be shared. See FinCEN, Section 314(b) Fact Sheet (June 12, 2026), https://www.fincen.gov/system/files/shared/314bfactsheet.pdf. See also supra note 27; FinCEN Rapid Response Program Fact Sheet (April 15, 2026), https://www.fincen.gov/system/files/2026-04/RRPFactSheet.pdf; FBI Cyber, International Kill Chain Process, https://www.justice.gov/elderjustice/media/1364056/dl?inline.

45 See also Regulatory Notice 22-05 at n.13 (February 2022) ("Regarding whether the best execution obligation applies to a member firm's decision to place a

As with Rule 2165, Supplementary Material .01 to proposed Rule 2166 makes clear that the rule does not require member firms to place temporary delays.[46]

Consistent with proposed Supplementary Material .07 in Rule 2165, pursuant to Supplementary Material .05 in proposed Rule 2166, a member firm may place restrictions on an entire account rather than a particular disbursement or transaction when the member firm has a reasonable belief of fraud regarding a transaction or disbursement from the account, has procedures reasonably designed to permit legitimate transactions and disbursements (e.g., regular bill payments), and permits such legitimate transactions or disbursements from the account in these circumstances. The provision makes clear that the member firm may not rely on the safe harbor if it blocks transactions or disbursements where there is not a reasonable belief of fraud regarding such transactions or disbursements.

V. Conforming Change to Rule 0150

FINRA proposes amending Rule 0150(c) to add proposed new Rule 2166 to the list of rules applicable to transactions in, and business activities relating to, exempted securities, except municipal securities, conducted by member firms and associated persons.

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temporary hold on a securities transaction where there is a reasonable belief of customer financial exploitation, '[b]roker-dealers are reminded that nothing under the federal securities laws or FINRA rules obligates them to accept an order where they believe that the associated compliance or legal risks are unacceptable.'") (citing SEC, Staff Bulletin: Risks Associated with Omnibus Accounts Transacting in Low-Priced Securities (last updated October 17, 2023)).

46 See proposed Rule 2166.01.

As noted in Item 2 of this filing, if the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[47] which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

The proposed rule changes are designed to enhance member firms' ability to prevent and address financial exploitation of senior and vulnerable investors and fraud impacting investors of all ages.

The proposed changes to Rule 4512, including the ability for member firms to use the term "emergency contact" as an alternative to "trusted contact person," aim to increase customer understanding and adoption of this safeguard to help protect investors from fraud and financial exploitation, help member firms update contact information when a customer becomes unavailable, assist when concerns arise over possible diminished capacity or other health issues, and protect assets.

The proposed limited expansion of the time period in Rule 2165 would allow additional time for APS agencies, law enforcement, and state and federal regulators to assess referrals of suspected financial exploitation, determine whether to investigate, and, where relevant, communicate to member firms that additional time will be needed to investigate or resolve a matter. The additional proposed changes to Rule 2165 are

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[47] 15 U.S.C. 78o-3(b)(6).

intended to provide member firms clarity and flexibility in applying this critical investor protection tool. Ultimately, the purpose of these proposed changes is to further empower member firms to help protect senior and vulnerable investors from experiencing unrecoverable losses due to financial exploitation.

Proposed new Rule 2166 is designed to provide member firms with an additional investor protection tool that would be available to any customer, regardless of age or capacity. The proposed new rule would enable member firms to place temporary delays of up to 10 business days on transactions and disbursements where there is a reasonable belief of fraud, during which time member firms can communicate with customers to alert them of suspected fraud and ultimately prevent unrecoverable fraud losses from occurring.

The proposed rule changes incorporate numerous conditions and important safeguards that apply to each temporary hold or delay and are designed to protect investors against misapplication of the rules.

4. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. All member firms would be subject to the proposed rule change.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the economic baseline for the proposed rule change and their potentially significant economic impacts, including anticipated costs and benefits, relative to the baseline, and the alternatives considered in assessing how best to meet FINRA's regulatory objectives.

(a) Regulatory Need

Advances in technology and use of sophisticated tactics have made fraud a significant and growing risk for investors and member firms. While investors of all ages face a significant risk of fraud, senior investors are often living on fixed incomes and budgets without the ability to offset significant losses over time. The proposed rule amendments would enhance the tools that member firms have to fight fraud and financial exploitation of senior and vulnerable adult investors, and to protect other investors where there is a reasonable suspicion of fraud.

(b) Economic Baseline

The economic baseline includes current Rules 4512 and 2165, which assist member firms in protecting customer assets through trusted contact persons and, for Specified Adults, the ability to place temporary holds on disbursements and transactions when there is a reasonable belief of financial exploitation. The economic baseline also includes current industry practices relating to compliance with these provisions and relevant state laws as well as current risks of fraud and financial exploitation of individuals who are not Specified Adults. The proposed rule change would mostly affect member firms with retail operations. As of December 31, 2025, there are at least 1,088 member firms that serve retail investors.

Survey data from FINRA's current National Financial Capability Study Report indicate that about 42 percent of investors have authorized a trusted contact person for their investment accounts.[48] Among those investors who do not have a trusted contact person, 81 percent do not recall being asked to name one and 49 percent indicated that they would be willing to do so.[49]

Regarding temporary holds, FINRA conducted a survey of member firms in 2020. At that time, FINRA found that "[a]pproximately 53 percent of survey respondents stated that they had been unable to resolve a matter within the 25-business day period."[50] Furthermore, "[f]or matters that took longer to resolve than the 25-business day period, approximately 35 percent of survey respondents indicated that it took on average 26–50 days to resolve the matter and approximately 59 percent of survey respondents indicated that it took on average 51–100 days to resolve the matter."[51]

(c) Economic Impacts

The proposed amendments would impact member firms and investors, especially senior and vulnerable investors. As discussed above, FINRA is proposing amendments in three areas: (1) amendments to Rule 4512, allowing the use of "emergency contact" terminology under the existing trusted contact framework to reduce customer confusion, and codifying existing guidance; (2) amendments to Rule 2165, including extending maximum temporary hold periods and codifying existing guidance; and (3) proposing new Rule 2166 that introduces a new temporary delay mechanism for addressing suspected fraud, applicable to any customer (regardless of age or capacity).

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48 See National Financial Capability Study, supra note 3, at 21.

49 See National Financial Capability Study, supra note 3, at 22.

50 See Regulatory Notice 20-34 at 5 (October 5, 2020).

51 See supra note 50.

Anticipated Benefits

FINRA believes that the proposed rule change to Rule 4512 allowing the use of the term "emergency contact" as an alternative to "trusted contact person" would increase customer comfort with designating an individual as a trusted contact person. FINRA also believes that an increase in customer use of this designation would improve member firms' ability to intervene in situations of suspected fraud or other circumstances of potential investor harm. This would subsequently improve the chances to prevent potential financial losses to investors.

FINRA believes that the proposed rule change to Rule 2165 would better address the fact that, in a significant number of instances, relevant authorities, such as APS or law enforcement, require more than the current maximum of 55 business days to evaluate or address financial matters. The data from the 2020 FINRA member firm survey discussed above suggest that about 28 percent of member firms face instances where a matter took more than 50 days to resolve. The data also suggest that the majority of matters are resolved within the current maximum of 55 business days.

The proposed rule change would establish a structured framework to extend temporary holds up to a maximum of 145 business days (absent further extension by the relevant authority) and provide a mechanism whereby the extension of a hold is commensurate to the circumstances. The more flexible structured framework is expected to benefit investors by allowing, when needed, for more time to address situations where fraud or other circumstances of potential investor harm may be occurring. The proposed rule change strikes a balance between addressing circumstances where there is a demonstrated need for longer holds and avoiding overly long holds or misuse.

The newly proposed Rule 2166 would expand temporary hold protections to cover not only senior and vulnerable investors, but all investors. It would do so by introducing an optional safe harbor for member firms to place a temporary delay of up to 10 business days on disbursements or transactions when there is a reasonable belief of fraud targeting a customer, without restricting a member firm's ability to include contractual provisions in their account opening agreements to place holds or delays to protect customers from fraud. The proposed rule change would benefit investors by allowing member firms to intervene in situations of suspected fraud and thereby potentially prevent financial losses to investors, especially if relevant information can be effectively communicated to investors within 10 business days. Accordingly, the expected benefits from the proposed rule change would be greatest where the member firm maintains awareness of common fraud schemes and knows the customer, including how to effectively communicate with them. The proposed rule change benefits member firms by providing them with safe harbor protection from specified FINRA rules if they meet the terms of the rule when implementing a delay of up to 10 business days on disbursements or transactions.

Anticipated Costs

Allowing member firms to use the term "emergency contact" as an alternative to "trusted contact person" would result in negligible additional costs if they choose to use the "emergency contact" terminology. Member firms may incur some minor costs in updating materials that reference "trusted contact person," such as written supervisory procedures, training materials and account opening agreements.

To the extent that member firms choose to take advantage of the proposed amendments to Rule 2165 as well as proposed Rule 2166, additional operational costs such as additional personnel time for communicating with relevant authorities, notifying relevant parties of hold extensions or temporary delays, and enhanced recordkeeping efforts may result. Additionally, member firms would need to update their written supervisory procedures and develop training programs to implement the new provisions.

In addition, there could be indirect costs to member firms and investors in situations where longer temporary holds under Rule 2165 or Rule 2166-based delays are implemented. The possibility exists that the imposition of a temporary hold or delay might cause lost or diminished investment opportunities and dissatisfaction with customer service by some investors. These costs would likely increase with the length of time of the hold. Some investors may view temporary holds or delays as impositions on their autonomy that exceed any benefits resulting from better fraud protection. In some instances, this may prompt some investors to move assets, which would impose costs on them. For member firms, this could result in lost business and diminished client relationships. In addition, if time-sensitive disbursements or transactions are affected by such holds or delays, there may be missed opportunities or other disruptions to the investor. While acknowledging the possibility of member firms and investors incurring the various indirect costs discussed above, FINRA is unable to gauge their magnitude.

Conversely, in situations where proposed Rule 2166 would apply but member firms choose not to place a temporary delay, there is the possibility that member firms expose themselves to the risk of customer complaints and legal action. FINRA believes that a legal risk exists whether or not FINRA adopts the proposed rule, and the safe harbor approach appropriately balances investor protection with member firm liability concerns when member firms act in good faith.

Competitive Effects

FINRA believes the competitive effects of the potential amendments would differ across the impacted member firms, depending on their business model and composition of their customer base and whether and to what extent they choose to use the tools the proposed rule change offer. For example, the competitive effects from the proposed rule change would depend in part on the extent to which a member firm already has business practices in place that facilitate the detection of potential fraud and responses to it. The ability to introduce a 10-business-day delay, based on proposed Rule 2166, may be more useful to member firms with full-service business models than to others. Some member firms may not see much advantage from this additional tool and may instead see mostly risks of additional customer complaints and legal action. Other member firms that currently rely on contractual agreements governing temporary holds (irrespective of customer age) may be indifferent. To the extent that member firms make their practices regarding these tools known to current and prospective customers, member firms may attract additional investors for whom such practices and protections are especially important and salient.

The competitive impact of the proposed rule change on member firms versus non-member firms, such as investment advisory firms, is unclear.

(d) Alternatives Considered

With respect to the appropriate maximum length of delay under proposed Rule 2166, FINRA considered whether five business days would be preferable to 10 business days. With five business days, the potential cost to the investor resulting from missed investment opportunities could be reduced. However, a shorter maximum of five business days would also decrease member firms' ability to collect information, reach the customer, reach the trusted contact person or other authorized parties (if the member firm chooses to), and possibly schedule in-person meetings. Based on commenter feedback that a maximum of five business days may be inadequate to allow member firms to effectively make use of the "speed bump," FINRA is proposing a 10-business-day delay.

While FINRA is proposing to address financial exploitation of non-Specified Adults through proposed Rule 2166, FINRA had alternatively considered expanding existing Rule 2165 to cover non-Specified Adults. Relative to expanding Rule 2165, the proposed approach avoids potential disruption of existing member firm practices geared specifically to Specified Adults. Moreover, while for Specified Adults there are agencies with mandates to investigate financial exploitation (e.g., APS), the same is not necessarily true for fraud perpetrated on non-Specified Adults.[52] Hence, while the hold periods in Rule 2165 provide member firms the time needed to gather information that can form the basis of a referral to such agencies, and the time an agency may need to conduct its investigation, similar considerations do not necessarily exist for non-Specified Adults.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

In January 2026, FINRA published Regulatory Notice 26-02 (the "Notice"), requesting comment on the proposed rule change (the "Notice Proposal"). FINRA received 26 comments in response to the Notice. A copy of the Notice is attached as

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[52] See supra note 44.

Exhibit 2a. A list of the commenters in response to the Notice is attached as Exhibit 2b, and copies of the comment letters received in response to the Notice are attached as Exhibit 2c.

Most commenters expressed support for FINRA's efforts to provide member firms with additional tools to protect senior and vulnerable investors from financial exploitation and all investors from fraud; however, some commenters opposed aspects of the proposal.[53] Several commenters supported particular aspects of the Notice Proposal, including the proposed amendments to the trusted contact person framework, the proposed extension of the maximum temporary hold period under Rule 2165, and the adoption of proposed Rule 2166. Some commenters requested clarifications or modifications concerning, among other things, the reasonable belief standard, the length and conditions of temporary holds and delays, notification requirements, the use of trusted or emergency contacts, the treatment of customer complaints arising from temporary holds, the interaction of proposed Rule 2166 with contractual hold authority and account transfer requirements, and customer redress mechanisms. A summary of the comments and FINRA's response is set forth below.

Trusted Contact Amendments under Rule 4512

The proposed amendment to Rule 4512 would give member firms the option to use the term "emergency contact" as an alternative to "trusted contact person." This

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53 All references to commenters pertain to the comment letters received in response to Regulatory Notice 26-02, as listed in Exhibit 2b. See Exhibit 2b for a list of abbreviations assigned to commenters.

aspect of the proposal received nearly universal support[54] with only Pittsburgh Law Clinic opposing the change and Long & Mierswa requesting additional flexibility for the use of other similar terminology. For example, supporters stated that customers may view "trusted contact" as akin to "trustee," a term that many associate with a loss of control over their account(s).[55] In contrast, supporters agreed that the term "emergency contact" is more universally understood than "trusted contact person" because "emergency contact" is known to many "main street" investors[56] and often used in other contexts such as healthcare, employment and education.[57] Pittsburgh Law Clinic opposed this proposed amendment, citing medical research showing patients routinely misunderstand emergency medical contacts and assume they have decision-making authority. Some commenters urged enhanced disclosure and more frequent confirmation of trusted contact person information.[58]

FINRA continues to believe that providing member firms the flexibility to use the term "emergency contact" as an alternative to "trusted contact person" would address practical concerns raised by member firms that some customers are unfamiliar with or hesitant about the term "trusted contact person." FINRA believes that permitting the use of the term "emergency contact" would increase familiarity with and use of this

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54 Apex; ASA; CAI; Cambridge; Cardozo Law Clinic; CFP, FPA & NAPFA; Commonwealth; DFPG; Fidelity; FSI; Hicks & Loeffel; Long & Mierswa; LPL; Mustico; NASAA; Robinhood; SIFMA; St. John's.

55 CFP, FPA & NAPFA; Long & Mierswa; St. John's.

56 ASA.

57 CFP, FPA & NAPFA; LPL; NASAA.

58 Cardozo Law Clinic; CFP, FPA & NAPFA; NASAA; PIABA.

important tool. FINRA will continue to consider additional ways to educate investors on this topic and encourages member firms to do so as well.[59]

FINRA believes that permitting the use of two key terms: "trusted contact person" and "emergency contact" would promote predictability and increase familiarity with the role. FINRA does not believe providing additional flexibility for the use of other terms is appropriate at this time, as it could create confusion about the trusted contact person's role and could have the unintended consequence of decreasing familiarity with and use of this important tool.

Several commenters suggested that FINRA consider allowing firms to request customers to designate more than one trusted contact person because a single contact may be unavailable, unreachable or otherwise unable to assist in some circumstances.[60] To clarify that this is permissible, FINRA has proposed a minor amendment to Rule 4512.06 as described above.[61]

The proposed amendment would also permit member firms to seek a customer's authorization to apply a trusted contact person to such customer's existing and future accounts with the member firm, provided that the customer is offered the choice to assign

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59 FINRA notes that under Rule 4512.06, "at the time of account opening a member shall disclose in writing, which may be electronic, to the customer that the member or an associated person of the member is authorized to contact the trusted contact person and disclose information about the customer's account to address possible financial exploitation, to confirm the specifics of the customer's current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or as otherwise permitted by Rule 2165." Such disclosure may also help to educate customers about the benefits of naming a trusted contact.

60 See CFP, FPA & NAPFA; Mustico; NASAA.

61 See supra note 17 and accompanying text.

the trusted contact person on an account-by-account basis rather than to all accounts. This aspect of the proposal also received strong support.[62] For example, DFPG stated that managing trusted contact person information on an account-by-account basis can be operationally burdensome to member firms and confusing and burdensome for customers, particularly as they establish new accounts. DFPG further stated that allowing customers to authorize the application of trusted contact person information to all current and future accounts eases these burdens and maximizes trusted contact coverage, thereby reducing the risk of fraud and exploitation.

While SIFMA supported the proposed flexibility for a customer to name a trusted or emergency contact for use across all the customer's accounts at the member firm, SIFMA requested that FINRA clarify that a firm can choose whether to provide customers the option to appoint a trusted contact person at either the customer or account level only. SIFMA stated that requiring firms to adopt a hybrid approach on a customer-by-customer basis could impose significant technological and substantive challenges that could run counter to the purpose of this change.

Proposed Supplementary Material .06(d) is intended to clarify existing guidance and offer additional flexibility. Member firms may choose whether to offer their customers the ability to authorize the application of their trusted contact person information to all of the customer's accounts. However, if a member firm chooses to do so, it must offer customers the choice to assign trusted contact person(s) on an account-by-account basis rather than to all accounts. This approach seeks to provide additional

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62 Apex; CAI; CFP, FPA & NAPFA; DFPG; Fidelity; FSI; Long & Mierswa; LPL; PIABA; Robinhood; SIFMA; St. John's.

flexibility for member firms and to appropriately balance operational concerns with investor autonomy.[63]

However, NASAA cautioned that while flexibility to seek a customer's authorization to apply a trusted contact person to such customer's existing and future accounts with the member may be beneficial, members should not be permitted to obtain a single authorization of a trusted contact person at the outset that would apply broadly and indefinitely to all future accounts, without periodically confirming that this remains the customer's intent. NASAA suggested that FINRA consider requiring firms to request confirmation or updates to trusted contact person information at least annually or, at a minimum, FINRA should consider providing guidance to encourage firms to issue periodic reminders prompting customers to review and maintain current trusted contact person information.

FINRA notes that Rule 4512 requires members to seek to update the trusted contact information for those accounts subject to the requirements in Exchange Act Rule 17a-3. Specifically, Supplementary Material .06(c) to Rule 4512 provides that with respect to any account subject to the requirements of Exchange Act Rule 17a-3(a)(17) to periodically update customer records, a member is required to make reasonable efforts to obtain or, if previously obtained, to update where appropriate the name of and contact information for a trusted contact person consistent with the requirements in Exchange Act Rule 17a-3(a)(17). Consistent with prior guidance, FINRA continues to believe that,

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63 Although some customers may prefer to appoint a single trusted contact person for all accounts, other customers may prefer to appoint different trusted contact persons for different accounts (e.g., a customer prefers one trusted contact person for their personal account and a different trusted contact person for a joint account).

with regard to updating the contact information for other accounts that are not subject to the requirements in Exchange Act Rule 17a-3, a member should consider asking the customer to review and update the name of and contact information for a trusted contact on a periodic basis or when there is a reason to believe that there has been a change in the customer's situation.[64]

CFP, FPA & NAPFA recommended that FINRA further amend Rule 4512 to require firms to either have customers designate a trusted contact person or have customers affirmatively opt out of the framework after they have been informed of the benefits of listing a trusted contact person. FINRA believes firms should retain flexibility in designing their trusted contact program implementation rather than mandating a specific opt-out mechanism. Providing firms with implementation flexibility would allow them to innovate and develop effective approaches tailored to their business models, customer bases, and operational capabilities.[65]

Rule 2165 Amendments

The proposed extension of the Rule 2165 maximum temporary hold period from 55 to 145 business days generated strong support by many commenters.[66] For example,

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64 See FINRA Seniors FAQs, supra note 6, at Q.4.4.

65 For example, FINRA has observed members promoting effective ways of asking for trusted contact person information to increase likelihood of a designation, such as requiring a "yes" or "no" response to the trusted contact person question in account opening forms or asking, "Who is your trusted contact?" rather than, "Would you like to name a trusted contact?" See 2026 FINRA Annual Regulatory Oversight Report, supra note 4, at 37–40.

66 CAI; Cardozo Law Clinic; CFP, FPA & NAPFA; Commonwealth; Fidelity; FSI; Hicks & Loeffel; Long & Mierswa; LPL; SIFMA. Fidelity and SIFMA requested 45-business-day intervals in lieu of 30-business-day intervals.

several commenters stated that these amendments reflect the reality that fraud investigations frequently take time and may involve coordination across institutions, jurisdictions, and law enforcement or regulatory agencies.[67]

However, several commenters expressed opposition based on concerns regarding risks to investors of prolonged asset freezes and investor autonomy.[68] For example, Pittsburgh Law Clinic stated that the proposed maximum 145-business-day hold period would impose severe and disproportionate financial hardship on elderly investors living on fixed incomes. ASA stated that it did not believe the maximum 145-business-day hold period was necessary in the vast majority of situations and it would risk turning temporary holds into de facto long-term freezes that could impose substantial costs and hardship on seniors and other investors.

FINRA recognizes that many financial exploitation situations are resolved within the existing time limits of Rule 2165, or within a longer time period, when extended by a relevant authority.[69] However, in other situations, the proposed additional extensions would provide relevant government authorities with more time, where necessary, to assess referrals, determine whether to investigate, and evaluate whether additional time will be needed to investigate or resolve the matter. It would also provide additional time for a member to communicate with these authorities regarding whether to terminate or

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67 Cardozo Law Clinic (citing research that APS investigation times vary dramatically by state: while the national median stands at 36 days, Kentucky averages 72 days, Vermont 81 days, New Hampshire 90 days, and Washington 113 days); Fidelity; Long & Mierswa; SIFMA.

68 ASA; PIABA; Pittsburgh Law Clinic.

69 FINRA notes that existing Rule 2165 permits holds beyond 55 business days at the relevant authority's request.

further extend the hold. Accordingly, FINRA continues to believe that a maximum 145-business-day hold period is appropriate.

FINRA notes that the proposed rule change would impose measured conditions and other safeguards designed to ensure that the extension framework is limited to appropriate circumstances, and does not result in a default hold of 145 business days in all cases. Specifically, the ability to extend for each 30-business-day period would be conditioned on the member making reasonable follow-up efforts with the relevant authority regarding the status of the reported matter, not having received a response, and continuing to have a reasonable belief of financial exploitation. The extension framework would also require notification to relevant parties and documentation associated with such extensions.

This balanced approach provides for longer holds in complex cases that have been referred to government authorities while maintaining the integrity of a "temporary hold" framework through a clearly defined process.

All commenters addressing the proposal to add "federal" agencies and authorities of competent jurisdiction supported the change, with Hicks & Loeffel requesting guidance concerning relevant federal entities.[70] Several commenters supported the proposed expansion of individuals authorized to place a hold,[71] with CAI requesting further broadening and NASAA urging caution. There was minimal feedback on FINRA's proposed codification of existing FAQ guidance,[72] and no opposition.

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[70] CAI; Fidelity; Hicks & Loeffel; NASAA; PIABA; SIFMA.

[71] ASA; CAI; Fidelity; Long & Mierswa; SIFMA.

[72] <u>See</u> <u>supra</u> Item 3(a)III.D.

Proposed New Rule 2166 "Speed Bump"

The Notice Proposal would permit a member firm to place a temporary delay of up to five business days on a transaction or disbursement in the account of a customer if there is a reasonable belief of fraud targeting the customer, with associated safeguards. There was broad support for this proposed new rule; however, there were varying perspectives on duration.[73] Six commenters explicitly supported the initially proposed five-business-day period as appropriate, with some advocating for limited permitted extensions.[74] However, multiple commenters raised concerns that a five-business-day period would be insufficient for investigation and customer outreach, and advocated for a longer period, with specific suggestions ranging from seven to 20 business days.[75]

For example, CFP, FPA & NAPFA stated that a longer "speed bump" would allow firms to better evaluate the situation and align with law enforcement and may also help customers recognize what may actually be a high-pressure scam, which could cloud a victim's judgment, especially "in the moment."[76] Fidelity suggested that a short timeframe could expose clients to greater risk by unnecessarily expediting investigations and removing transaction holds. Fidelity opined that increasing the holding period of the "speed bump" would better reflect the operational realities of fraud protection.

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73 ASA; Apex; CAI; Cambridge; Cardozo Law Clinic; Commonwealth; Fidelity; FSI; Hicks & Loeffel; Long & Mierswa; LPL; PIABA; Pittsburgh Law Clinic; SIFMA.

74 Apex; ASA; Cardozo Law Clinic; PIABA; Pittsburgh Law Clinic; St. John's.

75 CAI; CFP, FPA & NAPFA; Fidelity; FSI; Long & Mierswa; LPL; Mustico; SIFMA.

76 CFP, FPA & NAPFA.

Commonwealth disagreed with the five-business-day period, noting the “stark” difference in length between the Rule 2165 and Rule 2166 holds.[77]

Based on feedback that the initially proposed five-business-day temporary delay period is inadequate, FINRA is proposing a temporary delay of 10 business days. FINRA believes 10 business days would provide members more time to facilitate outreach to the customer (away from perpetrator influence), and, if the firm chooses, authorized parties or trusted contact persons, in order to persuade the customer to recognize the attempted fraud and not to proceed with the transaction or disbursement, thereby preventing customer losses. The additional time would also provide member firms flexibility to engage in the types of fraud prevention activities that commenters described, such as coordination across firm departments, account review and verification processes, trusted contact person engagement and consultation with regulatory agencies or law enforcement.

FINRA does not believe permitting a delay of longer than 10 business days under new Rule 2166 would be appropriate at this time, as it would risk turning what is intended to function as a temporary “speed bump” that helps firms disrupt fraud before disbursements or transactions occur into a longer hold process. A substantially longer delay for all adult customers could increase the risk of interfering with customer autonomy. FINRA believes a 10-business-day temporary delay approach balances investor protection with respect for customer autonomy.

Apex sought confirmation that firms would have flexibility to release a Rule 2166 hold early if the fraud concern is cleared before the hold period expires. FINRA confirms

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77 Commonwealth.

that early termination of a hold is permitted and notes that the safe harbor protection of proposed Rule 2166 is conditioned on the member having a reasonable belief that fraud has occurred, is occurring, has been attempted, or will be attempted. Accordingly, FINRA would expect a member to lift a temporary delay when it no longer has a reasonable belief of fraud.[78]

The Notice Proposal would require the member firm to provide notification to authorized parties on the account and a trusted contact person of the temporary delay, the reason for the delay, and how the member can be contacted for questions or concerns. Several commenters raised concerns that this mandatory notification to parties other than the customer may be unnecessary to address suspected fraud, could be viewed as overreaching by customers, could create confusion and unnecessary customer friction (especially in the absence of customer vulnerability), and could discourage trusted contact adoption or even chill member firms' willingness to rely on the safe harbor.[79] These commenters advocated for making notification to trusted contact persons and other authorized parties discretionary rather than mandatory under Rule 2166 (unlike Rule 2165, which applies to vulnerable adults and seniors).

Based on these comments, FINRA is proposing to require notification only to the customer, as discussed above. FINRA believes it is appropriate and consistent with the purposes of proposed Rule 2166 to provide member firms flexibility in this regard to

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78 This is consistent with the approach in Rule 2165. See Securities Exchange Act Release No. 79964 (February 3, 2017), 82 FR 10059, 10067 (February 9, 2017) (Order Granting Accelerated Approval of File No. SR-FINRA-2016-039).

79 ASA; Fidelity; LPL; SIFMA.

address suspected fraud on a case-by-case basis. Notification to authorized parties and trusted contact persons would be permitted at the member's discretion.

Permissive vs. Mandatory Hold under Rule 2165 and Proposed New Rule 2166

Current Rule 2165 and proposed Rule 2166 are structured as safe harbors, permitting members to place a temporary hold on a transaction or disbursement in a customer's account if there is a reasonable belief of financial exploitation/fraud targeting the customer, with associated safeguards. Two commenters objected to the permissive nature of these rules, instead advocating for a mandatory hold if a member firm observes red flags of exploitation or fraud.[80]

For example, Fitapelli stated that, "By allowing firms to decline intervention even when credible red flags of exploitation are present, the rule shields members from liability while leaving elderly customers exposed. The permissive nature of the rule undermines its stated purpose of protecting senior investors."[81] Fitapelli urged FINRA to amend Rule 2165 to "require mandatory transaction holds and reporting when objective indicators of elder financial exploitation are present, supported by clear standards and regulatory oversight."[82] PIABA echoed similar sentiments, stating that a firm's affirmative duty to delay a disbursement or take other protective actions for its customers when it suspects fraud or abuse must be more explicit. PIABA pointed to the "growing

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[80] Fitapelli; PIABA.

[81] Fitapelli.

[82] See supra note 81.

body of state law that already imposes mandatory reporting obligations on broker-dealers and investment advisers."[83]

Tobin recommended FINRA adopt a mandatory escalation framework "when a licensed industry professional raises a senior-exploitation concern."[84] Tobin also recommended FINRA require "documentation when a broker declines to act under Rule 2165."[85]

FINRA continues to believe that a permissive hold framework would better serve both investor protection and operational realities than a mandatory hold framework. The existence of trusted contact persons, internal escalation procedures, and other protective measures (including, as applicable, relevant state laws) under the current framework provides multiple pathways for intervention without requiring holds in every case. Members may determine that customer education, trusted contact person notification, or enhanced monitoring represents a more appropriate response than temporary holds in some instances, and mandatory holds would eliminate this graduated approach.

"Reasonable Belief" Standard

To rely on Rule 2165 or proposed Rule 2166, a member must have a reasonable belief of financial exploitation targeting the customer under Rule 2165 or a reasonable belief of fraud targeting the customer under proposed Rule 2166.[86] Several commenters

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83 PIABA, at 3.

84 Tobin, at 2.

85 See supra note 84.

86 Separately, under Rule 2165, the definition of Specified Adult incorporates a "reasonable belief standard" with respect to impairments ("a natural person age 18 and older who the member reasonably believes has a mental or physical

requested guidance on the "reasonable belief" standard.[87] The "reasonable belief" standard is intentionally designed to accommodate a wide variety of facts and circumstances to which these rules apply.[88] FINRA also notes that members have experience with applying this standard under Rule 2165. However, FINRA remains committed to assisting member firms in protecting investors, and will consider providing additional interpretive guidance if implementation experience reveals areas where members would benefit from further clarification.

ACATS-Related Fraud

Apex focused on the interaction between proposed Rule 2166, FINRA Rule 11870 (Customer Account Transfer Contracts), and National Securities Clearing Corporation ("NSCC") Rule 50 (Automated Customer Account Transfer Service) in the ACATS context. Apex supported proposed Rule 2166 but raised concerns that its effectiveness would be constrained unless the account transfer framework and

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impairment that renders the individual unable to protect his or her own interests"). FINRA notes that a customer's suspected diminished capacity alone is not sufficient to place a temporary hold or delay under Rules 2165 or proposed Rule 2166, but rather the member firm must have a "reasonable belief" of fraud or financial exploitation. See also supra note 33.

87 Cardozo Law Clinic; Mustico; NASAA; Sigma/Parkland; Singer.

88 FINRA has developed several programs to provide member firms with intelligence, resources and practical guidance that are useful in identifying red flags of fraud and protecting customers from increasingly sophisticated fraud schemes. For example, FINRA launched its Financial Intelligence Fusion Center ("FIFC") in 2026 to collect, analyze, and disseminate cyber and fraud threat intelligence to member firms in real time through a secure portal. Moreover, FINRA provides member education in various forms including conferences, workshops, the FINRA Annual Regulatory Oversight Report, and continuing education courses. As discussed above, FINRA also publishes investor education materials that member firms can share with customers.

indemnification rules are modernized. Apex recommended that FINRA amend Rule 11870 to add suspected fraud as a permissible basis to take exception to a transfer instruction and coordinate with NSCC/DTCC and the Commission regarding indemnification reform.

FINRA appreciates Apex's concerns regarding ACATS-related fraud and the interaction between proposed Rule 2166 and existing account transfer processes. Proposed Rule 2166 would provide member firms with a safe harbor from Rule 11870 when a firm acts in accordance with the requirements of the proposed rule.

Amendments to Rule 11870 are outside the scope of this proposal, but FINRA is separately considering whether additional steps may be appropriate to deter fraud in the new account opening and account transfer processes.[89]

Litigation/Complaint Risk

Several commenters raised concerns that expanded authority to place temporary holds or delays could increase litigation risk, customer complaints or adverse consequences for associated persons.[90]

FINRA recognizes that firms may face competing risks when they act to protect customers from suspected fraud or financial exploitation and when they decline to do so. FINRA emphasizes that Rule 2165 and proposed new Rule 2166 are permissive safe harbors that do not require member firms to place temporary holds or delays, nor do they

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[89] See, e.g., FINRA Quarterly Regulatory Policy Agenda (June 2026), https://www.finra.org/rules-guidance/rulemaking-process/regulatory-policy-agenda.

[90] See ASA; Cambridge; Sigma/Parkland.

create private rights of action. Whether a customer complaint is reportable depends on the applicable reporting requirements and the facts and circumstances of the complaint.[91]

6. Extension of Time Period for Commission Action

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.[92]

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

Not applicable.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1. Completed notice of proposed rule change for publication in the

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[91] FINRA has indicated that it will consider issuing guidance regarding aspects of customer complaint reporting under FINRA Rule 4530 (Reporting Requirements). See Rule 4530; FINRA Quarterly Regulatory Policy Agenda, supra note 89; see also Form U4 (Uniform Application for Securities Industry Registration or Transfer) at Item 14I(3)(b) and Form U5 (Uniform Termination Notice for Securities Industry Registration) (which, in general, require disclosure if an individual is the subject of a written customer complaint that alleges that a registered or formerly registered individual was involved in forgery, theft, misappropriation or conversion of funds or securities).

[92] 15 U.S.C. 78s(b)(2).

Federal Register.

Exhibit 2a. Regulatory Notice 26-02 (January 2026).

Exhibit 2b. List of comments received in response to Regulatory Notice 26-02.

Exhibit 2c. Copies of comments received in response to Regulatory Notice 26-02.

Exhibit 5. Text of the proposed rule change.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-   ; File No. SR-FINRA-2026-018)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change to Amend FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2165 (Financial Exploitation of Specified Adults) and 4512 (Customer Account Information) and to Adopt New FINRA Rule 2166 (Temporary Delays for Suspected Fraud)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")[1] and Rule 19b-4 thereunder,[2] notice is hereby given that on   , the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2165 (Financial Exploitation of Specified Adults) and 4512 (Customer Account Information) and to adopt new FINRA Rule 2166 (Temporary Delays for Suspected Fraud) to modernize protections for senior and vulnerable investors and to make additional fraud prevention tools available for all customers.

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

The text of the proposed rule change is available on FINRA's website at http://www.finra.org and at the principal office of FINRA.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

I. Background

A. FINRA's Existing Senior Investor Protection Rules

FINRA has long been committed to protecting senior investors and combating financial fraud through regulation, investor education and assistance, and engagement with member firms, state and federal agencies and investor protection advocates. FINRA recognizes that member firms are on the front line of protecting customers from threat actors and has developed a regulatory framework designed to provide member firms with flexible tools to help protect senior and vulnerable investors from financial exploitation. This framework includes two rules that facilitate early detection and intervention through member firms' ability to contact a customer's trusted contact person and place a temporary hold on a transaction or disbursement when they have a reasonable suspicion of financial exploitation.[3]

Trusted Contact Persons

Rule 4512, in part, requires member firms to make reasonable efforts to obtain the information for a trusted contact person upon the opening of all non-institutional customer accounts. The trusted contact person is intended to serve as a resource for the member firm in various situations, including helping to update customer contact information when a customer becomes unavailable, assisting when concerns arise over possible diminished capacity or other health issues, protecting assets, and responding to possible financial exploitation. Rule 4512 is not limited to senior investors, and a trusted contact person can be a valuable tool for customers of all ages. Designation as a trusted contact person does not give the person power of attorney-type authority over customer accounts, and does not give the person authority to execute transactions or make decisions about an account. Rather, trusted contact persons are an important resource for member firms and customers in special circumstances.

While the trusted contact framework has proven valuable, greater rates of adoption could significantly improve investor protection. According to the FINRA Foundation's National Financial Capability Study: 2024 Investor Survey, 42 percent of respondents say they have authorized a trusted contact person for their investment

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[3] Other FINRA rules that are generally applicable to all customers, but can be particularly relevant in protecting senior investors, include FINRA Rule 3240 (Prohibition on Borrowing From or Lending to Customers) and FINRA Rule 3241 (Registered Person Being Named a Customer's Beneficiary or Holding a Position of Trust for a Customer).

accounts, up from 38 percent in 2021, while over half (53 percent) say they have not.[4] Among those who have not named a trusted contact person, nearly half (49 percent, or just over one-quarter of all survey respondents) say they would be willing to do so.[5]

Temporary Hold Framework

Rule 2165 represents the first uniform national standard for placing temporary holds to address suspected financial exploitation. The rule permits a member firm 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" when the member firm reasonably believes that financial exploitation of that adult has occurred, is occurring, has been attempted or will be attempted. For purposes of Rule 2165, 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."[6]

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4 Judy T. Lin, Christopher Bumcrot, Olivia Valdes, Gary Mottola, Susan Sarver, Robert Ganem, Christine Kieffer, & Gerri Walsh, Investors in the United States: A Report of the National Financial Capability Study, FINRA Investor Education Foundation (December 2025) ("National Financial Capability Study").

5 To increase familiarity with and use of this important tool, FINRA has sought to educate investors about trusted contact persons and highlight the benefits of naming a trusted contact person. See, e.g., FINRA, SEC & North American Securities Administrators Association, Inc. ("NASAA"), Investor Bulletin: Why You Should Consider Adding a Trusted Contact to Your Account (August 25, 2025). FINRA has also shared effective practices with member firms to highlight approaches that have helped some member firms achieve higher rates of trusted contact adoption. See Regulatory Notice 22-31 (December 2022); see also FINRA, 2025 FINRA Annual Regulatory Oversight Report (January 2025); FINRA, 2026 FINRA Annual Regulatory Oversight Report (December 2025).

6 Rule 2165(a)(1).

Currently, Rule 2165 permits a temporary hold for initial periods of 15 to 25 business days, with the possibility of a single 30-business-day extension (for a total maximum of 55 business days) if the member firm has reported the matter to a state regulator or agency of competent jurisdiction or a court of competent jurisdiction and the member firm continues to have a reasonable belief of financial exploitation. The rule allows member firms to extend a temporary hold beyond the 55-business-day maximum upon a state agency's request to do so, which is not required to be accomplished through a formal order.[7]

Temporary holds under Rule 2165 have played an important role in providing member firms a way to quickly respond to suspicions of financial exploitation before losses occur for customers. However, FINRA has learned through research and feedback from member firms and other interested parties that, in some cases, the current 55-business-day limit poses challenges. Notably, according to the National Adult Protective Services Association ("NAPSA"), financial exploitation investigations are often the most complex and time-consuming, and in many instances can take longer than a year.[8]

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7 See FINRA, Frequently Asked Questions Regarding FINRA Rules Relating to Financial Exploitation of Senior Investors at Q.3.2 ("FINRA Seniors FAQs").

8 See Letter from Jennifer Spoeri, Executive Director, William Benson & Kendra Kuehn, National Policy Advisors, and Joe Snyder, Policy Chair, National Adult Protective Services Association, to Jennifer Piorko Mitchell, Office of the Corporate Secretary, FINRA, dated June 12, 2025 (noting that FINRA's prior amendments to Rule 2165, extending the temporary hold period to 55 business days, "mirror the average time it takes to conduct an APS investigation. This average encapsulates all categories of reports that APS investigates (i.e., physical, sexual and emotional abuse, self-neglect, caregiver neglect), in addition to financial abuse. Financial exploitation investigations are often the most complex and time-consuming and there are many examples of cases being open for more than a year.").

B. The Growing Threat of Fraud and Financial Exploitation

The Federal Trade Commission ("FTC") found the overall cost of fraud to older adults in 2024 to be approximately $81.5 billion when accounting for underreporting.[9] Representing a portion of fraud losses, the Federal Bureau of Investigation's Internet Crime Complaint Center ("FBI IC3") received reports of more than $7.7 billion lost to fraud by Americans over age 60 in 2025.[10] These estimates represent not only devastating financial losses but also the profound personal toll fraud takes on victims, including shame, isolation and diminished quality of life.

For senior investors, fraud losses can be catastrophic. Unlike younger investors who may have years of future earnings to rebuild their financial security, senior investors are often living on fixed incomes derived from a lifetime of savings, with limited or no ability to offset significant losses. The frequently irreversible nature of these losses underscores why FINRA has placed special emphasis on protecting this vulnerable

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[9] Federal Trade Commission ("FTC"), Protecting Older Consumers 2024–2025: A Report of the Federal Trade Commission at 28 (December 1, 2025), https://www.ftc.gov/system/files/ftc_gov/pdf/P144400-OlderAdultsReportDec2025.pdf ("FTC Protecting Older Consumers"). The actual magnitude of fraud losses is challenging to estimate due to underreporting. See, e.g., Rachel E. Morgan & Susannah N. Tapp, Examining Financial Fraud Against Older Adults, Nat'l Inst. of Justice J. (March 20, 2024) (citing data on fraud against older adults, but noting that "the actual number of fraud cases is unknown as many people do not report their victimization, and underreporting is especially high for older adults"); U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN"), FIN-2022-A002: Advisory on Elder Financial Exploitation at 1-2 (June 15, 2022) ("FinCEN 2022 Advisory") ("Despite the fact that [elder financial exploitation] is the most common form of elder abuse, the majority of incidents go unidentified and unreported as victims may choose not to come forward out of fear, embarrassment, or lack of resources.").

[10] See FBI IC3, FBI Internet Crime Report 2025 at 6 ("FBI IC3 Report"). This represents a 59 percent increase in losses from 2024.

population and why member firms play such a crucial role as the first line of defense against financial exploitation.

While the impact of fraud can be devastating for senior investors as a group, the threat of fraud extends across all age demographics and is growing at an alarming pace.[11] The FTC estimated overall fraud losses in 2024, adjusted to account for underreporting, at $195.9 billion.[12] The FBI IC3 had a record-breaking $20.877 billion in reported fraud losses in 2025, representing a 26 percent increase from 2024.[13] Globally, consumers lost over $1 trillion to scams in 2024.[14]

Criminal perpetrators employ increasingly sophisticated tactics using technology and artificial intelligence ("AI"), making it more difficult for both member firms and investors to identify scams.[15] These advances have contributed to the rapid evolution and proliferation of fraud schemes that can victimize investors regardless of age, capacity or sophistication.[16]

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11 For example, FTC data show that median losses are highest for older adults, but individuals under age 60 accounted for 64 percent of reported fraud in 2024. See FTC Protecting Older Consumers, supra note 9, at 18; see also FTC, Consumer Sentinel Network Data Book 2024 (March 2025) ("FTC 2024 Data Book"). The FTC's Consumer Sentinel data are available online in an interactive format.

12 See FTC Protecting Older Consumers, supra note 9, at 28.

13 See FBI IC3 Report, supra note 10.

14 Sam Rogers, International Scammers Steal Over $1 Trillion in 12 Months in Global State of Scams Report 2024, Global Anti-Scam Alliance (November 7, 2024).

15 See, e.g., FBI, Alert Number: I-120324-PSA: Criminals Use Generative Artificial Intelligence to Facilitate Financial Fraud (December 3, 2024).

16 See, e.g., FBI IC3 Report, supra note 10, at 3 ("It has never been more important to be diligent with your cybersecurity, social media footprint, and electronic interactions. Cyber threats and cyber-enabled crime will continue to evolve as the

C. Overview of Proposed Rule Changes

In light of these evolving threats and based on extensive engagement with member firms and other interested parties, FINRA is filing this proposed rule change to make additional fraud prevention tools available for all customers. As discussed in more detail below, FINRA is proposing:

- Amendments to Rule 4512 (Customer Account Information) designed to increase adoption and effectiveness of trusted contacts, by permitting member firms to use the alternative term "emergency contact" and to provide additional flexibility for a customer to name a trusted or emergency contact for use across all the customer's accounts at the member firm;
- Amendments to Rule 2165 (Financial Exploitation of Specified Adults) to extend the maximum temporary hold period under Rule 2165 from 55 business days to 145 business days, in three 30-business day increments, subject to safeguards, along with additional modifications that provide enhanced clarity and flexibility; and
- New Rule 2166 (Temporary Delays for Suspected Fraud) to offer member firms a separate safe harbor framework, modeled on existing Rule 2165, to protect all customers (irrespective of age or capacity) from suspected fraud, by permitting a temporary delay of up to 10 business days on disbursements or transactions when

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world embraces emerging technologies such as artificial intelligence."); INTERPOL, INTERPOL Global Financial Fraud Threat Assessment at 17 (March 2026) ("The proliferation of AI-driven tools, large language models ("LLMs"), cryptocurrencies, and the rapid expansion of the Fraud-as-a-service ("FaaS") platforms have collectively lowered barriers to entry, enabling widespread access to sophisticated fraud capabilities, elevating the generation of financial gain through fraud schemes to an efficient, global industry.").

there is a reasonable belief of fraud. The addition of proposed new Rule 2166 would also require a conforming amendment to Rule 0150 (Application of Rules to Exempted Securities Except Municipal Securities).

II. Proposed Amendments to Rule 4512

A. Enabling Use of the Alternate Term "Emergency Contact"

The proposed addition of new paragraph (e) of Rule 4512.06 would give member firms the option to use the term "emergency contact" as an alternative to "trusted contact person." FINRA believes that providing member firms the flexibility to use the term "emergency contact" as an alternative to "trusted contact person" would clarify the role for customers who are unfamiliar with the term "trusted contact person" and potentially increase use of this tool. Member firms' written supervisory procedures and training materials would need to reflect that the terms have the same meaning and obligations.

B. Providing Additional Flexibility in Naming a Trusted Contact Person for All Accounts

The trusted contact provisions are part of Rule 4512 and apply to each non-institutional customer account. FINRA has previously provided guidance permitting a member firm to seek to obtain trusted contact person information collectively where a customer has more than one account (e.g., in one update letter for all the customer's accounts), provided that each of the affected accounts is clearly identified to the customer.[17]

To provide additional flexibility, FINRA is proposing to expand this guidance in proposed new paragraph (d) of Rule 4512.06. This would permit member firms to seek

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17 See FINRA Seniors FAQs, supra note 7, at Q.4.5.

the customer's authorization to apply a trusted contact person to all of the customer's existing and future accounts with the member firm, provided that the customer is also offered the choice to assign the trusted contact person on an account-by-account basis rather than to all accounts.

C. Clarifying and Other Ministerial Changes

As a ministerial matter, the proposed amendments delete from Rule 4512.06(a) a transitional provision that addressed the application of the trusted contact requirement to accounts that were opened pursuant to a prior rule. Due to the passage of time, this provision is no longer needed.

In addition, to clarify that member firms are permitted to obtain more than one trusted contact person, FINRA proposes a minor addition to Supplementary Material .06 to clarify that nothing in the rule shall prevent a member from obtaining more than one trusted contact person from a customer.[18]

III. Proposed Amendments to Rule 2165

A. Proposed Changes to Extend the Maximum Temporary Hold Period

FINRA is proposing a structured framework for extending temporary holds beyond the current 55-business-day maximum, by adding three 30-business-day

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18 For example, Rule 2165 expressly includes reference to plural "Trusted Contact Person(s)." See Rule 2165(b)(1)(B)(ii). See also, e.g., SEC, FINRA, & NASAA, Investor Bulletin: Why You Should Consider Adding a Trusted Contact to Your Account (August 25, 2025), https://www.finra.org/investors/insights/trusted-contact ("A trusted contact person must be age 18 or older. They may be a family member, close friend, attorney, accountant or another third party you believe would respect your privacy and be willing to help. You may also choose to add more than one trusted contact to your account. Finally, you may change your trusted contact in your account as often as you wish.") (emphasis added).

extensions to a new maximum of 145 business days (unless otherwise terminated or extended by the relevant authority) in proposed Rule 2165(b)(5). While many financial exploitation situations are resolved within the existing framework of the rule, these additional extensions are designed to be used in those limited circumstances where Adult Protective Services ("APS"), law enforcement, and other relevant agencies and regulators may need additional time to assess referrals, determine whether to investigate, and communicate to member firms that additional time will be needed to investigate or resolve the matter.[19]

The new structured framework would impose measured conditions and other safeguards to prevent inappropriate extensions of a temporary hold. The ability to extend for each 30-business-day period would be conditioned on the member firm making reasonable follow-up efforts with the relevant authority regarding the status of the reported matter; not having received a response;[20] and continuing to have a reasonable belief of financial exploitation.[21]

The first extension beyond 55 business days would require notification, which may be oral, to all parties authorized to transact business on the account and to the trusted contact person(s) (subject to certain exceptions).[22] These individuals would need to be

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19 See supra note 8 and accompanying text.

20 An automated response or acknowledgement or other communication that does not address the status of the referral would not be considered a response for these purposes.

21 Proposed Rule 2165(b)(5)(A).

22 Proposed Rule 2165(b)(5)(B) (stating that members must "provide notification of the extension of the temporary hold, the reason for the extension, and the potential for the extension to last 90 business days" to the trusted contact person(s) and all parties authorized to transact business on the account, unless a party is

notified of the extension, the reason for and potential duration of the extension, and how the member firm can be contacted for questions or concerns.[23]

The amendment would also require documentation associated with any additional extension, including the documentation of follow-up efforts, the lack of a response from the relevant regulator or agency of competent jurisdiction or court of competent jurisdiction, and the member's continuing belief of financial exploitation.[24] In accordance with proposed Rule 2165.05, documentation of follow-up efforts with the relevant regulator, agency or court of competent jurisdiction "shall include dates of communication attempts, methods used, and any communications received."[25] Member firms would also be required to maintain records demonstrating that they made reasonable efforts to determine the status of the referred matter.[26] As discussed below, at

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unavailable or the member reasonably believes that the party has engaged, is engaged, or will engage in the financial exploitation of the Specified Adult).

23 Currently, Rule 2165 requires notification of the hold and the reason for the hold to authorized parties and the trusted contact person within two business days of placing the hold. FINRA is proposing to amend this requirement to also require information about how the member can be contacted for questions or concerns. See proposed Rule 2165.06.

24 Proposed Rule 2165(d)(7). In circumstances where the member receives no communication from the relevant authority, documentation of a lack of response could include a notation or attestation that no response was received from the relevant authority as of a specified date.

25 Proposed Rule 2165.05.

26 See supra note 25.

any time, if the relevant authority requests an extension, the member firm would be permitted to continue the hold outside of the structured time periods.[27]

This balanced approach provides for longer holds in complex cases while maintaining the integrity of the existing temporary hold framework through a clearly defined process.

B. Reporting Financial Exploitation to Federal Authorities

Currently, Rule 2165 permits a temporary hold to be extended if the member firm has provided notification of the member firm's reasonable belief of financial exploitation to a state regulator or agency of competent jurisdiction or a court of competent jurisdiction. In recognition of the multi-jurisdictional nature of many instances of financial exploitation and potential avenues at the federal level for investigation and redress, FINRA proposes to expand existing references in Rule 2165(b)(2)–(4) and 2165(d) to expressly include a federal regulator or federal agency of competent jurisdiction, and include these references in the proposed new provisions.[28]

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27 See proposed Rule 2165(b)(2)–(4) ("unless otherwise terminated or extended by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction") and proposed Rule 2165.04; see infra Item II.A.1.III.D.

28 See, e.g., Board of Governors of the Federal Reserve System et al., Interagency Statement on Elder Financial Exploitation at 7 (December 2024) ("Some agencies or programs may be able to help victims recover stolen funds. For example, the IC3 Recovery Asset Team is a domestic program designed to 'streamline communication between financial institutions and assist FBI field offices with the freezing of funds for those who made transfers to fraudulent accounts under false pretenses.' Another example is FinCEN's international Rapid Response Program that 'helps victims and their financial institutions recover funds stolen as the result of certain cyber-enabled financial crime schemes, including business e-mail compromise.'") (citations omitted).

C. Individuals Authorized to Place, Extend or Terminate a Hold

Pursuant to existing Rule 2165(c)(2), a member firm's written supervisory procedures must identify the title of each person authorized to place, terminate or extend a temporary hold on behalf of the member firm. Such individuals must be associated persons who serve in a supervisory, compliance or legal capacity for the member firm.

To facilitate the administration of the temporary hold provisions by member firm personnel who do not serve in a supervisory, compliance or legal capacity but who have relevant expertise and day-to-day responsibilities, FINRA proposes a limited expansion of the types of individuals whom a member firm can authorize to place, terminate or extend a temporary hold. The proposed addition of Rule 2165(c)(2)(B) would cover associated persons who serve in "a specialized senior investor protection or fraud prevention role with responsibilities that include, as appropriate, investigating, evaluating, escalating, and reporting potential financial exploitation of Specified Adults."

D. Codifying Guidance Articulated in Frequently Asked Questions

For clarity, FINRA proposes to largely codify existing guidance articulated in two Frequently Asked Questions ("FAQs"). First, pursuant to proposed Supplementary Material .04, a member firm may extend a temporary hold beyond the periods specified in Rule 2165 upon the request of a federal or state regulator or agency of competent jurisdiction or court of competent jurisdiction, and that request need not be in the form of a formal order or in writing,[29] so long as the member firm maintains a record of the

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29 To the extent a member receives an oral request from the relevant authority, the member would be expected to create a record of such communication and maintain it in accordance with proposed Rule 2165.04.

authority's request.[30] Accordingly, if a relevant authority indicates to a member firm, by telephone, email or otherwise, that additional time is needed to address a reported matter, the member firm may extend the hold and retain a record of the request.

Second, pursuant to proposed Supplementary Material .07, a member firm may place restrictions on an entire account rather than a particular disbursement or transaction when the member firm has a reasonable belief of financial exploitation, has procedures reasonably designed to permit legitimate transactions and disbursements (e.g., regular bill payments), and permits such legitimate transactions or disbursements.[31] The provision

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30 See FINRA Seniors FAQs, supra note 7, at Q.3.2 ("May a member extend a temporary hold beyond the period indicated in Rule 2165 if a state agency, such as adult protective services, securities regulator, or other state agency or regulator, asks a member to extend a temporary hold so that it has more time to investigate the matter or does the state agency need to issue a formal order? In addition, would the member need to report the agency's request to FINRA? Rule 2165 allows a member to extend a temporary hold upon a state agency's request to do so. The state agency would not have to issue a formal order. In addition, Rule 2165 does not require a member to report a state agency's request to FINRA. However, the member would need to maintain a record of the state agency's request.").

31 See FINRA Seniors FAQs, supra note 7, at Q.1.2. ("Under Rule 2165, may a member that has a reasonable belief of financial exploitation of a Specified Adult regarding a transaction or disbursement place a temporary hold or restrictions on an entire account if the member permits legitimate disbursements from the account? Where a questionable transaction or disbursement involves less than all assets in an account, a member should not place a blanket hold on the entire account. Each transaction or disbursement should be analyzed separately. In addition, where a transaction or disbursement at issue involves all of the assets of the account (e.g., an ACATS transfer request), the member must permit transactions or disbursements from the account where there is not a reasonable belief of financial exploitation regarding such disbursements (e.g., regular bill payments). FINRA understands that some members intend, for operational reasons, to place a temporary hold or restrictions on an entire account when they have a reasonable belief of financial exploitation regarding a transaction or disbursement from the account, but also intend to permit legitimate transaction or disbursement from the account in these circumstances. FINRA believes that placing a temporary hold or restrictions on an entire account but allowing legitimate transactions or disbursements from the account is consistent with Rule

makes clear that a member firm may not avail itself of the Rule 2165 safe harbor if it blocks transactions or disbursements where there is not a reasonable belief of financial exploitation regarding such transactions or disbursements.[32]

E. Protection of Customer Assets

FINRA recognizes that member firms may hold crypto assets for customers, such as payment stablecoins regulated by the GENIUS Act.[33] FINRA therefore proposes to change the current terminology of "funds or securities" to "funds, securities, or other assets" throughout Rule 2165, and use this same terminology in proposed Rule 2166 (discussed below), to clarify that Rule 2165 and proposed Rule 2166 would permit member firms to protect any customer assets that may be held with the member, including payment stablecoins.

IV. Proposed New Rule 2166

A. Background

The proliferation of fraud and scams targeting individuals of all ages and the evolution of fraud tactics have heightened a need for protective measures that extend beyond the current Specified Adult criteria in Rule 2165. To offer member firms a tool

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2165 and members may proceed in such a manner as long as they have procedures reasonably designed to permit legitimate transactions and disbursements. FINRA emphasizes that a member may not avail itself of the Rule 2165 safe harbor if it blocks transactions or disbursements where there is not a reasonable belief of financial exploitation regarding such transactions or disbursements.").

32 See proposed Rule 2165.07.

33 See Guiding and Establishing National Innovation for U.S. Stablecoins Act, Pub. L. No. 119-27, 139 Stat. 419 (2025) (establishing federal guidelines for the use of stablecoins in financial markets).

to protect all customers (regardless of age or capacity) from fraud, FINRA is proposing to adopt new Rule 2166.

Proposed Rule 2166 is modeled on Rule 2165 and similarly offers an optional safe harbor approach—but in a more streamlined fashion—with a "speed bump" mechanism distinct from the longer-term holds available under Rule 2165 for Specified Adults. Specifically, proposed Rule 2166 would permit a member firm to place a temporary delay of up to 10 business days on a transaction or disbursement in the account of a customer[34] if there is a reasonable belief of fraud[35] targeting the customer, with associated safeguards.[36]

Proposed Rule 2166 is designed to prevent customer losses by giving member firms a brief intervention window to facilitate outreach by the member firm to the

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34 For purposes of this rule, "customer" would mean "a natural person age 18 and older." Proposed Rule 2166(a)(2). "Account" would mean "any account of a member for which a customer has the authority to transact business." Proposed Rule 2166(a)(1). Customers who meet the definition of "Specified Adult" under Rule 2165 may be protected by a member under either Rule 2165 or proposed Rule 2166. FINRA notes that a "mental or physical impairment that renders the individual unable to protect his or her own interests" can apply to temporary impairments (e.g., due to addiction or temporary illness) as well as permanent or chronic impairments. See Securities Exchange Act Release No. 79215 (November 1, 2016), 81 FR 78238, 78246 (November 7, 2016) (Notice of Filing of File No. SR-FINRA-2016-039). In the context of placing a temporary delay in the account of a customer under the age of 65, if the member forms a reasonable belief that the customer has such a mental or physical impairment, the member could choose to rely instead on Rule 2165.

35 For purposes of this rule, "fraud" would be defined as "a deceptive scheme perpetrated by a third party that targets a customer and results in a request for a disbursement of funds, securities, or other assets or a transaction in securities based on false or misleading information." Proposed Rule 2166(a)(4).

36 Like Rule 2165, proposed Rule 2166 would provide members and their associated persons with a safe harbor from FINRA Rules 2010, 2150 and 11870 when acting in accordance with the requirements of the rule.

customer (away from perpetrator influence). This brief intervention window would also facilitate outreach by the member firm to authorized parties and trusted contact persons, if the member chooses to do so. Further, it would facilitate information gathering, conversation and provision of relevant educational resources about fraud schemes. During that intervention window, a member firm could attempt to persuade the customer to recognize the attempted fraud and not proceed with the transaction or disbursement.

The FBI explains that "[o]ne of the most common tactics scammers employ is a false sense of urgency or isolation" and for this reason, the FBI "urges the public to 'Take A Beat': resist pressure to act quickly, pause for a moment, and assess the situation."[37] Using a permissible "speed bump" or "cooling off period" of this type is consistent with this FBI fraud and scam awareness campaign, and is supported by research suggesting that emotional stimulus can increase susceptibility to fraud.[38] Other research indicates that awareness about specific scams can help protect against financial loss.[39]

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[37] See FBI, FBI Announces Nationwide 'Take A Beat' Campaign to Increase Awareness of Frauds and Scams (August 19, 2024) (noting that perpetrators "may try to instill trust, induce empathy, or fear, or promise monetary gains, companionship, or employment opportunities—all to lure victims into immediate action.").

[38] See Katharina Kircanski et al., Emotional Arousal May Increase Susceptibility to Fraud in Older and Younger Adults, 33(2) Psychol. & Aging 325–337 (March 2018) ("Persuasion tactics used by fraud perpetrators often elicit high levels of emotional arousal; thus, studying emotional arousal may help to identify the conditions under which individuals are particularly susceptible to fraud. We examined whether inducing high-arousal positive ("HAP") and high-arousal negative ("HAN") emotions increased susceptibility to fraud. . . . For participants who exhibited the intended induced emotional arousal, both the HAP and HAN conditions . . . significantly increased participants' reported intention to purchase falsely advertised items.").

[39] See Marguerite DeLiema, Yiting Li & Gary Mottola, Correlates of responding to and becoming victimized by fraud: Examining risk factors by scam type, 47(3) Int'l J. of Consumer Stud. 1042-1059 (May 2023) ("Using survey data from 1375

Accordingly, the ability to pause a transaction or disbursement and educate the customer about the specific type of suspected fraud or scam could help prevent fraud losses. FINRA offers a set of resources in its online Member Firm Hub, including Investor Education Resources and Scam Prevention & Assistance Resources.[40] These Key Topic pages provide consolidated resources that member firms and registered professionals can use or share with their customers.

B. Overview of Proposed New Rule 2166, Including Key Safeguards

Proposed Rule 2166 establishes a "speed bump" mechanism, distinct from the longer-term holds available under Rule 2165 for Specified Adults, which would permit a member firm to place a temporary delay of up to 10 business days on a transaction or disbursement in the account of a customer if there is a reasonable belief of fraud targeting the customer, with associated safeguards. The definition of "fraud" in Proposed Rule 2166 is intended to be broad and would include, for example, identity theft and account takeovers.[41]

The rule contains safeguards modeled on similar provisions in Rule 2165 to protect customers and prevent misapplication of the rule:

American and Canadian consumers who previously reported a scam to a North American consumer complaint organization, this study examines the correlates of responding to and losing money to four categories of consumer fraud: opportunity-based scams, threat-based scams, consumer purchase scams, and phishing scams. . . . Having advance knowledge of fraud prior to being exposed was protective across nearly all scam types. Results suggest that awareness about specific scams helps protect against financial loss.").

40 FINRA, Member Firm Hub: Customer Resources, https://www.finra.org/member-firm-hub.

41 See supra note 35.

- Proposed Rule 2166(b)(1)(A): The member firm may only place the temporary delay if the member firm reasonably believes that fraud has occurred, is occurring, has been attempted, or will be attempted.
- Proposed Rule 2166(b)(1)(B) and 2166.04: Not later than two business days after placing a temporary delay, the member firm must provide notification, which may be oral, to the customer[42] of the temporary delay, the reason for the delay, and how the member firm can be contacted with questions or concerns.[43] Member firms may choose to also notify other authorized parties and trusted contact persons.
- Proposed Rule 2166(b)(2): The temporary delay would expire no later than 10 business days after the date that the member firm first placed the temporary delay, unless otherwise terminated or extended by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction.

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[42] Under Rule 2165, within two business days of placing a hold, a member must notify all parties authorized on the account and the trusted contact. See Rule 2165(b)(1)(B). For purposes of the more streamlined approach in proposed Rule 2166, FINRA is proposing to require notification to the customer, while permitting member firms to choose whether to also notify other authorized parties or trusted contact persons.

[43] See proposed Rule 2166(b)(1)(B) and 2166.04. FINRA understands that a member firm may not necessarily be able to speak with or otherwise obtain a response from the customer within the two-business-day period. Consistent with guidance provided in connection with Rule 2165, FINRA would consider, for example, a member firm's sending an email to a customer's email address on file with the firm or placing a telephone call and leaving a message with the customer within the two-business-day period to constitute notification for purposes of proposed Rule 2166. See Regulatory Notice 17-11 at n.20 (March 2017). A member firm may similarly mail a letter, but due to the short duration of the temporary delay in proposed Rule 2166, delivery by mail may not be the most expedient means of communication.

- Proposed Rule 2166(c) and 2166.02: The rule would impose supervision and training requirements consistent with Rule 2165 (as proposed to be amended).
- Proposed Rule 2166(d): The records requirement would be generally consistent with Rule 2165(d) (as proposed to be amended).[44] Proposed Rule 2166(d) would require member firms to retain records of requests for disbursements or transactions that may constitute fraud and the resulting temporary delay, the basis for the reasonable belief of fraud, the name and title of the associated person who authorized the temporary delay, notification to relevant parties, any information provided to the customer in connection with the temporary delay, and information regarding any communications with or by a federal or state regulator or agency or court of competent jurisdiction.

Proposed Rule 2166 seeks to balance investor protection with respect for customer autonomy. It complements Rule 2165 by addressing situations where customers of any age and capacity are targeted by fraud. The differences between Rule 2165 and proposed Rule 2166 recognize that there are some factors that may be unique to senior investors, such as the existence of agencies focused on combating financial exploitation of seniors (e.g., APS). The longer hold periods in Rule 2165 provide the member firm with the time needed to gather information that can form the basis of a referral to such agency, and the time an agency may need to evaluate the matter and conduct its investigation. The length of the Rule 2165 hold period also recognizes the

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[44] Proposed Rule 2166(d) would not include the specific records requirements that are related to unique aspects of Rule 2165 concerning internal review and extensions of the temporary hold period.

severity of the consequences for seniors who experience financial exploitation, as discussed above. Those same considerations and resources do not necessarily exist for fraud perpetrated on other types of investors.[45]

C. Applying Proposed New Rule 2166 in Practice

FINRA understands that some member firms currently rely on contractual provisions in their account opening agreements to place holds on transactions or disbursements to protect customers from fraud. In some cases, these holds may exceed 10 business days. The optional safe harbor under proposed Rule 2166 would offer a structured framework for member firms (including those that do not currently have such

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45 Under both Rule 2165 and proposed Rule 2166, member firms have the ability to coordinate with relevant parties, as appropriate, to prevent or address customer harm. In addition, Section 314(b) of the USA PATRIOT Act and its implementing regulation provide financial institutions with the ability, upon providing notice to the U.S. Department of the Treasury, to share information with one another, under a safe harbor that offers protections from liability, for purposes of identifying and, where appropriate, reporting activities that may involve possible terrorist activity or money laundering, which may include information about fraud and other specified unlawful activities. See 31 CFR 1010.540 (Voluntary information sharing among financial institutions) regarding the requirements that must be met to qualify for the safe harbor from liability. In June 2026, FinCEN issued updated guidance on information sharing under Section 314(b) through a fact sheet that further clarified: (1) the permissibility of real-time information sharing under Section 314(b) of the USA PATRIOT Act; (2) under what circumstances information, including related to fraud, can be shared; and (3) how information can be shared. See FinCEN, Section 314(b) Fact Sheet (June 12, 2026), https://www.fincen.gov/system/files/shared/314bfactsheet.pdf. See also supra note 28; FinCEN Rapid Response Program Fact Sheet (April 15, 2026), https://www.fincen.gov/system/files/2026-04/RRPFactSheet.pdf; FBI Cyber, International Kill Chain Process, https://www.justice.gov/elderjustice/media/1364056/dl?inline.

contractual provisions) under FINRA rules, without restricting a member firm's ability to pursue contractual approaches.[46]

As with Rule 2165, Supplementary Material .01 to proposed Rule 2166 makes clear that the rule does not require member firms to place temporary delays.[47]

Consistent with proposed Supplementary Material .07 in Rule 2165, pursuant to Supplementary Material .05 in proposed Rule 2166, a member firm may place restrictions on an entire account rather than a particular disbursement or transaction when the member firm has a reasonable belief of fraud regarding a transaction or disbursement from the account, has procedures reasonably designed to permit legitimate transactions and disbursements (e.g., regular bill payments), and permits such legitimate transactions or disbursements from the account in these circumstances. The provision makes clear that the member firm may not rely on the safe harbor if it blocks transactions or disbursements where there is not a reasonable belief of fraud regarding such transactions or disbursements.

V. Conforming Change to Rule 0150

FINRA proposes amending Rule 0150(c) to add proposed new Rule 2166 to the list of rules applicable to transactions in, and business activities relating to, exempted

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46 See also Regulatory Notice 22-05 at n.13 (February 2022) ("Regarding whether the best execution obligation applies to a member firm's decision to place a temporary hold on a securities transaction where there is a reasonable belief of customer financial exploitation, '[b]roker-dealers are reminded that nothing under the federal securities laws or FINRA rules obligates them to accept an order where they believe that the associated compliance or legal risks are unacceptable.'") (citing SEC, Staff Bulletin: Risks Associated with Omnibus Accounts Transacting in Low-Priced Securities (last updated October 17, 2023)).

47 See proposed Rule 2166.01.

securities, except municipal securities, conducted by member firms and associated persons.

If the Commission approves the proposed rule change, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,[48] which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

The proposed rule changes are designed to enhance member firms' ability to prevent and address financial exploitation of senior and vulnerable investors and fraud impacting investors of all ages.

The proposed changes to Rule 4512, including the ability for member firms to use the term "emergency contact" as an alternative to "trusted contact person," aim to increase customer understanding and adoption of this safeguard to help protect investors from fraud and financial exploitation, help member firms update contact information when a customer becomes unavailable, assist when concerns arise over possible diminished capacity or other health issues, and protect assets.

The proposed limited expansion of the time period in Rule 2165 would allow additional time for APS agencies, law enforcement, and state and federal regulators to assess referrals of suspected financial exploitation, determine whether to investigate, and, where relevant, communicate to member firms that additional time will be needed to

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[48] 15 U.S.C. 78o-3(b)(6).

investigate or resolve a matter. The additional proposed changes to Rule 2165 are intended to provide member firms clarity and flexibility in applying this critical investor protection tool. Ultimately, the purpose of these proposed changes is to further empower member firms to help protect senior and vulnerable investors from experiencing unrecoverable losses due to financial exploitation.

Proposed new Rule 2166 is designed to provide member firms with an additional investor protection tool that would be available to any customer, regardless of age or capacity. The proposed new rule would enable member firms to place temporary delays of up to 10 business days on transactions and disbursements where there is a reasonable belief of fraud, during which time member firms can communicate with customers to alert them of suspected fraud and ultimately prevent unrecoverable fraud losses from occurring.

The proposed rule changes incorporate numerous conditions and important safeguards that apply to each temporary hold or delay and are designed to protect investors against misapplication of the rules.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change would result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. All member firms would be subject to the proposed rule change.

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the economic baseline for the proposed rule change and their potentially significant economic impacts, including anticipated costs and benefits, relative to the baseline, and the alternatives considered in assessing how best to meet FINRA's regulatory objectives.

(a) Regulatory Need

Advances in technology and use of sophisticated tactics have made fraud a significant and growing risk for investors and member firms. While investors of all ages face a significant risk of fraud, senior investors are often living on fixed incomes and budgets without the ability to offset significant losses over time. The proposed rule amendments would enhance the tools that member firms have to fight fraud and financial exploitation of senior and vulnerable adult investors, and to protect other investors where there is a reasonable suspicion of fraud.

(b) Economic Baseline

The economic baseline includes current Rules 4512 and 2165, which assist member firms in protecting customer assets through trusted contact persons and, for Specified Adults, the ability to place temporary holds on disbursements and transactions when there is a reasonable belief of financial exploitation. The economic baseline also includes current industry practices relating to compliance with these provisions and relevant state laws as well as current risks of fraud and financial exploitation of individuals who are not Specified Adults. The proposed rule change would mostly affect member firms with retail operations. As of December 31, 2025, there are at least 1,088 member firms that serve retail investors.

Survey data from FINRA's current National Financial Capability Study Report indicate that about 42 percent of investors have authorized a trusted contact person for their investment accounts.[49] Among those investors who do not have a trusted contact person, 81 percent do not recall being asked to name one and 49 percent indicated that they would be willing to do so.[50]

Regarding temporary holds, FINRA conducted a survey of member firms in 2020. At that time, FINRA found that "[a]pproximately 53 percent of survey respondents stated that they had been unable to resolve a matter within the 25-business day period."[51] Furthermore, "[f]or matters that took longer to resolve than the 25-business day period, approximately 35 percent of survey respondents indicated that it took on average 26–50 days to resolve the matter and approximately 59 percent of survey respondents indicated that it took on average 51–100 days to resolve the matter."[52]

(c) Economic Impacts

The proposed amendments would impact member firms and investors, especially senior and vulnerable investors. As discussed above, FINRA is proposing amendments in three areas: (1) amendments to Rule 4512, allowing the use of "emergency contact" terminology under the existing trusted contact framework to reduce customer confusion, and codifying existing guidance; (2) amendments to Rule 2165, including extending maximum temporary hold periods and codifying existing guidance; and (3) proposing new Rule 2166 that introduces a new temporary delay mechanism for addressing suspected fraud, applicable to any customer (regardless of age or capacity).

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49 See National Financial Capability Study, supra note 4, at 21.

50 See National Financial Capability Study, supra note 4, at 22.

51 See Regulatory Notice 20-34 at 5 (October 5, 2020).

52 See supra note 51.

Anticipated Benefits

FINRA believes that the proposed rule change to Rule 4512 allowing the use of the term "emergency contact" as an alternative to "trusted contact person" would increase customer comfort with designating an individual as a trusted contact person. FINRA also believes that an increase in customer use of this designation would improve member firms' ability to intervene in situations of suspected fraud or other circumstances of potential investor harm. This would subsequently improve the chances to prevent potential financial losses to investors.

FINRA believes that the proposed rule change to Rule 2165 would better address the fact that, in a significant number of instances, relevant authorities, such as APS or law enforcement, require more than the current maximum of 55 business days to evaluate or address financial matters. The data from the 2020 FINRA member firm survey discussed above suggest that about 28 percent of member firms face instances where a matter took more than 50 days to resolve. The data also suggest that the majority of matters are resolved within the current maximum of 55 business days.

The proposed rule change would establish a structured framework to extend temporary holds up to a maximum of 145 business days (absent further extension by the relevant authority) and provide a mechanism whereby the extension of a hold is commensurate to the circumstances. The more flexible structured framework is expected to benefit investors by allowing, when needed, for more time to address situations where fraud or other circumstances of potential investor harm may be occurring. The proposed rule change strikes a balance between addressing circumstances where there is a demonstrated need for longer holds and avoiding overly long holds or misuse.

The newly proposed Rule 2166 would expand temporary hold protections to cover not only senior and vulnerable investors, but all investors. It would do so by introducing an optional safe harbor for member firms to place a temporary delay of up to 10 business days on disbursements or transactions when there is a reasonable belief of fraud targeting a customer, without restricting a member firm's ability to include contractual provisions in their account opening agreements to place holds or delays to protect customers from fraud. The proposed rule change would benefit investors by allowing member firms to intervene in situations of suspected fraud and thereby potentially prevent financial losses to investors, especially if relevant information can be effectively communicated to investors within 10 business days. Accordingly, the expected benefits from the proposed rule change would be greatest where the member firm maintains awareness of common fraud schemes and knows the customer, including how to effectively communicate with them. The proposed rule change benefits member firms by providing them with safe harbor protection from specified FINRA rules if they meet the terms of the rule when implementing a delay of up to 10 business days on disbursements or transactions.

Anticipated Costs

Allowing member firms to use the term "emergency contact" as an alternative to "trusted contact person" would result in negligible additional costs if they choose to use the "emergency contact" terminology. Member firms may incur some minor costs in updating materials that reference "trusted contact person," such as written supervisory procedures, training materials and account opening agreements.

To the extent that member firms choose to take advantage of the proposed amendments to Rule 2165 as well as proposed Rule 2166, additional operational costs such as additional personnel time for communicating with relevant authorities, notifying relevant parties of hold extensions or temporary delays, and enhanced recordkeeping efforts may result. Additionally, member firms would need to update their written supervisory procedures and develop training programs to implement the new provisions.

In addition, there could be indirect costs to member firms and investors in situations where longer temporary holds under Rule 2165 or Rule 2166-based delays are implemented. The possibility exists that the imposition of a temporary hold or delay might cause lost or diminished investment opportunities and dissatisfaction with customer service by some investors. These costs would likely increase with the length of time of the hold. Some investors may view temporary holds or delays as impositions on their autonomy that exceed any benefits resulting from better fraud protection. In some instances, this may prompt some investors to move assets, which would impose costs on them. For member firms, this could result in lost business and diminished client relationships. In addition, if time-sensitive disbursements or transactions are affected by such holds or delays, there may be missed opportunities or other disruptions to the investor. While acknowledging the possibility of member firms and investors incurring the various indirect costs discussed above, FINRA is unable to gauge their magnitude.

Conversely, in situations where proposed Rule 2166 would apply but member firms choose not to place a temporary delay, there is the possibility that member firms expose themselves to the risk of customer complaints and legal action. FINRA believes that a legal risk exists whether or not FINRA adopts the proposed rule, and the safe harbor approach appropriately balances investor protection with member firm liability concerns when member firms act in good faith.

Competitive Effects

FINRA believes the competitive effects of the potential amendments would differ across the impacted member firms, depending on their business model and composition of their customer base and whether and to what extent they choose to use the tools the proposed rule change offer. For example, the competitive effects from the proposed rule change would depend in part on the extent to which a member firm already has business practices in place that facilitate the detection of potential fraud and responses to it. The ability to introduce a 10-business-day delay, based on proposed Rule 2166, may be more useful to member firms with full-service business models than to others. Some member firms may not see much advantage from this additional tool and may instead see mostly risks of additional customer complaints and legal action. Other member firms that currently rely on contractual agreements governing temporary holds (irrespective of customer age) may be indifferent. To the extent that member firms make their practices regarding these tools known to current and prospective customers, member firms may attract additional investors for whom such practices and protections are especially important and salient.

The competitive impact of the proposed rule change on member firms versus non-member firms, such as investment advisory firms, is unclear.

(d) Alternatives Considered

With respect to the appropriate maximum length of delay under proposed Rule 2166, FINRA considered whether five business days would be preferable to 10 business days. With five business days, the potential cost to the investor resulting from missed investment opportunities could be reduced. However, a shorter maximum of five business days would also decrease member firms' ability to collect information, reach the customer, reach the trusted contact person or other authorized parties (if the member firm chooses to), and possibly schedule in-person meetings. Based on commenter feedback that a maximum of five business days may be inadequate to allow member firms to effectively make use of the "speed bump," FINRA is proposing a 10-business-day delay.

While FINRA is proposing to address financial exploitation of non-Specified Adults through proposed Rule 2166, FINRA had alternatively considered expanding existing Rule 2165 to cover non-Specified Adults. Relative to expanding Rule 2165, the proposed approach avoids potential disruption of existing member firm practices geared specifically to Specified Adults. Moreover, while for Specified Adults there are agencies with mandates to investigate financial exploitation (e.g., APS), the same is not necessarily true for fraud perpetrated on non-Specified Adults.[53] Hence, while the hold periods in Rule 2165 provide member firms the time needed to gather information that can form the basis of a referral to such agencies, and the time an agency may need to conduct its investigation, similar considerations do not necessarily exist for non-Specified Adults.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

In January 2026, FINRA published Regulatory Notice 26-02 (the "Notice"), requesting comment on the proposed rule change (the "Notice Proposal"). FINRA

[53] See supra note 45.

received 26 comments in response to the Notice. A copy of the Notice is attached as Exhibit 2a. A list of the commenters in response to the Notice is attached as Exhibit 2b, and copies of the comment letters received in response to the Notice are attached as Exhibit 2c.

Most commenters expressed support for FINRA's efforts to provide member firms with additional tools to protect senior and vulnerable investors from financial exploitation and all investors from fraud; however, some commenters opposed aspects of the proposal.[54] Several commenters supported particular aspects of the Notice Proposal, including the proposed amendments to the trusted contact person framework, the proposed extension of the maximum temporary hold period under Rule 2165, and the adoption of proposed Rule 2166. Some commenters requested clarifications or modifications concerning, among other things, the reasonable belief standard, the length and conditions of temporary holds and delays, notification requirements, the use of trusted or emergency contacts, the treatment of customer complaints arising from temporary holds, the interaction of proposed Rule 2166 with contractual hold authority and account transfer requirements, and customer redress mechanisms. A summary of the comments and FINRA's response is set forth below.

Trusted Contact Amendments under Rule 4512

The proposed amendment to Rule 4512 would give member firms the option to use the term "emergency contact" as an alternative to "trusted contact person." This

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54 All references to commenters pertain to the comment letters received in response to Regulatory Notice 26-02, as listed in Exhibit 2b. See Exhibit 2b for a list of abbreviations assigned to commenters.

aspect of the proposal received nearly universal support[55] with only Pittsburgh Law Clinic opposing the change and Long & Mierswa requesting additional flexibility for the use of other similar terminology. For example, supporters stated that customers may view "trusted contact" as akin to "trustee," a term that many associate with a loss of control over their account(s).[56] In contrast, supporters agreed that the term "emergency contact" is more universally understood than "trusted contact person" because "emergency contact" is known to many "main street" investors[57] and often used in other contexts such as healthcare, employment and education.[58] Pittsburgh Law Clinic opposed this proposed amendment, citing medical research showing patients routinely misunderstand emergency medical contacts and assume they have decision-making authority. Some commenters urged enhanced disclosure and more frequent confirmation of trusted contact person information.[59]

FINRA continues to believe that providing member firms the flexibility to use the term "emergency contact" as an alternative to "trusted contact person" would address practical concerns raised by member firms that some customers are unfamiliar with or hesitant about the term "trusted contact person." FINRA believes that permitting the use of the term "emergency contact" would increase familiarity with and use of this

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55 Apex; ASA; CAI; Cambridge; Cardozo Law Clinic; CFP, FPA & NAPFA; Commonwealth; DFPG; Fidelity; FSI; Hicks & Loeffel; Long & Mierswa; LPL; Mustico; NASAA; Robinhood; SIFMA; St. John's.

56 CFP, FPA & NAPFA; Long & Mierswa; St. John's.

57 ASA.

58 CFP, FPA & NAPFA; LPL; NASAA.

59 Cardozo Law Clinic; CFP, FPA & NAPFA; NASAA; PIABA.

important tool. FINRA will continue to consider additional ways to educate investors on this topic and encourages member firms to do so as well.[60]

FINRA believes that permitting the use of two key terms: "trusted contact person" and "emergency contact" would promote predictability and increase familiarity with the role. FINRA does not believe providing additional flexibility for the use of other terms is appropriate at this time, as it could create confusion about the trusted contact person's role and could have the unintended consequence of decreasing familiarity with and use of this important tool.

Several commenters suggested that FINRA consider allowing firms to request customers to designate more than one trusted contact person because a single contact may be unavailable, unreachable or otherwise unable to assist in some circumstances.[61] To clarify that this is permissible, FINRA has proposed a minor amendment to Rule 4512.06 as described above.[62]

The proposed amendment would also permit member firms to seek a customer's authorization to apply a trusted contact person to such customer's existing and future accounts with the member firm, provided that the customer is offered the choice to assign

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[60] FINRA notes that under Rule 4512.06, "at the time of account opening a member shall disclose in writing, which may be electronic, to the customer that the member or an associated person of the member is authorized to contact the trusted contact person and disclose information about the customer's account to address possible financial exploitation, to confirm the specifics of the customer's current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or as otherwise permitted by Rule 2165." Such disclosure may also help to educate customers about the benefits of naming a trusted contact.

[61] See CFP, FPA & NAPFA; Mustico; NASAA.

[62] See supra note 18 and accompanying text.

the trusted contact person on an account-by-account basis rather than to all accounts. This aspect of the proposal also received strong support.[63] For example, DFPG stated that managing trusted contact person information on an account-by-account basis can be operationally burdensome to member firms and confusing and burdensome for customers, particularly as they establish new accounts. DFPG further stated that allowing customers to authorize the application of trusted contact person information to all current and future accounts eases these burdens and maximizes trusted contact coverage, thereby reducing the risk of fraud and exploitation.

While SIFMA supported the proposed flexibility for a customer to name a trusted or emergency contact for use across all the customer's accounts at the member firm, SIFMA requested that FINRA clarify that a firm can choose whether to provide customers the option to appoint a trusted contact person at either the customer or account level only. SIFMA stated that requiring firms to adopt a hybrid approach on a customer-by-customer basis could impose significant technological and substantive challenges that could run counter to the purpose of this change.

Proposed Supplementary Material .06(d) is intended to clarify existing guidance and offer additional flexibility. Member firms may choose whether to offer their customers the ability to authorize the application of their trusted contact person information to all of the customer's accounts. However, if a member firm chooses to do so, it must offer customers the choice to assign trusted contact person(s) on an account-by-account basis rather than to all accounts. This approach seeks to provide additional

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63 Apex; CAI; CFP, FPA & NAPFA; DFPG; Fidelity; FSI; Long & Mierswa; LPL; PIABA; Robinhood; SIFMA; St. John's.

flexibility for member firms and to appropriately balance operational concerns with investor autonomy.[64]

However, NASAA cautioned that while flexibility to seek a customer's authorization to apply a trusted contact person to such customer's existing and future accounts with the member may be beneficial, members should not be permitted to obtain a single authorization of a trusted contact person at the outset that would apply broadly and indefinitely to all future accounts, without periodically confirming that this remains the customer's intent. NASAA suggested that FINRA consider requiring firms to request confirmation or updates to trusted contact person information at least annually or, at a minimum, FINRA should consider providing guidance to encourage firms to issue periodic reminders prompting customers to review and maintain current trusted contact person information.

FINRA notes that Rule 4512 requires members to seek to update the trusted contact information for those accounts subject to the requirements in Exchange Act Rule 17a-3. Specifically, Supplementary Material .06(c) to Rule 4512 provides that with respect to any account subject to the requirements of Exchange Act Rule 17a-3(a)(17) to periodically update customer records, a member is required to make reasonable efforts to obtain or, if previously obtained, to update where appropriate the name of and contact information for a trusted contact person consistent with the requirements in Exchange Act Rule 17a-3(a)(17). Consistent with prior guidance, FINRA continues to believe that,

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64 Although some customers may prefer to appoint a single trusted contact person for all accounts, other customers may prefer to appoint different trusted contact persons for different accounts (e.g., a customer prefers one trusted contact person for their personal account and a different trusted contact person for a joint account).

with regard to updating the contact information for other accounts that are not subject to the requirements in Exchange Act Rule 17a-3, a member should consider asking the customer to review and update the name of and contact information for a trusted contact on a periodic basis or when there is a reason to believe that there has been a change in the customer's situation.[65]

CFP, FPA & NAPFA recommended that FINRA further amend Rule 4512 to require firms to either have customers designate a trusted contact person or have customers affirmatively opt out of the framework after they have been informed of the benefits of listing a trusted contact person. FINRA believes firms should retain flexibility in designing their trusted contact program implementation rather than mandating a specific opt-out mechanism. Providing firms with implementation flexibility would allow them to innovate and develop effective approaches tailored to their business models, customer bases, and operational capabilities.[66]

Rule 2165 Amendments

The proposed extension of the Rule 2165 maximum temporary hold period from 55 to 145 business days generated strong support by many commenters.[67] For example,

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65 See FINRA Seniors FAQs, supra note 7, at Q.4.4.

66 For example, FINRA has observed members promoting effective ways of asking for trusted contact person information to increase likelihood of a designation, such as requiring a "yes" or "no" response to the trusted contact person question in account opening forms or asking, "Who is your trusted contact?" rather than, "Would you like to name a trusted contact?" See 2026 FINRA Annual Regulatory Oversight Report, supra note 5, at 37–40.

67 CAI; Cardozo Law Clinic; CFP, FPA & NAPFA; Commonwealth; Fidelity; FSI; Hicks & Loeffel; Long & Mierswa; LPL; SIFMA. Fidelity and SIFMA requested 45-business-day intervals in lieu of 30-business-day intervals.

several commenters stated that these amendments reflect the reality that fraud investigations frequently take time and may involve coordination across institutions, jurisdictions, and law enforcement or regulatory agencies.[68]

However, several commenters expressed opposition based on concerns regarding risks to investors of prolonged asset freezes and investor autonomy.[69] For example, Pittsburgh Law Clinic stated that the proposed maximum 145-business-day hold period would impose severe and disproportionate financial hardship on elderly investors living on fixed incomes. ASA stated that it did not believe the maximum 145-business-day hold period was necessary in the vast majority of situations and it would risk turning temporary holds into de facto long-term freezes that could impose substantial costs and hardship on seniors and other investors.

FINRA recognizes that many financial exploitation situations are resolved within the existing time limits of Rule 2165, or within a longer time period, when extended by a relevant authority.[70] However, in other situations, the proposed additional extensions would provide relevant government authorities with more time, where necessary, to assess referrals, determine whether to investigate, and evaluate whether additional time will be needed to investigate or resolve the matter. It would also provide additional time for a member to communicate with these authorities regarding whether to terminate or

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68 Cardozo Law Clinic (citing research that APS investigation times vary dramatically by state: while the national median stands at 36 days, Kentucky averages 72 days, Vermont 81 days, New Hampshire 90 days, and Washington 113 days); Fidelity; Long & Mierswa; SIFMA.

69 ASA; PIABA; Pittsburgh Law Clinic.

70 FINRA notes that existing Rule 2165 permits holds beyond 55 business days at the relevant authority’s request.

further extend the hold. Accordingly, FINRA continues to believe that a maximum 145-business-day hold period is appropriate.

FINRA notes that the proposed rule change would impose measured conditions and other safeguards designed to ensure that the extension framework is limited to appropriate circumstances, and does not result in a default hold of 145 business days in all cases. Specifically, the ability to extend for each 30-business-day period would be conditioned on the member making reasonable follow-up efforts with the relevant authority regarding the status of the reported matter, not having received a response, and continuing to have a reasonable belief of financial exploitation. The extension framework would also require notification to relevant parties and documentation associated with such extensions.

This balanced approach provides for longer holds in complex cases that have been referred to government authorities while maintaining the integrity of a "temporary hold" framework through a clearly defined process.

All commenters addressing the proposal to add "federal" agencies and authorities of competent jurisdiction supported the change, with Hicks & Loeffel requesting guidance concerning relevant federal entities.[71] Several commenters supported the proposed expansion of individuals authorized to place a hold,[72] with CAI requesting further broadening and NASAA urging caution. There was minimal feedback on FINRA's proposed codification of existing FAQ guidance,[73] and no opposition.

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71 CAI; Fidelity; Hicks & Loeffel; NASAA; PIABA; SIFMA.

72 ASA; CAI; Fidelity; Long & Mierswa; SIFMA.

73 See supra Item II.A.1.III.D.

Proposed New Rule 2166 "Speed Bump"

The Notice Proposal would permit a member firm to place a temporary delay of up to five business days on a transaction or disbursement in the account of a customer if there is a reasonable belief of fraud targeting the customer, with associated safeguards. There was broad support for this proposed new rule; however, there were varying perspectives on duration.[74] Six commenters explicitly supported the initially proposed five-business-day period as appropriate, with some advocating for limited permitted extensions.[75] However, multiple commenters raised concerns that a five-business-day period would be insufficient for investigation and customer outreach, and advocated for a longer period, with specific suggestions ranging from seven to 20 business days.[76]

For example, CFP, FPA & NAPFA stated that a longer "speed bump" would allow firms to better evaluate the situation and align with law enforcement and may also help customers recognize what may actually be a high-pressure scam, which could cloud a victim's judgment, especially "in the moment."[77] Fidelity suggested that a short timeframe could expose clients to greater risk by unnecessarily expediting investigations and removing transaction holds. Fidelity opined that increasing the holding period of the "speed bump" would better reflect the operational realities of fraud protection.

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[74] ASA; Apex; CAI; Cambridge; Cardozo Law Clinic; Commonwealth; Fidelity; FSI; Hicks & Loeffel; Long & Mierswa; LPL; PIABA; Pittsburgh Law Clinic; SIFMA.

[75] Apex; ASA; Cardozo Law Clinic; PIABA; Pittsburgh Law Clinic; St. John's.

[76] CAI; CFP, FPA & NAPFA; Fidelity; FSI; Long & Mierswa; LPL; Mustico; SIFMA.

[77] CFP, FPA & NAPFA.

Commonwealth disagreed with the five-business-day period, noting the "stark" difference in length between the Rule 2165 and Rule 2166 holds.[78]

Based on feedback that the initially proposed five-business-day temporary delay period is inadequate, FINRA is proposing a temporary delay of 10 business days. FINRA believes 10 business days would provide members more time to facilitate outreach to the customer (away from perpetrator influence), and, if the firm chooses, authorized parties or trusted contact persons, in order to persuade the customer to recognize the attempted fraud and not to proceed with the transaction or disbursement, thereby preventing customer losses. The additional time would also provide member firms flexibility to engage in the types of fraud prevention activities that commenters described, such as coordination across firm departments, account review and verification processes, trusted contact person engagement and consultation with regulatory agencies or law enforcement.

FINRA does not believe permitting a delay of longer than 10 business days under new Rule 2166 would be appropriate at this time, as it would risk turning what is intended to function as a temporary "speed bump" that helps firms disrupt fraud before disbursements or transactions occur into a longer hold process. A substantially longer delay for all adult customers could increase the risk of interfering with customer autonomy. FINRA believes a 10-business-day temporary delay approach balances investor protection with respect for customer autonomy.

Apex sought confirmation that firms would have flexibility to release a Rule 2166 hold early if the fraud concern is cleared before the hold period expires. FINRA confirms

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78 Commonwealth.

that early termination of a hold is permitted and notes that the safe harbor protection of proposed Rule 2166 is conditioned on the member having a reasonable belief that fraud has occurred, is occurring, has been attempted, or will be attempted. Accordingly, FINRA would expect a member to lift a temporary delay when it no longer has a reasonable belief of fraud.[79]

The Notice Proposal would require the member firm to provide notification to authorized parties on the account and a trusted contact person of the temporary delay, the reason for the delay, and how the member can be contacted for questions or concerns. Several commenters raised concerns that this mandatory notification to parties other than the customer may be unnecessary to address suspected fraud, could be viewed as overreaching by customers, could create confusion and unnecessary customer friction (especially in the absence of customer vulnerability), and could discourage trusted contact adoption or even chill member firms' willingness to rely on the safe harbor.[80] These commenters advocated for making notification to trusted contact persons and other authorized parties discretionary rather than mandatory under Rule 2166 (unlike Rule 2165, which applies to vulnerable adults and seniors).

Based on these comments, FINRA is proposing to require notification only to the customer, as discussed above. FINRA believes it is appropriate and consistent with the purposes of proposed Rule 2166 to provide member firms flexibility in this regard to

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[79] This is consistent with the approach in Rule 2165. See Securities Exchange Act Release No. 79964 (February 3, 2017), 82 FR 10059, 10067 (February 9, 2017) (Order Granting Accelerated Approval of File No. SR-FINRA-2016-039).

[80] ASA; Fidelity; LPL; SIFMA.

address suspected fraud on a case-by-case basis. Notification to authorized parties and trusted contact persons would be permitted at the member's discretion.

Permissive vs. Mandatory Hold under Rule 2165 and Proposed New Rule 2166

Current Rule 2165 and proposed Rule 2166 are structured as safe harbors, permitting members to place a temporary hold on a transaction or disbursement in a customer's account if there is a reasonable belief of financial exploitation/fraud targeting the customer, with associated safeguards. Two commenters objected to the permissive nature of these rules, instead advocating for a mandatory hold if a member firm observes red flags of exploitation or fraud.[81]

For example, Fitapelli stated that, "By allowing firms to decline intervention even when credible red flags of exploitation are present, the rule shields members from liability while leaving elderly customers exposed. The permissive nature of the rule undermines its stated purpose of protecting senior investors."[82] Fitapelli urged FINRA to amend Rule 2165 to "require mandatory transaction holds and reporting when objective indicators of elder financial exploitation are present, supported by clear standards and regulatory oversight."[83] PIABA echoed similar sentiments, stating that a firm's affirmative duty to delay a disbursement or take other protective actions for its customers when it suspects fraud or abuse must be more explicit. PIABA pointed to the "growing

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[81] Fitapelli; PIABA.

[82] Fitapelli.

[83] See supra note 82.

body of state law that already imposes mandatory reporting obligations on broker-dealers and investment advisers."[84]

Tobin recommended FINRA adopt a mandatory escalation framework "when a licensed industry professional raises a senior-exploitation concern."[85] Tobin also recommended FINRA require "documentation when a broker declines to act under Rule 2165."[86]

FINRA continues to believe that a permissive hold framework would better serve both investor protection and operational realities than a mandatory hold framework. The existence of trusted contact persons, internal escalation procedures, and other protective measures (including, as applicable, relevant state laws) under the current framework provides multiple pathways for intervention without requiring holds in every case. Members may determine that customer education, trusted contact person notification, or enhanced monitoring represents a more appropriate response than temporary holds in some instances, and mandatory holds would eliminate this graduated approach.

"Reasonable Belief" Standard

To rely on Rule 2165 or proposed Rule 2166, a member must have a reasonable belief of financial exploitation targeting the customer under Rule 2165 or a reasonable belief of fraud targeting the customer under proposed Rule 2166.[87] Several commenters

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[84] PIABA, at 3.

[85] Tobin, at 2.

[86] See supra note 85.

[87] Separately, under Rule 2165, the definition of Specified Adult incorporates a "reasonable belief standard" with respect to impairments ("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").

requested guidance on the "reasonable belief" standard.[88] The "reasonable belief" standard is intentionally designed to accommodate a wide variety of facts and circumstances to which these rules apply.[89] FINRA also notes that members have experience with applying this standard under Rule 2165. However, FINRA remains committed to assisting member firms in protecting investors, and will consider providing additional interpretive guidance if implementation experience reveals areas where members would benefit from further clarification.

ACATS-Related Fraud

Apex focused on the interaction between proposed Rule 2166, FINRA Rule 11870 (Customer Account Transfer Contracts), and National Securities Clearing Corporation ("NSCC") Rule 50 (Automated Customer Account Transfer Service) in the ACATS context. Apex supported proposed Rule 2166 but raised concerns that its effectiveness would be constrained unless the account transfer framework and indemnification rules are modernized. Apex recommended that FINRA amend Rule

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FINRA notes that a customer's suspected diminished capacity alone is not sufficient to place a temporary hold or delay under Rules 2165 or proposed Rule 2166, but rather the member firm must have a "reasonable belief" of fraud or financial exploitation. See also supra note 34.

88 Cardozo Law Clinic; Mustico; NASAA; Sigma/Parkland; Singer.

89 FINRA has developed several programs to provide member firms with intelligence, resources and practical guidance that are useful in identifying red flags of fraud and protecting customers from increasingly sophisticated fraud schemes. For example, FINRA launched its Financial Intelligence Fusion Center ("FIFC") in 2026 to collect, analyze, and disseminate cyber and fraud threat intelligence to member firms in real time through a secure portal. Moreover, FINRA provides member education in various forms including conferences, workshops, the FINRA Annual Regulatory Oversight Report, and continuing education courses. As discussed above, FINRA also publishes investor education materials that member firms can share with customers.

11870 to add suspected fraud as a permissible basis to take exception to a transfer instruction and coordinate with NSCC/DTCC and the Commission regarding indemnification reform.

FINRA appreciates Apex's concerns regarding ACATS-related fraud and the interaction between proposed Rule 2166 and existing account transfer processes. Proposed Rule 2166 would provide member firms with a safe harbor from Rule 11870 when a firm acts in accordance with the requirements of the proposed rule.

Amendments to Rule 11870 are outside the scope of this proposal, but FINRA is separately considering whether additional steps may be appropriate to deter fraud in the new account opening and account transfer processes.[90]

Litigation/Complaint Risk

Several commenters raised concerns that expanded authority to place temporary holds or delays could increase litigation risk, customer complaints or adverse consequences for associated persons.[91]

FINRA recognizes that firms may face competing risks when they act to protect customers from suspected fraud or financial exploitation and when they decline to do so. FINRA emphasizes that Rule 2165 and proposed new Rule 2166 are permissive safe harbors that do not require member firms to place temporary holds or delays, nor do they

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90 See, e.g., FINRA Quarterly Regulatory Policy Agenda (June 2026), https://www.finra.org/rules-guidance/rulemaking-process/regulatory-policy-agenda.

91 See ASA; Cambridge; Sigma/Parkland.

create private rights of action. Whether a customer complaint is reportable depends on the applicable reporting requirements and the facts and circumstances of the complaint.[92]

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (http://www.sec.gov/rules/sro.shtml); or

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92 FINRA has indicated that it will consider issuing guidance regarding aspects of customer complaint reporting under FINRA Rule 4530 (Reporting Requirements). See Rule 4530; FINRA Quarterly Regulatory Policy Agenda, supra note 90; see also Form U4 (Uniform Application for Securities Industry Registration or Transfer) at Item 14I(3)(b) and Form U5 (Uniform Termination Notice for Securities Industry Registration) (which, in general, require disclosure if an individual is the subject of a written customer complaint that alleges that a registered or formerly registered individual was involved in forgery, theft, misappropriation or conversion of funds or securities).

- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2026-018 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2026-018. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (http://www.sec.gov/rules/sro.shtml). Copies of the filing will be available for inspection and copying at the principal office of FINRA. Do not include personal identifiable information in submissions; you should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection. All submissions should refer to File Number SR-FINRA-2026-018 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[93]

Jill M. Peterson
Assistant Secretary

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[93] 17 CFR 200.30-3(a)(12).

EXHIBIT 2a

Regulatory Notice 26-02

Fraud Protection

FINRA Requests Comment on Rule Revisions to Help Member Firms Protect Senior Investors From Financial Exploitation and All Investors From Fraud

Comment Period Expires: March 9, 2026

Summary

FINRA seeks comment on proposed rule modernization changes to further assist member firms in protecting customers from fraud and financial exploitation. Based on comments on *Regulatory Notice 25-07*, FINRA proposes amendments to FINRA Rules 4512 (Customer Account Information) and 2165 (Financial Exploitation of Specified Adults) and proposed Rule 2166 (Temporary Delays for Suspected Fraud).

The rule text is available in Attachment A.

Questions concerning this *Notice* should be directed to:

- James S. Wrona, Vice President and Associate General Counsel, Office of General Counsel (OGC), by email or (202) 728-8270; or
- Alicia Goldin, Vice President and Associate General Counsel, OGC, by email or (202) 728-8155.

Questions regarding the Economic Impact Assessment in this *Notice* should be directed to Joon-Suk Lee, Senior Economist, Regulatory Economics and Market Analysis, by email or (202) 728-8971.

January 08, 2026

Notice Type

- Request for Comment

Suggested Routing:

- Compliance
- Legal
- Operations
- Registered Representatives
- Risk
- Senior Management
- Systems
- Training

Key Topics:

- Investor Protection
- Scams and Fraud
- Senior Investors
- Temporary Holds
- Trusted Contacts

Referenced Rules & Notices:

- FINRA Rule 2165
- FINRA Rule 3240
- FINRA Rule 3241
- FINRA Rule 4512
- Regulatory Notice 17-11
- Regulatory Notice 20-34
- Regulatory Notice 22-05
- Regulatory Notice 22-31
- Regulatory Notice 25-07
- Proposed Rule 2166

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Action Requested

FINRA encourages all interested parties to submit comments. Comments must be received by March 9, 2026.

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.[1]

Background and Discussion

FINRA has long been committed to protecting senior investors and combating financial fraud through regulation, investor education and assistance, and collaboration with member firms, state and federal agencies and investor-protection advocates. These efforts have become increasingly important as scams, fraud and financial exploitation have surged in recent years, driven in part by technological advances that enable sophisticated criminal schemes targeting investors of all ages.

Helping member firms protect their customers from these threats is a key component of FINRA Forward, and we sought comment on these issues in *Regulatory Notice 25-07*. The comments strongly agreed on the importance of protecting senior and vulnerable investors from fraud and financial exploitation and recognized the risks of fraud for all investors. Commenters requested enhancements to FINRA's senior investor protection rules and additional tools to protect customers of all ages from fraud. Commenters also encouraged FINRA to expand its investor education work and facilitate information sharing to help member firms combat fraud.

In this *Notice*, we discuss the growing problem of fraud and financial exploitation; highlight FINRA's approach to protecting senior investors and combating fraud, including new initiatives launched as part of FINRA Forward; and request comment on proposed modernization of FINRA's rules to help ensure that member firms have more tools to proactively prevent customer harm. Specifically, we are requesting comment on:

- **Trusted Contact Amendments:** To increase adoption and effectiveness of trusted contacts, we propose to permit member firms to use the alternative term "emergency contact" and to provide additional flexibility for a customer to name a trusted or emergency contact for use across all the customer's accounts at the member firm.
- **Temporary Hold Amendments**: We propose to extend the maximum temporary hold period under Rule 2165 from 55 business days to 145 business days, in three 30-business day increments, subject to safeguards. We also propose additional modifications that provide enhanced clarity and flexibility to make the rule more effective.
- **New "Speed Bump" for Suspected Fraud:** To offer member firms a tool to protect all customers (irrespective of age or capacity) from suspected fraud, we propose new Rule 2166 to permit a temporary delay of up to five business days on disbursements or transactions when there is a reasonable belief of fraud. This separate safe harbor framework, modeled on our existing Rule 2165, would permit member firms to use a "speed bump" to alert a customer of suspected fraud.

The Growing Threat of Fraud and Financial Exploitation

Americans over age 60 lost more than $4.8 billion to fraud in 2024.[2] This estimate represents not only devastating financial losses but also the profound personal toll fraud takes on victims, including embarrassment, isolation and diminished quality of life. Moreover, the actual magnitude of fraud losses is unknown due to underreporting.[3]

For senior investors, these losses can be particularly catastrophic. Unlike younger investors who may have years of future earnings to rebuild their financial security, senior investors are often living on fixed incomes derived from a lifetime of savings, with limited or no ability to offset significant losses. The irreversible nature of these losses underscores why FINRA has placed special emphasis on protecting this vulnerable population and why member firms play such a crucial role as the first line of defense against exploitation.

While the impact of fraud can be most devastating for senior investors as a group, the threat of fraud extends across all age demographics[4] and is growing at an alarming pace. The Federal Bureau of Investigation (FBI) reported a record-breaking $16.6 billion in losses in 2024, representing a 33 percent increase in losses from 2023.[5] Globally, consumers lost over $1 trillion to scams in 2024.[6]

Criminal perpetrators employ increasingly sophisticated tactics using technology and artificial intelligence (AI), making it more difficult for both member firms and investors to identify scams.[7] These advances have contributed to the rapid evolution and proliferation of fraud schemes that can victimize investors regardless of age or sophistication.[8]

FINRA's Approach

FINRA recognizes that member firms are on the frontline of protecting customers from threat actors and FINRA is well positioned to support member firms in these efforts. Through FINRA Forward initiatives and expanded programmatic activities, FINRA has enhanced its multi-faceted fraud prevention activities organized around four core pillars: empowering member firms through education and information sharing; educating and assisting investors; outreach and collaboration; and adopting rules that provide member firms with tools to protect investors.

Empowering Member Firms

FINRA has developed several programs to provide member firms with intelligence, resources and practical guidance that are useful in protecting their customers from increasingly sophisticated fraud schemes.

Leveraging Financial Intelligence

Representing FINRA's expanded commitment to combating cyber and fraud risks, FINRA will launch its Financial Intelligence Fusion Center (FIFC) in 2026 to collect, analyze, and disseminate cyber and fraud threat intelligence to member firms in real time through a secure portal. The FIFC is intended to be a resource for all member firms—providing intelligence capabilities for small and mid-size firms while serving as an additional resource for firms with dedicated intelligence teams.

In addition, FINRA's Financial Intelligence Unit (FIU) evaluates emerging risks and threats, with a primary focus on retail investor fraud schemes. FIU has focused on "ramp and dump" and investment club schemes[9] and identifying and reporting imposter websites to member firms, enabling prompt takedown requests. In addition to informing FINRA's regulatory operations and investor education, FIU arms member firms with detailed information on emerging fraud patterns.

Training Programs

FINRA's Vulnerable Adults and Seniors Team (VAST) serves as a bridge between regulatory requirements and practical implementation. With a mission to deter, detect, and investigate financial exploitation and abuse of vulnerable adult and senior investors, VAST recently initiated a series of workshops in conjunction with FINRA conferences to facilitate active discussion of elder fraud trends through practical case studies, enabling member firms and industry practitioners to learn from FINRA staff and each other.

FINRA's Cyber & Analytics Unit strengthens member firms' preparedness against cyber-enabled fraud (including emerging cyber threats, such as account takeovers, social engineering attacks and AI-enhanced fraud schemes) through hands-on cyber workshops and "tabletop" exercises, which FINRA will continue to offer regularly across the country.[10] These programs complement FINRA's intelligence-sharing initiatives by translating threat intelligence into practical defensive measures.

Member Firm Resources and Education

In May 2025, FINRA launched a new set of "Customer Resources" within the Member Firm Hub on FINRA.org, featuring two "Key Topic" pages: Investor Education Resources and Scam Prevention & Assistance Resources. FINRA developed these pages in response to extensive feedback from member firms. The pages provide consolidated resources that firms and registered professionals can use or share with their customers. FINRA also maintains a "Key Topics" page on Senior Investors and, in June 2025, published a list of Senior Investor Protection Resources for member firms. FINRA regularly educates member firms and their associated persons through conferences,[11] the Annual Regulatory Oversight Report[12] and other training, including continuing education courses.[13]

Educating and Assisting Investors

The FINRA Securities Helpline for Seniors (Helpline)—which recently celebrated its tenth anniversary—provides real-time guidance to investors and their families, offering a critical resource for those concerned about potential exploitation or seeking information about protective measures available through their brokerage firms and regulators.[14]

FINRA and the FINRA Foundation provide free, unbiased reports, as well as information and tools to help retail investors better understand basic principles of investing and the markets, and how to avoid scams and other financial pitfalls. For example, FINRA has published numerous investor alerts and fact sheets on emerging fraud schemes, including relationship investment scams, pump-and-dump scams, AI-related fraud, GenAI fraud, broker imposter scams, SMS phishing scams, and mail theft-related check fraud. FINRA also recently published steps older investors can take to reduce fraud risk and updated its publication on protecting older investors from financial exploitation, which helps explain to investors FINRA's trusted contact and temporary hold rules.

The FINRA Foundation also undertakes and sponsors critical research to understand fraud prevalence, mechanics, victim impact and risk factors; cultivates free, counselor-led support programs for scam victims; and develops innovative fraud awareness resources, including a nationally distributed public television documentary and interactive online game.

Outreach and Collaboration

Regulatory and Law Enforcement Coordination

FINRA works with the SEC, NASAA and other regulators on joint initiatives, including coordinated investor bulletins and alerts. FINRA also partners with the National Adult Protective Services Association (NAPSA) and Adult Protective Services (APS) offices across the U.S. to enhance coordination and provide education on the financial services industry, fraud trends and the interaction between FINRA rules and APS efforts to address potential financial exploitation. In addition, FINRA routinely identifies and refers matters outside our jurisdiction to other regulatory and law enforcement agencies.[15]

Industry and Community Engagement

The FINRA Foundation complements FINRA's senior protection and education initiatives by engaging in national, state and grassroots partnerships to develop and distribute fraud prevention resources, conduct outreach and provide training. Since 2008, the FINRA Foundation has developed and implemented evidence-based programs that have trained tens of thousands of professionals—including law enforcement officers, social workers, mental health professionals and others in a position to educate and assist consumers impacted by fraud. In addition, FINRA participates in targeted webinars and educational programs for diverse groups.[16]

Technology Company Collaboration

FINRA's engagement with social media companies has led to enhanced fraud prevention efforts by major platforms. For example, intelligence briefings on investment club schemes led a leading technology company that operates prominent social media platforms to prioritize these schemes in its fraud prevention programs and issue its own public service announcements addressing investment fraud.

Existing Rule Framework: Trusted Contacts and Temporary Holds

Through extensive engagement with the public and market participants, FINRA has developed a regulatory framework designed to provide member firms with flexible tools to protect senior and vulnerable investors from financial exploitation. This framework consists of two rules that work in tandem to facilitate early detection and intervention through member firms' ability to contact a customer's trusted contact person and place a temporary hold on a transaction or disbursement when they have a reasonable suspicion of financial exploitation.[17]

FINRA Rule 4512 (Customer Account Information), in part, requires member firms to make reasonable efforts to obtain information for a trusted contact upon the opening of all non-institutional customer accounts. The trusted contact is intended to serve as a resource for the member firm in various situations, including helping to update contact information when a customer becomes unavailable, assisting when concerns arise over possible diminished capacity or other health issues, protecting assets, and responding to possible financial exploitation. The trusted contact rule is not limited to senior investors and can be a valuable tool for customers of all ages. Designation as a trusted contact does not give the contact "power of attorney" type authority over customer accounts; rather, they are an important resource for member firms and customers in special circumstances.

FINRA Rule 2165 (Financial Exploitation of Specified Adults) represents the first uniform national standard for placing temporary holds to address suspected financial exploitation. The rule permits a member firm 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 firm reasonably believes that financial exploitation of that adult has occurred, is occurring, has been attempted or will be attempted. For purposes of the rule, Specified Adult means: (A) a natural person age 65 and older; or (B) a natural person age 18 and older who the member firm reasonably believes has a mental or physical impairment that renders the individual unable to protect his or her own interests.

Rule 2165 permits a temporary hold for initial periods of 15 to 25 business days, with the possibility of a single 30-business-day extension (for a total maximum of 55 business days) if the member firm has reported the matter to a state regulator or agency of competent jurisdiction or a court of competent jurisdiction and the member firm continues to have a reasonable belief of financial exploitation. The rule allows member firms to extend a temporary hold beyond the 55-business day maximum upon a state agency's request to do so, which is not required to be accomplished through a formal order.[18]

Trusted contacts and temporary holds have played an important role in providing member firms ways to quickly respond to suspicions of financial exploitation before potentially ruinous losses occur for the customer.

Modernizing Our Rules: The Need for Enhanced Protections

As part of the FINRA Forward initiative, we are widely reviewing our rules and guidance to ensure they remain relevant and effective. To that end, we requested comment on a broad range of issues, including senior investors and fraud protection, and whether we should modify or enhance aspects of Rules 4512 and 2165.

Based on the feedback received, as well as FINRA's engagement with member firms, other regulators, FINRA's advisory committees, investor-protection groups and others, FINRA has identified several areas where enhancements to the existing framework could provide additional protections and practical flexibility for member firms seeking to protect their customers.

1. Proposed Amendments to Rule 4512

While the trusted contact framework has proven valuable, greater rates of adoption would bring significantly more value to investor protection. According to the FINRA Foundation's National Financial Capability Study: 2024 Investor Survey, 42 percent of respondents say they have authorized a trusted contact for their investment accounts, up from 38 percent in 2021, while over half (53 percent) say they have not.[19] Among those who have not named a trusted contact, nearly half (49 percent, or just over one-quarter of all survey respondents) say they would be willing to do so.

To increase familiarity and use of this important tool, FINRA has sought to highlight the benefits of naming a trusted contact and make clear to investors that doing so does not give that person authority to make decisions about a customer's account or execute transactions, and does not make that person a power of attorney, legal guardian, trustee or executor.[20] FINRA has also shared effective practices with member firms to highlight the approaches that have helped some member firms achieve higher rates of adoption.[21] FINRA will continue these efforts.

The comments to *Regulatory Notice 25-07* have identified rule-based approaches to increase awareness, understanding and adoption. Commenters said that customers may be more familiar with or receptive to alternative terminology, such as "emergency contact." Additionally, enabling customers to designate a single trusted contact across multiple accounts at a member firm could increase usage. For example, in some instances, customers have named a trusted contact on one account with a member firm, but overlooked other accounts, which limits the utility of the trusted contact listing.

Providing Increased Flexibility to Use the Term "Emergency Contact"

The proposed amendment in new paragraph (e) of Rule 4512.06 would give member firms the option to use the term "emergency contact" as an alternative to "trusted contact person." Firms' written supervisory procedures and training materials would need to reflect that the terms have the same meaning and obligations.

Providing Additional Flexibility in Naming a Trusted Contact for All Accounts

The trusted contact provisions are part of Rule 4512 (Customer Account Information) and apply to each non-institutional customer account. FINRA has previously provided guidance permitting a member firm to seek to obtain trusted contact information collectively where a customer has more than one account (*e.g.*, in one update letter for all the customer's accounts), provided that each of the affected accounts is clearly identified to the customer.[22]

To provide additional flexibility, we propose to expand this guidance in proposed new paragraph (d) of Rule 4512.06. This would permit member firms to seek the customer's authorization to apply a trusted contact to such customer's existing and future accounts with the member firm, provided that the customer is offered the choice to assign the trusted contact on an account-by-account basis rather than to all accounts.

Ministerial Change

As a ministerial matter, the proposed amendments would delete from Rule 4512(a) a transition provision that addressed the application of the trusted contact requirement to accounts that were opened pursuant to a prior rule. Due to the passage of time, this provision is no longer needed.

2. Proposed Amendments to Rule 2165

Member firms have expressed concerns that the time periods specified in Rule 2165 can limit their ability to protect customer assets when financial exploitation is ongoing. In many cases, member firms report that APS or other investigating authorities have not concluded their investigations before the temporary hold period of 55 business days expires, and in some cases, have not responded to the member firm's requests for status updates under the current rule. Many commenters expressed support for extending the time limit for temporary holds beyond the current 55-business-day limit.

According to NAPSA, financial exploitation investigations are often the most complex and time-consuming, and in many instances can take longer than a year.[23] Given the complexity of modern fraud schemes and the time required for effective investigation and intervention, FINRA believes that extending the permissible temporary hold period would provide member firms with additional time to work with customers, trusted contacts and appropriate authorities to prevent or mitigate harm. Commenters also raised various granular points to improve the effectiveness of Rule 2165.

Based on the feedback, we are requesting comment on several proposed amendments to Rule 2165.

Extending the Temporary Hold Period

We propose a structured framework for extending temporary holds beyond the current 55-business day maximum, by adding three 30-business day extensions to a new maximum of 145 business days (unless otherwise terminated or extended by the relevant authority).

The proposed amendment would provide relevant government authorities with more time to assess referrals, determine whether to investigate, and evaluate whether additional time will be needed to investigate or resolve the matter. It also provides additional time for a member firm to communicate with these authorities regarding whether to terminate or further extend the hold.

The new structured framework would impose measured conditions and other safeguards. The ability to extend for each 30-business day period would be conditioned on the member firm making reasonable follow-up efforts with the relevant authority regarding the status of the reported matter; not having received a response;[24] and continuing to have a reasonable belief of financial exploitation.

The first extension beyond 55 business days would require notification, which may be oral, to all parties authorized to transact business on the account as well as to the trusted contact person(s) (subject to certain exceptions). These individuals must be notified of the extension, the reason for and potential duration of the extension, and how the member firm can be contacted for questions or concerns.[25] The amendment also would require documentation associated with such extensions, including the details of the member firm's attempts to communicate with the relevant government authority, records demonstrating that the member firm made reasonable efforts to determine the status of the referred matter, and the lack of a response from the relevant authority.[26] At any time, if the relevant authority requests an extension, the member firm would be permitted to continue the hold outside of the structured time periods.[27]

This balanced approach provides for longer holds in complex cases while maintaining the integrity of a "temporary hold" framework through a clearly defined process.

Reporting Matters to Federal Authorities

Rule 2165 permits a temporary hold to be extended from 25 business days to 55 business days if the member firm has provided notification of the member firm's reasonable belief of financial exploitation to a state regulator or agency of competent jurisdiction or a court of competent jurisdiction. In recognition of the multi-jurisdictional nature of many instances of financial exploitation and potential avenues at the federal level for investigation and redress, we propose to expand such references to expressly include federal authorities.[28]

Individuals Authorized to Place, Extend or Terminate a Hold

Pursuant to existing Rule 2165(c)(2), a member firm's written supervisory procedures must identify the title of each person authorized to place, terminate or extend a temporary hold on behalf of the member firm. Such individuals must be associated persons who serve in a supervisory, compliance or legal capacity for the member firm.

Some member firms have dedicated teams to handle senior investor issues.[29] Commenters suggested that broadening the rule to permit such individuals (even if they do not formally fall within the "supervisory, compliance or legal" categories) to place, terminate or extend a hold would enable more prompt and effective handling of suspected exploitation.

To facilitate the administration of the temporary hold provisions by member firm personnel with the appropriate expertise and day-to-day responsibilities, we propose a limited expansion of the types of individuals whom a member firm can authorize to place, terminate or extend a temporary hold. The proposed expansion would cover associated persons who serve in "a specialized senior investor protection or fraud prevention role with responsibilities that include, as appropriate, investigating, evaluating, escalating, and reporting potential financial exploitation of Specified Adults."

Codifying Guidance Articulated in Frequently Asked Questions (FAQs)

For clarity, we propose to largely codify existing guidance articulated in two FAQs.[30] First, pursuant to proposed Supplementary Material .04, a member firm may extend a temporary hold upon the request of a relevant authority, and that request need not be in the form of a formal order or in writing, so long as the member firm maintains a record of the authority's request.[31] Accordingly, if a relevant authority indicates to a member firm, by telephone, email or otherwise, that additional time is needed to address a reported matter, the member firm may extend the hold and retain a record of the request.

Second, pursuant to proposed Supplementary Material .07, a member firm may flag or place restrictions on an account rather than a particular disbursement or transaction as long as the member firm has a process for permitting legitimate disbursements and transactions to go through (*e.g.*, regular bill payments), and allows such transactions or disbursements to go through. The provision makes clear that the member firm may not rely on the safe harbor if it blocks transactions or disbursements where there is not a reasonable belief of financial exploitation regarding such transactions or disbursements.

3. Proposed Rule 2166

The proliferation of fraud and scams targeting individuals of all ages and the evolution of fraud tactics have heightened a need for protective measures that extend beyond the current Specified Adult criteria. To offer member firms a tool to protect all customers (regardless of age or capacity) from suspected fraud, we propose new Rule 2166 (Temporary Delays for Suspected Fraud).

The proposed rule is modeled on Rule 2165 and similarly offers an optional safe harbor approach—but in a much more streamlined fashion—with a "speed bump" mechanism, distinct from the longer-term holds available under Rule 2165 for Specified Adults. Specifically, the rule would permit a member firm to place a temporary delay of up to five business days on a transaction or disbursement in the account of a customer[32] if there is a reasonable belief of fraud[33] targeting the customer, with associated safeguards.[34]

Proposed Rule 2166 is designed to prevent customer losses by giving member firms a brief intervention window (or "speed bump") to facilitate outreach by the member firm to the customer (away from perpetrator influence), information gathering, conversation and provision of relevant educational resources about fraud schemes. The goal is to persuade the customer to recognize the attempted fraud and not to proceed with the transaction or disbursement.

The FBI explains that "[o]ne of the most common tactics scammers employ is a false sense of urgency or isolation" and for this reason, the FBI "urges the public to 'Take A Beat': resist pressure to act quickly, pause for a moment, and assess the situation."[35] Using a permissible "speedbump" or "cooling off period" of this type is consistent with this FBI fraud and scam awareness campaign, and is supported by research suggesting that emotional stimulus can increase susceptibility to fraud.[36] Other research indicated that awareness about specific scams can help protect against financial loss.[37] Accordingly, the ability to pause a transaction or disbursement and educate the customer about the specific type of suspected fraud or scam could be beneficial.

The rule contains safeguards modeled on similar provisions in Rule 2165 to protect customers and prevent misapplication of the rule.

- The member firm may only place the temporary delay if the member firm reasonably believes that fraud has occurred, is occurring, has been attempted or will be attempted.
- Within two business days of placing a delay, the member firm would be required to provide notification, which may be oral, to authorized parties on the account and a trusted contact person of the temporary delay, the reason for the delay, and how the member firm can be contacted for questions or concerns.[38] As in Rule 2165, notification to a party would not be required if that party is unavailable or the member firm reasonably believes that the party is involved in the fraud.
- The temporary delay would expire no later than five business days after placing the hold, unless otherwise terminated or extended by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction.

- The rule would impose supervision and training requirements consistent with Rule 2165 (as proposed to be amended).
- The proposed records requirement would also be generally consistent with the corresponding aspects of Rule 2165 and would require records of any information provided to the customer in connection with the temporary delay.

This approach seeks to balance investor protection with respect for customer autonomy. It complements Rule 2165 by addressing situations where customers of any age and capacity are targeted by fraud. The differences between Rule 2165 and proposed Rule 2166 recognize that there are agencies focused on financial exploitation of seniors (*e.g.*, APS). The hold periods in Rule 2165 provide the member firm the time needed to gather information that can form the basis of a referral to such agency, and the time an agency may need to evaluate the matter and conduct its investigation. The length of the Rule 2165 hold period also recognizes the severity of the consequences for seniors who are the victims of financial exploitation, as discussed above. Those same considerations and resources do not necessarily exist for fraud perpetrated on other types of investors.

FINRA understands that some member firms currently rely on contractual provisions in their account opening agreements to place holds on transactions or disbursements to protect customers from fraud. In some cases, these holds may exceed five business days. The optional safe harbor under proposed Rule 2166 would offer a structured framework for member firms (including those that do not currently have such provisions), without restricting a member firm's ability to pursue (or continue to pursue) contractual approaches.[39]

As with Rule 2165, Supplementary Material .01 to proposed Rule 2166 makes clear that the rule does not require member firms to place temporary delays.

Guidance on Information Sharing

To address questions that continue to arise regarding member firms' ability to share information regarding suspected financial exploitation or fraud in light of privacy considerations, we note that nothing in the rule prohibits a member firm from sharing information that is otherwise permitted by law. In addition, we are reiterating prior guidance on this issue and clarifying its application in the context of proposed Rule 2166.

First, in approving the amendments to Rule 4512 and adoption of Rule 2165, the SEC confirmed that a member firm's disclosures to a trusted contact pursuant to Rules 4512(a)(1)(F) and 2165 would be consistent with Regulation S-P because such disclosures would be made with the customer's consent or authorization, to protect against fraud or unauthorized transactions, or to comply with federal, state or local laws, rules and other applicable legal requirements. Accordingly, a member firm's disclosures to a trusted contact consistent with Rules 2165 and 4512 would be permissible under Regulation S-P.[40] We believe that such disclosures consistent with proposed Rule 2166 would also be permissible under Regulation S-P.

Second, we note that, in many instances, a member firm would be permitted to disclose information to a non-affiliated third party, such as another financial institution, related to the suspected financial exploitation of a Specified Adult,[41] and this would also be true for suspected fraud targeting a customer.[42] Regulation S-P allows a member firm to share nonpublic personal information with non-affiliated third parties for certain purposes, including to protect against or prevent actual or potential fraud, unauthorized transactions, claims or other liability.[43]

In addition, Section 314(b) of the USA PATRIOT Act and its implementing regulation provide financial institutions with the ability, upon providing notice to the U.S. Department of the Treasury, to share information with one another, under a safe harbor that offers protections from liability, to identify and report to the federal government activities that may involve money laundering or terrorist activity.[44]

Economic Impact Assessment

FINRA has undertaken an economic impact assessment, as set forth below, to analyze the economic baseline for the proposed amendments and their potentially significant economic impacts, including anticipated costs and benefits, relative to the baseline, and the alternatives considered in assessing how best to meet FINRA's regulatory objectives.

Regulatory Need

Advances in technology and use of sophisticated tactics have made fraud a significant and growing risk for investors and member firms. While investors of all ages face significant risk of fraud, senior investors, in particular, are often living on fixed incomes and budgets without the ability to offset significant losses over time or through other means. The proposed rule amendments would enhance the tools that member firms have to fight fraud and financial exploitation of senior and vulnerable adult investors, and to protect other investors where there is a reasonable suspicion of fraud.

Economic Baseline

The economic baseline includes current Rules 4512 and 2165, which assist member firms in protecting customer assets through trusted contacts and, for Specified Adults, the ability to place temporary holds on disbursements and transactions when there is a reasonable belief of financial exploitation. The economic baseline also includes current industry practices relating to compliance with these provisions as well as current risks of fraud and financial exploitation of individuals who are not

Specified Adults. The proposed rule change would mostly affect member firms with retail operations. As of December 31, 2024, there are at least 1,135 member firms that serve retail investors.[45]

Survey data from the current National Financial Capability Study Report indicate that about 42 percent of investors have authorized a trusted contact for their investment accounts.[46] Among those investors who do not have a trusted contact, 81 percent do not recall being asked to name one and 49 percent indicated that they would be willing to do so.[47]

Regarding temporary holds, FINRA conducted a survey of member firms in 2020.[48] At that time, FINRA found that "approximately 53 percent of survey respondents stated that they had been unable to resolve a matter related to disbursements within 25 business days."[49] Furthermore, "[f]or matters that took longer to resolve than the 25-business day period, approximately 35 percent of survey respondents indicated that it took on average 26–50 business days to resolve the matter and approximately 59 percent of survey respondents indicated that it took on average 51–100 business days to resolve the matter."[50]

Economic Impacts

The proposed amendments would impact member firms and investors, especially senior and vulnerable investors. As discussed above, FINRA is proposing amendments in three areas: (1) amendments to Rule 4512, allowing the use of "emergency contact" terminology under the existing trusted contact framework to reduce customer confusion, and codifying existing guidance; (2) amendments to Rule 2165, including extending maximum temporary hold periods and codifying existing guidance; and (3) proposing new Rule 2166 that introduces a new temporary hold mechanism for addressing suspected fraud, applicable to any customer (regardless of age or capacity).

Anticipated Benefits

FINRA believes that the proposed amendments to Rule 4512 allowing the use of the term "emergency contact" as an alternative to "trusted contact person" would increase customer comfort with designating an individual as a trusted contact. FINRA also believes that an increase in customer use of this designation would improve member firms' ability to intervene in situations of suspected fraud or other circumstances of potential investor harm. This would subsequently improve the chances to prevent potential financial losses to investors.

FINRA believes that the proposed amendments to Rule 2165 would better address the fact that, in a significant number of instances, relevant authorities, such as APS or law enforcement, require more than the current maximum of 55 business days to evaluate or address financial matters. The data from the 2020 FINRA member firm survey discussed above suggest that about 28 percent of member firms face instances where a matter took more than 50 days to resolve. The data also suggest that the majority of matters are resolved within the current maximum of 55 business days.

The proposed amendments would establish a structured framework to extend temporary holds up to a maximum of 145 business days (absent further extension by the relevant authority) and provide a mechanism whereby the extension of a hold is commensurate to the circumstances. The more flexible structured framework is expected to benefit investors by allowing, when needed, for more time to address situations where fraud or other circumstances of potential investor harm may be occurring. The proposed amendment strikes a balance between addressing circumstances where there is a demonstrated need for longer holds and avoiding overly long holds or misuse.

The newly proposed Rule 2166 expands the extent of investor protections to cover not only senior and vulnerable investors, but all investors. It does so by introducing an optional safe harbor for member firms to place a short delay of up to five business days on disbursements or transactions when there is a reasonable belief of fraud targeting a customer, without restricting a member firm's ability to include contractual provisions in their account opening agreements to place holds or delays to protect customers from fraud. The proposed rule change would benefit investors by allowing member firms to intervene in situations of suspected fraud and thereby potentially prevent financial losses to investors, especially if relevant information can be collected and effectively communicated to investors within five business days.[51] Accordingly, the expected benefits from the proposed rule change would be greatest where the member firm maintains awareness of common fraud schemes and knows the customer, including how to effectively communicate with them. The proposed rule would benefit member firms by providing them with safe harbor protection from specified FINRA rules if they meet the terms of the rule when implementing a delay of up to five business days on disbursements or transactions.

Anticipated Costs

Allowing member firms to use the term "emergency contact" as an alternative to "trusted contact person" would result in negligible additional costs, if they choose to use the "emergency contact" terminology. Member firms may incur some minor costs in updating materials that reference "trusted contact person," such as written supervisory procedures, training materials and account opening agreements.

To the extent that member firms choose to take advantage of the proposed amendments to Rule 2165 as well as proposed Rule 2166, additional operational costs such as additional personnel time for communicating with relevant authorities, notifying authorized parties and trusted contact persons of hold extensions or temporary delays, and enhanced recordkeeping efforts may result. Additionally, member firms would need to update their written supervisory procedures and develop training programs to implement the new provisions.

In addition, there could be indirect costs to member firms and investors in situations where longer temporary holds or Rule 2166-based delays are implemented. The possibility exists that the imposition of a hold (or temporary delay) might cause lost or diminished investment opportunities and dissatisfaction with customer service by some investors. These costs would likely increase with the length of time of the hold. Some investors may view temporary holds or delays as impositions on their autonomy that exceed any benefits resulting from better fraud protection. In some instances, this may prompt some investors to move assets, which imposes costs on them. For member firms, this could result in lost business and diminished client relationships. In addition, if time-sensitive disbursements or transactions are affected by such holds or delays, there may be missed opportunities or other disruptions to the investor. While acknowledging the possibility of member firms and investors incurring the various indirect costs discussed above, FINRA is unable to gauge their magnitude.

Conversely, in situations where proposed Rule 2166 would apply but member firms choose not to place a temporary delay, there is the possibility that member firms expose themselves to the risk of customer complaints and legal action. FINRA believes that a legal risk exists whether or not FINRA adopts the proposed rule, and the safe harbor approach appropriately balances investor protection with member firm liability concerns when firms act in good faith.

Competitive Effects

FINRA believes the competitive effects of the potential amendments would differ across the impacted member firms, depending on their business model and composition of their customer base and whether and to what extent they choose to use the tools the proposed amendments offer. For example, the competitive effects from the proposed amendments would depend in part on the extent to which a member firm already has business practices in place that facilitate the detection of potential fraud and responses to it. The ability to introduce a five-business-day delay, based on proposed Rule 2166, may be more useful to member firms with full-service business models than to others. Some member firms may not see much advantage from this additional tool and may instead see mostly risks of additional customer complaints and legal action. Other member firms that currently rely on contractual agreements governing temporary holds (irrespective of customer age) may be indifferent. To the extent that member firms make their practices regarding these tools known to current and prospective customers, member firms may attract additional investors for whom such practices and protections are especially important and salient.

The competitive impact of the proposed amendments on member firms versus non-member firms, such as investment advisory firms, is unclear.

Alternatives Considered

FINRA is proposing to address financial exploitation of non-Specified Adults through proposed Rule 2166. FINRA considered, as some commenters advocated (and others opposed), expanding existing Rule 2165 to cover non-Specified Adults and to cover situations where Specified Adults experience diminished capacity but no financial exploitation.

The proposed approach complements Rule 2165 by addressing situations where customers of any age are targeted by fraud, while preserving the enhanced protection framework of Rule 2165 for senior and other vulnerable investors, who, as a group, suffer the largest losses to fraud, and for whom losses can be most financially debilitating. Relative to expanding Rule 2165, the proposed approach avoids potential disruption of existing member firm practices geared specifically to Specified Adults. Moreover, while for Specified Adults there are agencies with mandates to investigate financial exploitation (*e.g.*, APS), the same is not necessarily true for fraud perpetrated on non-Specified Adults. Hence, while the hold periods in Rule 2165 provide member firms the time needed to gather information that can form the basis of a referral to such agencies, and the time an agency may need to conduct its investigation, similar considerations do not necessarily exist for non-Specified Adults.

Additionally, with respect to the appropriate maximum length of delay under proposed Rule 2166, FINRA considered whether 10 business days would be preferable to 5 business days. With 10 business days, member firms may have a greater ability to collect information, investigate, reach the customer, and possibly schedule in-person meetings. However, the potential cost to the investment opportunities of the investor can increase as the length of the hold extends. Given this potential cost along with concerns about impacts on customer autonomy, FINRA is proposing the five-business-day delay and specifically requesting comment on the length of delay.

As for situations of impairment of Specified Adults absent financial exploitation, FINRA did not receive sufficient comment on this issue to meaningfully inform a determination on this issue at this time.

Request for Comment

FINRA requests comment on all aspects of the proposal. FINRA requests that commenters provide empirical data or other factual support for their comments wherever possible.

Specifically, FINRA requests comment on the following questions.

- Is the proposed "emergency contact" terminology likely to increase customer comfort and participation?
- Are there potential unintended consequences of allowing a single trusted contact across multiple accounts, including future accounts? Are there potential unintended consequences of requiring a customer to be provided the option to select a trusted contact on an account-by-account basis?
- Is the proposed 145-business-day maximum temporary hold period for Rule 2165 appropriate? Would a shorter or longer period be more appropriate? If so, why?
- Are the proposed conditions for hold extensions reasonable and balanced?
- Is the proposed five-business-day temporary delay an appropriate intervention window for proposed Rule 2166? Would a 10-business-day period be more appropriate? If so, why?
- Are the safeguards in proposed Rule 2166 appropriately tailored?
- What are the additional material economic impacts, including costs and benefits, for investors and member firms of these proposed amendments?
- How might the impacts differ across various member firm business models and member firm sizes?
- Are there potential economic consequences not discussed in this *Notice*?
- How might these proposed amendments affect competition among member firms, as well as competition between member firms and other financial intermediaries such as investment advisers?

Conclusion

The proposed amendments described in this *Notice* represent FINRA's ongoing commitment to adapting its regulatory framework to address the dynamic and increasingly complex threats facing investors today. FINRA aims to provide member firms with the practical tools and flexibility necessary to protect their customers from financial exploitation and fraud.

Endnotes

1 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.

2 *See* Federal Bureau of Investigation (FBI) Internet Crime Complaint Center (IC3), FBI Internet Crime Report 2024, at 3 (FBI IC3 Report), reporting that "as a group, those over the age of 60 suffered the most losses and submitted the most complaints." This represents a 46 percent increase in complaints from 2023.

3 *See, e.g.,* Rachel E. Morgan & Susannah N. Tapp, Examining Financial Fraud Against Older Adults, Nat'l Inst. of Justice J. (March 20, 2024) (citing data on fraud against older adults, but noting that "the actual number of fraud cases is unknown as many people do not report their victimization, and underreporting is especially high for older adults"); U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), Advisory on Elder Financial Exploitation, FIN-2022-A002, at 1-2 (June 15, 2022) (FinCEN 2022 Advisory) ("Despite the fact that [elder financial exploitation] is the most common form of elder abuse, the majority of incidents go unidentified and unreported as victims may choose not to come forward out of fear, embarrassment, or lack of resources.").

4 For example, Federal Trade Commission (FTC) data show that median losses are highest for older adults, but individuals under age 60 accounted for 64 percent of reported fraud in 2024. *See* FTC, Protecting Older Consumers 2024-2025: A Report of the Federal Trade Commission 18 (December 1, 2025); *see also* FTC, Consumer Sentinel Network Data Book 2024 (March 2025) (FTC 2024 Data Book). The FTC's Consumer Sentinel data are available online in an interactive format.

5 *See* FBI IC3 Report, *supra* note 2.

6 Sam Rogers, International Scammers Steal Over $1 Trillion in 12 Months in Global State of Scams Report 2024, Global Anti-Scam Alliance (November 7, 2024).

7 *See, e.g.,* FBI, Alert Number: I-120324-PSA: Criminals Use Generative Artificial Intelligence to Facilitate Financial Fraud (December 3, 2024).

8 *See, e.g.,* FBI IC3 Report, *supra* note 2, at 3 ("As nearly all aspects of our lives have become digitally connected, the attack surface for cyber actors has grown exponentially. Scammers are increasingly using the Internet to steal Americans' hard-earned savings. And with today's technology, it can take mere taps on a keyboard to hijack networks, cripple water systems, or even rob virtual exchanges."); INTERPOL, INTERPOL Financial Fraud assessment: A global threat boosted by technology 11 (March 11, 2024) ("Within financial fraud, technology has emerged as the key enabling factor for criminal groups. The use of AI, large language models (LLM) and cryptocurrencies can scale up certain types of financial fraud exponentially with low levels of investment.").

9 *See, e.g., Regulatory Notice 22-25* (November 17, 2022); FINRA, This On-Ramp Could Lead You to a Dump (March 30, 2023); FINRA, Investor Alert: Social Media 'Investment Group' Imposter Scams Continue to Rise (December 9, 2025).

10 These realistic, structured exercises, led by FINRA staff with direct examination and investigation experience, enable member firms to test response protocols, strengthen coordination, clarify roles, and identify gaps before a real-world incident occurs.

11 For example, the 2025 Annual Conference featured a dedicated session on mitigating impacts of fraud and scams targeting customers.

12 *See* 2026 FINRA Annual Regulatory Oversight Report (December 9, 2025); 2025 FINRA Annual Regulatory Oversight Report (January 28, 2025).

13 FINRA maintains a catalog of e-learning courses for member firms to use in furtherance of their training programs, and a number of these courses address diminished capacity, vulnerable populations and exploitation of senior investors.

14 The Helpline provides real-time assistance not only to investors and their families but also to member firms. For example, the Helpline has assisted member firms with concerns related to FINRA Rules 2165 and 4512 and connects member firms with the relevant subject matter experts in FINRA's Office of General Counsel when interpretive questions arise.

15 For example, FINRA's intelligence work has directly contributed to major enforcement initiatives, including providing briefings that supported the SEC's launch of its Cross-Border Task Force.

16 For example, VAST co-hosted two webinars for the New York Public Library in 2025: "Red Flags and Safe Harbors: Navigating Financial Scams in Today's Market" and "FINRA in Action: Senior Protection from Crypto ATM Fraud."

17 Other FINRA rules that are generally applicable to all customers, but can be particularly relevant in protecting senior investors include FINRA Rule 3240 (Prohibition on Borrowing From or Lending to Customers) and Rule 3241 (Registered Person Being Named a Customer's Beneficiary or Holding a Position of Trust for a Customer).

18 *See* FINRA, Frequently Asked Questions Regarding FINRA Rules Relating to Financial Exploitation of Senior Investors, Q.3.2 (last visited December 18, 2025) (FINRA Seniors FAQs).

19 Judy T. Lin, Christopher Bumcrot, Olivia Valdes, Gary Mottola, Susan Sarver, Robert Ganem, Christine Kieffer, & Gerri Walsh, Investors in the United States: A Report of the National Financial Capability Study, FINRA Investor Education Foundation (December 2025).

20 For example, FINRA has published the following resources related to trusted contacts Webpage, Infographic, Video and Investor Bulletin: Why You Should Consider Adding a Trusted Contact to Your Account.

21 *See Regulatory Notice 22-31* (December 15, 2022); *see also* FINRA 2025 and 2026 Annual Regulatory Oversight Reports, *supra* note 12.

22 *See* FINRA Seniors FAQs, *supra* note 18, at Q.4.5.

23 *See* Letter from National Adult Protective Services Association, dated June 12, 2025 (noting that FINRA's prior amendments to Rule 2165, extending the temporary hold period to 55 business days, "mirror the average time it takes to conduct an APS investigation. This average encapsulates all categories of reports that APS investigates (*i.e.*, physical, sexual and emotional abuse, self-neglect, caregiver neglect), in addition to financial abuse. Financial exploitation investigations are often the most complex and time-consuming and there are many examples of cases being open for more than a year."). *See also infra* text accompanying notes 48-50.

24 An automated response or acknowledgement or other communication that does not address the status of the referral would not be considered a response for these purposes.

25 The current rule requires notification of the hold and the reason for the hold to authorized parties and the trusted contact person within two business days of placing the hold. We propose to amend this requirement to also require information about how the member firm can be contacted for questions or concerns. *See* Proposed Supplementary Material .06.

26 In circumstances where the member firm receives no communication from the relevant authority, documentation of a lack of response could include a notation or attestation that no response was received from the relevant authority as of a specified date.

27 *See* Proposed Supplementary Material .04.

28 *See, e.g.,* Board of Governors of the Federal Reserve System et al., Interagency Statement on Elder Financial Exploitation 7 (December 2024) ("Some agencies or programs may be able to help victims recover stolen funds. For example, the IC3 Recovery Asset Team is a domestic program designed to 'streamline communication between financial institutions and assist FBI field offices with the freezing of funds for those who made transfers to fraudulent accounts under false pretenses.' Another example is FinCEN's international Rapid Response Program that 'helps victims and their financial institutions recover funds stolen as the result of certain cyber-enabled financial crime schemes, including business e-mail compromise.'") (citations omitted).

29 *See, e.g.*, *Regulatory Notice 20-34*.

30 *See* FINRA Seniors FAQs, *supra* note 18, at Q.3.2 and Q.1.2.

31 To the extent a member firm receives an oral request from the relevant authority, the member firm would be expected to create a record of such communication and maintain it in accordance with proposed Supplementary Material .04.

32 For purposes of this rule, "customer" would mean "a natural person age 18 and older." Proposed Rule 2166(a)(2). "Account" would mean "any account of a member for which a customer has the authority to transact business." Proposed Rule 2166(a)(1). Customers who meet the definition of "Specified Adult" under Rule 2165 may be protected by a member firm under either Rule 2165 or proposed Rule 2166. We note that a "mental or physical impairment that renders the individual unable to protect his or her own interests" can apply to temporary impairments (*e.g.*, due to addiction or temporary illness) as well as permanent or chronic impairments. *See* Securities Exchange Act Release No. 79215 (November 1, 2016), 81 FR 78238, 78246 (November 7, 2016) (Order approving File No. SR–FINRA–2016–039). In the context of placing a temporary delay in the account of a customer under the age of 65, if the member firm forms a reasonable belief that the customer has such a mental or physical impairment, the member firm could choose to rely instead on Rule 2165.

33 For purposes of this rule, "fraud" would be defined as "a deceptive scheme perpetrated by a third party that targets a customer and results in a request for a disbursement of funds or securities or a transaction in securities based on false or misleading information." Proposed Rule 2166(a)(4). This definition is intended to be broad and would include, for example, identity theft and account takeovers.

34 Like Rule 2165, proposed Rule 2166 would provide member firms and their associated persons with a safe harbor from FINRA Rules 2010, 2150 and 11870 when acting in accordance with the requirements of the rule.

35 *See* FBI, FBI Announces Nationwide 'Take A Beat' Campaign to Increase Awareness of Frauds and Scams (August 19, 2024) (noting that perpetrators "may try to instill trust, induce empathy, or fear, or promise monetary gains, companionship, or employment opportunities—all to lure victims into immediate action").

36 *See* Katharina Kircanski et al., Emotional Arousal May Increase Susceptibility to Fraud in Older and Younger Adults, 33(2) Psychol. & Aging 325–337 (March 2018), ("Persuasion tactics used by fraud perpetrators often elicit high levels of emotional arousal; thus, studying emotional arousal may help to identify the conditions under which individuals are particularly susceptible to fraud. We examined whether inducing high-arousal positive (HAP) and high-arousal negative (HAN) emotions increased susceptibility to fraud. […] For participants who exhibited the intended induced emotional arousal, both the HAP and HAN conditions […] significantly increased participants' reported intention to purchase falsely advertised items.").

37 *See* Marguerite DeLiema, Yiting Li & Gary Mottola, Correlates of responding to and becoming victimized by fraud: Examining risk factors by scam type, 47(3) Int'l J. of Consumer Stud. 1042-1059 (May 2023) ("Using survey data from 1375 American and Canadian consumers who previously reported a scam to a North American consumer complaint organization, this study examines the correlates of responding to and losing money to four categories of consumer fraud: opportunity-based scams, threat-based scams, consumer purchase scams, and phishing scams. […] Having advance knowledge of fraud prior to being exposed was protective across nearly all scam types. Results suggest that awareness about specific scams helps protect against financial loss.").

38 *See* Proposed Rule 2166(b)(1)(B) and Proposed Supplementary Material .04. FINRA understands that a member firm may not necessarily be able to speak with or otherwise get a response from such persons within the two-business-day period. Consistent with guidance provided in connection with Rule 2165, FINRA would consider, for example, a member firm's sending an email or placing a telephone call and leaving a message with appropriate person(s) within the two-business-day period to constitute notification for purposes of proposed Rule 2166. *See Regulatory Notice 17-11*, note 20 (March 30, 2017). A member firm may similarly mail a letter, but due to the short duration of the temporary delay in proposed Rule 2166, delivery by mail may not be the most expedient means of communication.

39 *See also Regulatory Notice 22-05*, note 13 (February 15, 2022) ("Regarding whether the best execution obligation applies to a member firm's decision to place a temporary hold on a securities transaction where there is a reasonable belief of customer financial exploitation, '[b]roker-dealers are reminded that nothing under the federal securities laws or FINRA rules obligates them to accept an order where they believe that the associated compliance or legal risks are unacceptable.'") (*citing* SEC Staff Bulletin: Risks Associated with Omnibus Accounts Transacting in Low-Priced Securities (last updated October 17, 2023)).

40 *See* FINRA Seniors FAQs, *supra* note 18, at Q.5.1;

Securities Exchange Act Release No. 79964 (February 3, 2017), 82 FR 10059 (February 9, 2017) (Notice of Filing of Partial Amendment No. 1 and Order Granting Accelerated Approval of File No. SR-FINRA-2016-039), note 159 and accompanying text.

41 *See* FINRA Seniors FAQs, *supra* note 18, at Q.6.1.

42 We also understand that some member firms currently rely on contractual provisions (*e.g.,* in their account opening agreements) that permit the member firm to contact a person "reasonably associated" with the customer or a family member when a firm suspects financial exploitation of a customer and there is no trusted contact on file. Some state laws contain similar provisions. *See, e.g.,* Ark. Code Ann. § 23-42-309(b) (2024); Ala. Code § 8-6-174 (2024).

43 *See* exception provided by 17 C.F.R. § 248.15(a)(2)(ii) and other exceptions to Regulation S-P's notice and opt out requirements provided by 17 C.F.R. §§ 248.14 and 248.15. Member firms are reminded that nonpublic personal information received or disclosed for the purpose of protecting against or preventing actual or potential fraud under 17 C.F.R. § 248.15(a)(2)(ii) or another exception in 17 C.F.R. § 248.14 or 248.15 is subject to 17 C.F.R. § 248.11's limits on redisclosure and reuse for information. In determining whether to share information with a non-affiliated third party pursuant to 17 C.F.R. § 248.15(a)(2)(ii) or another exception in 17 C.F.R. § 248.14 or § 248.15, a member firm should take appropriate steps to ensure that the third party seeking the information is not attempting to obtain customer information fraudulently (for example, a perpetrator impersonating bank staff) and that the information is shared consistent with the member firm's policies and procedures related to Regulation S-P and Regulation S-ID (17 C.F.R. § 248.201).

44 *See* 31 C.F.R. § 1010.540 (Voluntary information sharing among financial institutions) regarding the requirements that must be met to qualify for the safe harbor from liability; *see also* FinCEN 2022 Advisory, *supra* note 3 (strongly encouraging such voluntary information sharing as critical to identifying, reporting, and preventing elder financial exploitation, among other illicit activity); *see also* FinCEN, The SAR Activity Review: Trends Tips and Issues: Issue 23 (May 2013) (providing examples of information sharing among financial institutions pursuant to Section 314(b), including for suspected financial exploitation of a senior). Additional information from FinCEN is available on its website. Member firms should also note that Section 314(b) does not authorize a participating financial institution to share a Suspicious Activity Report (SAR) itself, or to disclose any information that would reveal the existence of a SAR. *See* 31 C.F.R. § 1023.320(e) (relating to the requirement to maintain the confidentiality of SARs); *see also* FinCEN, Section 314(b) Fact Sheet (December 2020).

45 *See* FINRA, 2025 FINRA Industry Snapshot 34-36 (September 2025). The 1,135 member firms represent the sum of the member firms that are part of the "Retail" firm grouping as listed in tables 2.6.1 through 2.6.3 of the publication.

46 *See* Judy T. Lin, et al., *supra* note 19.

47 *Id*.

48 *See* *Regulatory Notice 20-34* (October 5, 2020).

49 At the time of the survey, Rule 2165 only provided provisions related to temporary holds in conjunctions with disbursements. Hence the relevant survey questions only pertained to such situations.

50 *See* 2025 FINRA Industry Snapshot, *supra* note 45, at 5.

51 *See, e.g.*, Craig Honick et al., Exposed to Scams – Can Challenging Consumers' Beliefs Protect Them From Fraud? (September 2021).

EXHIBIT 2b

Alphabetical List of Written Comments
Regulatory Notice 26-02

1. Jason Anderson, DFPG Investments, LLC ("DFPG") (February 23, 2026)

2. Matt Billings, Robinhood Financial LLC and Robinhood Securities, LLC ("Robinhood") (March 9, 2026)

3. Michael C. Bixby, Public Investors Advocate Bar Association ("PIABA") (March 9, 2026)

4. Lisa J. Bleier, Securities Industry and Financial Markets Association ("SIFMA") (March 9, 2026)

5. Roberto Braceras, Fidelity Investments ("Fidelity") (March 9, 2026)

6. Marc Fitapelli, MDF Law PLLC ("Fitapelli") (January 14, 2026)

7. Marni Rock Gibson, North American Securities Administrators Association, Inc. ("NASAA") (March 9, 2026)

8. Jessica Giroux, American Securities Association ("ASA") (March 11, 2026)

9. Elizabeth Goldman, Olenka Ballena, Drew Davis, Michele Kallo, Jacqueline Moshkovich, Justin Rhee, Casey Rosen, Joshua Rosen, Chrisann Timbie, & Benjamin Yasharpour, Cardozo Law School Securities Arbitration Clinic ("Cardozo Law Clinic") (March 9, 2026)

10. Andrew M. Hartnett, Financial Services Institute ("FSI") (March 9, 2026)

11. Chad Hicks & Philip Loeffel ("Hicks & Loeffel") (March 9, 2026)

12. Kate Howarth & Joe Tully, Commonwealth Financial Network ("Commonwealth") (March 6, 2026)

13. Rajeev Khurana, Apex Clearing Corporation ("Apex") (March 9, 2026)

14. Clifford Kirsch & Eric Arnold, Eversheds Sutherland (US) LLP on behalf of the Committee of Annuity Insurers ("CAI") (March 9, 2026)

15. Daniel H. Kolber, Intellivest Securities, Inc. (“Intellivest”) (March 6, 2026)

16. Ronald Long & Thomas Mierswa (“Long & Mierswa”) (March 4, 2026)

17. Seth A. Miller, Cambridge Investment Research, Inc. (“Cambridge”) (March 9, 2026)

18. Matthew Morningstar, LPL Financial Holdings, Inc. (“LPL”) (March 9, 2026)

19. Catherine Mustico (“Mustico”) (March 2, 2026)

20. Randolph F. Pistor, Sigma Financial Corporation and Parkland Securities, LLC (“Sigma/Parkland”) (February 27, 2026)

21. Aisha Sabar, Aniqah Nashiat, Dina Travis, Elissa Germaine, & Christine Lazaro, St. Vincent De Paul Legal Program, Inc., Securities Arbitration Clinic, St. John’s University School of Law (“St. John’s”) (March 21, 2026)

22. Bill Singer (“Singer”) (January 8, 2026)

23. K. Dane Snowden, Dennis Moore, & Kathryn Dattomo, CFP Board/Financial Planning Association/National Association of Personal Financial Advisors (“CFP, FPA, & NAPFA”) (March 9, 2026)

24. Alice L. Stewart, Rachael T. Shaw, Sabrina Briceno, Hayley Schultz, & Oladimeji Babalola, University of Pittsburgh Securities Arbitration Clinic (“Pittsburgh Law Clinic”) (March 6, 2026)

25. Justine Tobin, Tobin & Company Securities (“Tobin”) (January 14, 2026)

26. Alexander Yon (“Yon”) (March 9, 2026)

Re: Regulatory Notice 26-02 – Request for Comment on Enhancements to Protect Senior Investors and All Investors from Fraud

Dear FINRA Regulatory Policy Committee,

I submit this comment in my capacity as Chief Compliance Officer of DFPG Investments, LLC. I write in strong support of the proposed amendments to Rule 4512 that permit customers to authorize members to apply trusted contact information across current and future accounts and allow the use of the term “emergency contact” as an alternative to “trusted contact person.”

The proposed trusted contact authorization framework is a practical and investor-protective improvement. In my experience, many customers (including seniors) maintain more than one account at the same firm, often opened at different times. In addition to being operationally burdensome to member firms, managing trusted contact information on an account-by-account basis can be confusing and burdensome for these customers, particularly as they continue to establish new accounts. Allowing customers to authorize the application of trusted contact information to all current and future accounts eases these burdens and maximizes trusted contact coverage, thereby reducing the risk of fraud and exploitation.

Allowing firms to use the term “emergency contact” in place of “trusted contact person” is similarly practical and protective of investors. For most customers, “emergency contact” is a more intuitive and less confusing term than “trusted contact person”. When coupled with the disclosure requirements found in Supplemental Material .06 to Rule 4512, this terminology change should increase investor willingness to provide trusted contact information and improve investor understanding of the role of a trusted contact person.

The proposed amendments to Rule 4512 are also consistent with previous FINRA guidance allowing members to “seek to obtain trusted contact information for accounts collectively”[1] and encouraging “using innovative practices” and “promoting effective ways of asking for TCP information”.[2] I write in full support of these proposed amendments to Rule 4512 and believe they are an efficient mechanism for protecting investors from potential fraud and exploitation.

Respectfully submitted,

Jason Anderson
Chief Compliance Officer
DFPG Investments, LLC

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[1] 2022 Report on FINRA’s Examination and Risk Monitoring Program.
[2] Frequently Asked Questions Regarding FINRA Rules Relating to Financial Exploitation of Senior Investors.

Robinhood

250 Massachusetts Avenue, N.W.
Washington, D.C. 20001
robinhood.com

March 9, 2026

VIA ELECTRONIC MAIL

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: ***Regulatory Notice 26-02; Fraud Protection; FINRA Requests Comment on Rule Revisions to Help Member Firms Protect Senior Investors From Financial Exploitation and All Investors From Fraud***

Dear Ms. Mitchell:

Robinhood Financial LLC and Robinhood Securities, LLC[1] (together, "Robinhood") respectfully submit this letter in response to Regulatory Notice 26-02, which seeks comment on proposed rule modernization changes to further assist member firms in protecting customers from fraud and financial exploitation. At Robinhood, we take pride in providing low-cost brokerage services to millions of investors through a modern, technology-forward brokerage platform.

We welcome FINRA's recognition that member firms are on the frontline of protecting customers in today's evolving landscape of scams, fraud, and financial exploitation. Robinhood has made significant investments in supervisory systems, compliance infrastructure, surveillance tools, cybersecurity protections, and customer education initiatives. These efforts reflect our shared commitment to safeguarding investors and promoting market integrity. Safeguarding customers from financial harm is a fundamental responsibility that underpins investor confidence and the proper functioning of the markets. We view robust fraud prevention, timely intervention, and the continuous enhancement of our controls as critical components of fulfilling that responsibility and maintaining the trust customers place in our platform.

We also agree that FINRA is uniquely positioned to support and empower member firms in continuing to enhance customer protection. As a regulator that engages with both the public and market participants, FINRA can play a critical role by providing clear guidance, facilitating

[1] Both of these FINRA-member broker-dealers are wholly owned subsidiaries of Robinhood Markets, Inc.

information-sharing across the industry, and leveraging data-driven oversight to identify emerging risks.[2] Regulatory Notice 26-02 identifies several areas where enhancements to the existing framework could provide additional protections and flexibility for member firms.

First, Robinhood supports FINRA's proposed updates to the trusted contact framework. Providing firms with the option to use the term "emergency contact" as an alternative to "trusted contact person," and permitting firms to seek a customer's authorization to apply a trusted contact designation across existing and future accounts are sensible modernization steps that may improve customer understanding and operational efficiency.[3]

Second, FINRA proposes expanding the temporary hold period under Rule 2165 beyond the current 55-business-day maximum by adding three additional 30-business-day extensions.[4] The amendment would require documentation associated with such extensions, including details of the member firm's attempts to communicate with the relevant government authority, records demonstrating that the member firm made reasonable efforts to determine the status of the referred matter, and documentation reflecting the lack of a response from the relevant authority.

While we appreciate FINRA's effort to provide firms with additional flexibility in appropriate circumstances, we request that FINRA provide guidance – such as through Frequently Asked Questions – regarding the meaning of "reasonable efforts" and "attempts." Further, the proposed condition requiring that the firm "has not received a response" from the relevant regulator, agency, or court in order to extend the hold is potentially confusing. For example, it is unclear how the rule would apply where a firm does receive a response from an authority that supports continuation or expansion of the hold. We encourage FINRA to clarify this aspect of the proposal to ensure firms are not placed in an uncertain position when acting to protect customers in coordination with authorities.

Additionally, the proposed requirement that firms document follow-up efforts to communicate with the relevant regulator, agency, or court would impose an unnecessary operational burden.[5] Creating and maintaining records that document the dates of communication attempts, methods used, any communications received, and the lack of response from the relevant regulator, agency, or court would add costs and administrative complexity without materially enhancing investor protection. We suggest that this level of prescriptive documentation is unnecessary and that a principles-based approach would better balance investor protection with operational efficiency.

Third, FINRA proposes new Rule 2166, which would permit a member firm to place a temporary delay of up to five business days on a transaction or disbursement where there is a

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[2] Regulatory Notice 26-02 at 2, 4.
[3] Regulatory Notice 26-02 at 8.
[4] Regulatory Notice 26-02 at 10.
[5] Regulatory Notice 26-02 at 10.

reasonable belief of fraud targeting the customer. FINRA recognizes that some firms currently rely on contractual provisions in account agreements to place holds to protect customers from fraud, and states that the optional safe harbor in proposed Rule 2166 would not limit a firm's ability to continue using such contractual approaches.[6] We request that FINRA further clarify that use of the safe harbor provision is not mandatory and should not be presumed to be required. We also request clarification that a firm's decision not to rely on the safe harbor provision—where it instead uses contractual or other lawful authorities—should not be viewed negatively in examinations, enforcement matters, other supervisory contexts, or arbitration proceedings, and that a firm's decision not to invoke this optional rule should not give rise to any adverse inference.

Robinhood appreciates the opportunity to comment on FINRA's request for comment on rule modernization changes to assist firms in protecting customers from fraud and financial exploitation. We support FINRA's continued efforts to modernize its rules and encourage FINRA to ensure any rule changes remain operationally workable and sufficiently clear to avoid unintended consequences. Please contact Robinhood's General Counsel, Lucas Moskowitz, at lucas.moskowitz@robinhood.com if you have any questions or comments.

Respectfully submitted,

Signed by:

Matt Billings

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Matt Billings
President
Robinhood Financial LLC and Robinhood Securities, LLC

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[6] Regulatory Notice 26-02 at 13.

PIABA
PUBLIC INVESTORS ADVOCATE BAR ASSOCIATION

piaba.org
888-621-7484
1300 McGee Dr, Ste 112, Norman, OK 73072

March 9, 2026

Mr. James Wrona
Vice President & Associate General Counsel
Office of General Counsel
Financial Industry Regulatory Authority
Jim.wrona@finra.org
pubcom@finra.org

Re: FINRA Regulatory Notice 26-02 – Rule Revisions to Help Member Firms Protect Senior Investors from Financial Exploitation and All Investors from Fraud

Dear Mr. Wrona:

I write on behalf of the Public Investors Advocate Bar Association ("PIABA"), an international bar association comprised of attorneys who represent investors in securities litigation. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums, while also advocating for public education regarding investment fraud and industry misconduct. Our members and their clients have a strong interest in rules promulgated by the Financial Industry Regulatory Authority ("FINRA") relating to both investor protection and disclosure.

We appreciate the chance to provide input on FINRA's rule proposals to FINRA Rules 4512, 2165, and proposed Rule 2166. As FINRA highlighted in the Regulatory Notice, and as the members of our organization are aware, senior financial exploitation is a proliferating problem in the financial services industry. PIABA agrees with some of FINRA's suggested changes, but FINRA must go further in protecting vulnerable adults and seniors.

Senior financial exploitation is not a niche problem. It is not a series of isolated incidents. It is a national crisis. The numbers alone should demand action. In 2024, the FBI reported that Americans over the age of 60 lost $4.8 billion to fraud[1], a staggering figure that represents only what was reported. The FTC, in its most recent annual report to Congress, found that older adults' reported fraud losses quadrupled since 2020, rising from $600 million to $2.4 billion in 2024 alone[2]. But because most fraud goes unreported, the FTC estimates the true losses experienced by older adults in 2024 may be as high as $81.5 billion. FinCEN's analysis of Bank Secrecy Act data found $27 billion in suspicious activity linked to

[1] 2024 IC3 Annual Report, available at https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf.

[2] Protecting Older Consumers 2024–2025 A Report of the Federal Trade Commission, available at https://www.ftc.gov/system/files/ftc_gov/pdf/P144400-OlderAdultsReportDec2025.pdf.

elder financial exploitation in a single year.[3] Investment scams, the category most likely to touch a brokerage account, were the leading driver of losses among older adults, and they are accelerating. These are not abstract statistics. Behind every number is a retired teacher, a widowed grandmother, or a veteran who served this country. Americans who did everything right, saved for decades, and had it taken from them.

Older Americans are being targeted at unprecedented levels by increasingly sophisticated fraud schemes. Fraudsters go where the money is, and the wealth of the retirees in this country is held at FINRA-member brokerage firms. The national focus must therefore be the responsibilities of these institutions. They hold the assets, employ the personnel, and operate the surveillance systems best positioned to detect and prevent exploitation before it causes irreversible harm. When a senior investor loses a lifetime of savings, it is the brokerage firm with the clearest opportunity to intervene. They must be held accountable to that opportunity.

Financial exploitation of the elderly is not limited to the unsophisticated or uninformed. Members of our organization represent doctors, engineers, lawyers, business owners, and executives. Many of these individuals had successful careers and built businesses. Yet, they too fall victim to modern financial scams. The reason is simple: the fraudsters have evolved. Today's schemes are technologically advanced, emotionally manipulative, and highly coordinated. They exploit fear, isolation, urgency, and trust. They impersonate government officials, romantic partners, cryptocurrency experts, financial institutions, and even family members. They use spoofed phone numbers, artificial intelligence, and convincing documentation and replicated platforms that look like the real thing. The result is devastating. Lifetimes of savings can disappear in days or even minutes.

When seniors lose money to financial exploitation, the harm is not solely economic. It strips them of independence, dignity, and security. It can force delayed retirement, diminished healthcare options, and reliance on family members. In some cases, it leads to depression, severe emotional distress, and suicide. In this national crisis, FINRA must rise to meet the challenge head-on, have the courage to be bold, and put American's retirement savings squarely at the forefront of FINRA's policy initiatives and its rule proposals.

Temporary Disbursement Hold

PIABA's primary concern with the FINRA Rules relating to protecting senior and vulnerable investors remains the permissive language of a brokerage firm's duty to freeze transaction(s) when it has a reasonable belief that a third party is directing fraudulent transactions. The rule allows a brokerage firm to place a temporary hold on certain disbursements if it has a reasonable belief that financial exploitation has occurred, is occurring, or will be attempted.

[3] Interagency Statement on Elder Financial Exploitation, available at https://www.fdic.gov/interagency-statement-elder-financial-exploitation.pdf.

This approach is insufficient. Many of today's most devastating schemes (pig butchering, crypto fraud, imposter scams) are orchestrated overseas. Once funds leave the brokerage account, they are often gone permanently. This is a compelling argument for why the *hold* or some other protective measure must happen at the firm level *before* funds are disbursed when firms know or reasonably believe financial exploitation is taking place.

Firms have an affirmative duty to protect their clients from third party frauds when red flags present themselves to the brokerage firm under existing rule frameworks. *See, e.g.* FINRA Rules 3110, 2010, and 2090. A firm's affirmative duty to delay a disbursement or take other protective actions for their customers when it suspects fraud or abuse, must be more explicit. Such a requirement would not be without precedent. It would bring FINRA into alignment with a growing body of state law that already imposes mandatory reporting obligations on broker-dealers and investment advisers. Most states have enacted laws specifically requiring broker-dealers and investment advisers to report suspected elder financial exploitation and authorizing them to temporarily delay disbursements. The NASAA Model Act, which has served as the foundation for much of this state-level legislation, goes further than FINRA's current framework by mandating qualified individuals, including broker-dealer agents and compliance personnel, promptly notify both Adult Protective Services and the state securities regulator upon a reasonable belief of exploitation. Congress has also recognized the value of incentivizing reporting through the Senior Safe Act, which provides immunity to firms that report suspected exploitation in good faith. It would be incongruous to allow the federal self-regulatory framework governing these same firms to remain purely permissive when states, NASAA, and Congress have all moved in the direction of affirmative obligation. FINRA should follow that lead.

Such bold actions are appropriate in light of the additional elder abuse training and personnel dedicated by brokerage firms on this investor protection issue. Our members frequently represent clients whose losses could have been prevented and/or largely mitigated had brokerage firms been required to place holds and contact trusted persons regarding suspected fraudulent transactions or take other protective measures, as it would allow customers or their agents to have the time and information to make informed decisions.

"Emergency" Contact

In regards to FINRA's proposal to use the terms "emergency contact" or "trusted contact," it would be helpful for members to inform customers that it uses the terms interchangeably. So long as the firms are consistent with the application of those terms, it should not make a difference to the investing public.

FINRA also sought comment on whether there were unintended consequences for allowing a trusted contact to be designated across several accounts (including future accounts), or the consequences of doing so on an account-by-account basis. There should not be any harm, in most instances, for having the same trusted or emergency contact person on all customer accounts. However, this should be reviewed on an annual basis to address whether there are changes in the customer's circumstances. For example, a trusted or emergency contact may change due to a divorce, death of family member, marriage, or other major life events that frequently occur. On the flip side, the primary concern with having customers do this on an account-by-account basis is whether the customer or advisor forgets to include a trusted contact on each account. If that happens, one account could be left without a trusted contact and could be vulnerable. As such, it makes sense to have one trusted contact for all of the customer's accounts, but it would still be helpful to have flexibility to change the contact for different accounts if the client desires to do so. In line with FINRA's existing obligations to know their customers under FINRA Rule 2090, understanding and communicating with a customer about their trusted contacts need to become a routine part of a firm's processes and procedures.

FINRA also sought comment on the propriety of increasing the maximum hold period to 145 days, instead of 55 days under current Rule 2165. The proposed 145-day period is way too long. Our members have already had cases where firms have frozen customers' accounts for more than 55 days without any extension from a state regulator or court order for unreasonable beliefs that the customer is being defrauded. Extending this period for another 90 days would only exacerbate this problem. As such, we believe that the 55-day maximum hold period is enough time for a firm to determine whether an elderly customer is being defrauded, and that should give the firm enough time to seek further extensions from a state regulator or court as necessary. The current rule balances the time sensitivities of the pending and potential customer harm with customer autonomy, PIABA does support allowing firms to obtain such extensions from a federal regulator as well if there are truly exceptional cases that require such an extended hold.

FINRA itself has acknowledged in its past reports that "Trusted Contact Persons" were a concern as part of the "Regulatory Obligations and Related Considerations."[4] FINRA emphasized the importance of firms establishing "an adequate supervisory system, including WSPs, related to seeking to obtain and using the names and contact information" in addition to training representative of the "importance" of both collecting and *using* Trusted Contacts.[5] FINRA should continue to make it clear that the obligation to obtain a trusted contact is inherently linked to the utilization of the trusted contacted. Trusted contacts that remain on the shelf are nothing more than window dressing. Firms can frequently stamp out scams, fraud, and exploitation with quick communication to trusted contacts. However, PIABA's experience representing victims of fraud is that all too often the firms might obtain the Trusted Contact but fail to utilize it.

FINRA also seeks comment to proposed Rule 2166, which would allow the firm to temporarily delay a transaction by five business days for any customer, not just elderly or vulnerable customers. This appropriately recognizes the reality that *anyone* can be the

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[4] *See* FINRA, 2022 Report on FINRA's Examination and Risk Monitoring Program (Feb. 2022), available at https://www.finra.org/sites/default/files/2022-02/2022-report-finras-examination-risk-monitoring-program.pdf.

[5] *Id*.

victim of scams, fraud, abuse, or exploitation. FINRA's proposed rule also recognizes that FINRA members should both keep a sharp eye out for any fraud, abuse, or exploitation regardless of the client's age or sophistication. PIABA supports the inclusion of this new rule, as it seems to be reasonable in time and can prevent harm to the customer. This would give the firm more than enough time to contact the customer and/or trusted contact to verify the customer's desires, needs, and circumstances with regards to the particular transaction and protect against possible fraud. The proposed five-day delay is sufficient and that ten days is too long, as we don't want this rule to delay ordinary business transactions.

FINRA also seeks comments on whether the safeguards are appropriately tailored for Rule 2165. A member firm should be required to place a temporary delay or implement other reasonable responses to protect customers in cases of both fraud and abuse. Sometimes, the underlying misconduct qualifies as both fraudulent and abusive. Other times, however, our members encounter issues where elder investors are being abused by family members, especially in cases involving neurodegenerative disease. Should a brokerage firm have a reasonable belief that its elderly customer is being financially abused, member firms likewise should be required to place a temporary hold or take other appropriate actions to protect the customer. This position aligns with the current rule's provisions and tenets underlying Rule 2010.

As for additional safeguards, the notification requirement for member firms should be in writing as opposed to oral. FINRA acknowledges that the rules implicating senior investors are heightened, so it is reasonable that documentation and notification for important matters such as fraud notifications are likewise elevated to a higher standard.

As for the costs and benefits of the economic impact for investors, the extended hold times pose an untenable burden for seniors who often times need access to their liquidity for daily needs. Asking investors to wait months or even potentially a year or longer because of response time issues between regulators and brokerage firms is an inversion of the principle of customer autonomy. Customers have little leverage to expedite an investigation, and providing additional weeks of time to give regulatory cover to brokerage firms does not serve seniors. What serves senior investors is prioritized communication and expedited business decisions from brokerage firms during what is likely the scariest financial experience for everyday investors.

Finally, PIABA is seriously concerned at the disconnect between FINRA enforcement actions and the amount of criminal fraud impacting investors. According to PIABA's analysis of FINRA Enforcement actions to date, there has not been one public enforcement proceeding by FINRA levied against a brokerage firm for a member firm's role in failing to respond to red flags of financial exploitation affecting their customers and involving their brokerage platform. In fact, there has not even been an enforcement action regarding firm's failure to reasonably attempt to obtain or utilize Trusted Contacts. This is despite the fact that FINRA made exam findings in the past that firms were making "No Reasonable Attempt to Obtain TCP Information."[6] If FINRA wants to be taken seriously and if its platitudes about taking real steps to protect Americans from this raging wave of fraud are to be believed, then FINRA's enforcement priorities need to change too. Many brokerage firms are unlikely to take the obligations to detect fraud and scams and protect their customers from this type of misconduct until FINRA shows willingness to hold these firms accountable to these obligations.

PIABA commends FINRA for its focus on addressing the serious threat of fraud to the American investing public and encourages FINRA to continue to focus on how to better implement investor protection and safeguards for customers. PIABA thanks the Commission and FINRA for the opportunity to comment on this proposal.

Very Truly Yours,

Michael C. Bixby
President, Public Investors Advocate Bar Association

[6] *Id.* at 20.

March 9, 2026

VIA ELECTRONIC SUBMISSION
Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 26-02

Dear Ms. Piorko Mitchell:

SIFMA[1] submits comments in response to Regulatory Notice ("RN") 26-02.[2] We appreciate FINRA's commitment to working with the industry to protect customers from fraud and financial exploitation. We support the efforts of FINRA and are making some suggestions to further improve these proposals.

Rule 4512; Trusted Contact Amendments

We support the proposal from FINRA to allow member firms to use the term "emergency contact" as an alternative to "trusted contact person." Such an option is likely to increase clients' designation of trusted contacts as they will understand the term "emergency contact" more easily than "trusted contact." Adding this option enables firms to assess the terminology that best works for their client base, as firms work diligently to increase the number of trusted contacts attached to accounts.

We support FINRA providing the flexibility for a customer to name a trusted or emergency contact for use across all the customer's accounts at the member firm. For some of our member firms, it would be more effective to identify a trusted contact at the client level, because it is the client – not the account– that is being exploited. We also have member firms where, due to their business model, internal structures, and primary clientele, it would be more effective to set up trusted contacts at the account level. Therefore, we request that FINRA clarify that a firm can choose whether to provide clients the option to appoint a trusted contact at either the client *or* account level only, since requiring firms to adopt a hybrid approach on a client-by-client basis could impose significant technological and substantive challenges counter to this very positive change.

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[1] SIFMA is the leading trade association for broker-dealers, investment SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association ("GFMA"). For more information, visit http://www.sifma.org.
[2] RN 26-02 (Jan. 8, 2026), https://www.finra.org/rules-guidance/notices/26-02.

We Support Rule 2165's Temporary Hold Amendments with Broader Contours

We support the proposed extension of Rule 2165's maximum hold period from 55 business days to 145 business days.[3] This additional time is necessary to investigate and correspond with, including but not limited to, adult protective services, law enforcement, and other agencies of competent jurisdiction. Given that this critical process can take longer, we support the ability for various parties to extend the hold, but request that the requirement to ask the appropriate parties for an extension be 45 instead of 30 days. Based on the collective experiences of our member firms that regularly work with these under-resourced agencies, more frequent outreach would be more disruptive for all parties involved.

We also support explicitly including federal authorities among the entities whose involvement may justify extending a temporary hold. While some firms may need to update internal coordination procedures to accommodate this enhancement, we believe this will improve protection for clients.

In addition, we support expanding the category of individuals authorized to place, extend, or terminate temporary holds to include trained specialists in senior-investor protection or fraud prevention, noting that these individuals often handle such matters in practice.

Finally, we support codifying FAQ guidance allowing firms to rely on informal requests from authorities when extending holds, provided the firm documents the request.

Changes Requested to Rule 2166's "Speed Bump" Provisions to Better Protect Clients Against Fraud

We support Proposed Rule 2166 to allow a firm to hold disbursements or transactions when there is a reasonable belief of fraud. We appreciate that this is designed as a safe harbor, as opposed to a requirement. By designing this as a safe harbor, it becomes an additional tool in firms' toolbox to address fraud against clients. We recommend FINRA clarifying in the rule's language that firms can choose not to utilize this safe harbor, but instead may continue to address suspected fraud through contractual rights, account agreements, or other means.

The proposed hold from 5 business days to 10 business days (or more) is a necessary adjustment for the rule since these frauds often take more time to investigate, escalate, and remediate. Clients sometimes take more than 5 business days to respond to fraud inquiries and may not be persuaded that their transaction is potentially fraudulent in their first interaction with the firm. Additional time may be needed for verification to ensure that member firms can protect their client. In fact, the additional days are necessary in some situations to protect the client properly. For example, ACH-related fraud matters may involve recall windows of up to 60 days; thus, it is our position that would be the most appropriate timeframe.[4]

[3] SIFMA would encourage states to consider the extra time to resolve potential exploitation.
[4] NACHA Operating Rules on Reversals and Enforcement, effective June 30, 2021 (https://www.nacha.org/rules/reversals-and-enforcement); Regulation E also includes a 60 day timing for notifying an institution of an error (12 CFR Par 1005.11) (https://www.consumerfinance.gov/rules-policy/regulations/1005/11/)

While we can appreciate that FINRA was looking to model new Rule 2166 after Rule 2165, we do not believe that all the included aspects of 2165 are appropriate to apply to the new Rule 2166. For example, we are concerned about a requirement to notify all authorized parties and any trusted contact when there is suspected fraud but no client vulnerability has been identified. Instead, we would prefer that reaching out to other authorized parties and any trusted contact be an option in situations where that may be helpful. Generally, fraud against all customers occurs at a much higher rate than exploitation of older or vulnerable clients, and many of these cases are addressed just by notifying the customer of fraud concerns. When no client vulnerability has been identified, outreach to a trusted contact may slow the process down unnecessarily or lead to the client's frustration, which may frustrate firms' ability to secure trusted contacts for as many accounts as possible. This is especially true when a client notification is the only intervention needed to quickly address the issue. Clients may view mandatory notifications as intrusive and unnecessary overreach into their financial privacy, and existing law already allows a firm to reach out to a trusted contact where appropriate.

We would appreciate FINRA's guidance how we could turn a 2166 speed bump into a 2165 hold. We could see such a conversion process to be desirable in cases where we investigate, place a speed bump, and then determine that there is a vulnerability that would be appropriate for a 2165 hold. We request clarification that, at that point, we could begin the 2165 hold process.

Exempt firms from reporting customer complaints relating to holds.

Lastly, the industry urges FINRA to issue guidance that clearly exempts customer complaints reporting of holds which are enacted for suspected fraud. Such important holds are often made at the corporate level, in the name of protecting the client. As a result, we believe these types of holds are not appropriate to include as a regular customer complaint. Related, we do not believe these types of complaints would need to be included in the 4530 reporting.

In the alternative, FINRA should exempt such complaint's inclusion on the individual advisor's Form U4. The individual advisers are not the ones determining whether to hold a suspicious transaction and therefore should not be marked with a complaint on their record for an activity in which they have no discretion – or for which the adviser did the right thing by escalating the concern. Without additional guidance, where these situations occur, there can be a significant chilling effect on reporting within a firm.

SIFMA appreciates your consideration of our comments and would be pleased to discuss them in detail and answer any questions you may have.

Sincerely,

Lisa J. Bleier

Head, Wealth Management, Retirement and State Government Relations

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March 9, 2026

Submitted electronically through https://datacollection.fnrw.finra.org/?notice_ref=377101

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: Fraud Protection: Regulatory Notice 26-02

Dear Ms. Mitchell,

Fidelity Investments ("Fidelity")[1] appreciates the opportunity to provide comments to the Financial Industry Regulatory Authority ("FINRA") on its Regulatory Notice 26-02 ("Notice") proposing rule modernization changes to further assist member firms in protecting customers from fraud and financial exploitation.[2] Fidelity appreciates FINRA's efforts to support the industry in protecting investors from increasingly sophisticated fraud through proposed amendments to FINRA Rules 4512 (Customer Account Information) and 2165 (Financial Exploitation of Specified Adults).[3] Fidelity offers the following suggestions to proposed new Rule 2166 to ensure that the time periods and procedural constraints do not undermine the rule's goal of protecting customers: (1) increase the proposed "speed bump" under Rule 2166 from five business days to 20 business days; and (2) allow discretionary, rather than mandatory, notification of suspected fraud for any investor who is not considered a "Specified Adult."[4]

1. **Increase Proposed "Speed Bump" from Five Business Days to 20 Business Days.**

Proposed new Rule 2166's temporary "speed bump" will provide an important tool for member firms to protect investors from modern fraud schemes that have become increasingly more sophisticated and difficult to identify, track, and defend. Providing a temporary "speed

[1] Fidelity is one of the world's leading providers of financial services, including investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing, and other financial products and services. We administer approximately $16 trillion in assets from over 50 million individual investors, 29,000 employer client firms, 16,000 wealth management firms and institutions, and 8.5 million clearing and custody accounts. https://www.fidelity.com/about-fidelity/our-company.

[2] *See* Financial Industry Regulatory Authority; Fraud Protection, Regulatory Notice 26-02 (January 8, 2026), available at https://www.finra.org/sites/default/files/2026-01/Regulatory-Notice-26-02.pdf.

[3] Fidelity supports the views expressed by the Securities Industry and Financial Markets Association in its comment letter.

[4] "Specified Adult" is defined under FINRA Rule 2165 as "(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."

bump" hold on any transaction in which there is a reasonable belief of suspected fraud is a meaningful protective measure. But the proposed rule's timeframe of five business days is insufficient to adequately investigate and address the concerns raised by suspected fraud. The short timeframe could expose clients to greater risk by unnecessarily expediting investigations and removing transaction holds. Increasing the holding period of the "speed bump" would better reflect the operational realities of fraud protection.

Investigating potential fraud, contacting the impacted clients, communicating the situation, and providing support and education regarding the potential scheme, often takes a significant amount of time – much longer than the proposed five business days. This is particularly true when multiple accounts and clients may be impacted. The temporary hold period should be increased from five business days to 20 business days or to a reasonable period to allow the member firm to conduct an investigation. If member firms are permitted to extend the "speed bump" hold while engaging in reasonable investigatory and mitigative steps, the rule could also include requirements that member firms adopt policies and procedures to ensure legitimate transactions and disbursements are processed during the hold period. As highlighted in the Notice, fraud schemes often use urgency and isolation to condition potential victims to believe the scheme is real.[5] To de-escalate the situation, multiple conversations could be necessary, which may take more than five business days. Additional time would allow member firms to appropriately investigate and potentially mitigate, while ensuring client access to their accounts.

2. **Allow Discretionary Notification of Suspected Fraud for Any Investor Not Considered a "Specified Adult."**

In responding to a suspected fraud involving an investor not considered a "Specified Adult," member firms should not be required to notify the client's trusted contact or other authorized parties on the account, or across multiple accounts, if applicable. In these situations, member firms should have discretionary authority to use their professional judgment as to whether additional notification is necessary, depending on the facts and circumstances. Fidelity agrees with FINRA that the additional notifications are beneficial for the protection of elderly and vulnerable clients, but non-specified adults (those under age 65 or without impairments) may view mandatory notifications as an intrusive and unnecessary overreach into their financial privacy. Additionally, the mandatory notification for non-specified adults often causes unnecessary confusion for trusted contacts who do not know they have been named. FINRA should remove the mandatory requirement to notify trusted contacts across accounts for impacted individuals in instances in which Rule 2165 (Financial Exploitation of Specified Adults) is not applicable.

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[5] *See* Notice at 12.

Fidelity would be pleased to provide further information, participate in any direct outreach efforts that FINRA undertakes, or respond to questions FINRA may have about our comments.

Sincerely,

cc: Robert Cook, President & CEO, FINRA
Robert Colby, Chief Legal Officer, FINRA

Marc Fitapelli Comment On Regulatory Notice 26-02

Marc Fitapelli

Dear FINRA Regulatory Policy Committee,

I submit this comment in my capacity as an attorney who represents consumers, frequently elderly investors, in arbitration matters before FINRA. My practice includes representing victims of elder financial exploitation, fraud, and unauthorized account activity. In that role, I routinely observe how broker-dealer policies and discretionary enforcement decisions directly impact vulnerable seniors after irreversible losses have already occurred.

Although FINRA Rule 2165 is framed as a consumer protection measure intended to prevent elder abuse and financial exploitation of seniors, in practice it operates primarily as a permissive safe harbor for broker-dealers. By allowing firms to decline intervention even when credible red flags of exploitation are present, the rule shields member firms from liability while leaving elderly customers exposed. The permissive nature of the rule undermines its stated purpose of protecting senior investors.

The problem is structural and linguistic. The word “may” in Rule 2165(a)(b)(1) should be replaced with “shall.” Without this change, the rule prioritizes protection of FINRA member firms over the safety of elderly customers, precisely the population the rule was intended to protect. A consumer protection rule that allows inaction in the face of clear exploitation indicators is not a consumer protection rule in practice.

Effective elder financial protection cannot depend on discretionary compliance where conflicts of interest are inherent. Broker-dealers face strong financial incentives not to delay or restrict transactions that generate revenue, particularly in large or time-sensitive accounts held by seniors. As currently written, Rule 2165 elevates institutional risk management over meaningful investor protection.

FINRA should amend Rule 2165 to require mandatory transaction holds and reporting when objective indicators of elder financial exploitation are present, supported by clear standards and regulatory oversight. Without mandatory obligations, Rule 2165 will continue to function as a liability shield rather than a genuine safeguard for elderly investors. Protecting seniors from financial abuse should not depend on voluntary action by the very institutions whose incentives may conflict with that goal.

Respectfully submitted,

Marc Fitapelli

MDF Law PLLC

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NASAA

March 9, 2026

By email to pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority, Inc.
1700 K Street, NW
Washington, DC 20006

RE: Regulatory Notice 26-02: *Rule Revisions to Help Member Firms Protect Senior Investors From Financial Exploitation and All Investors From Fraud*

Dear Ms. Mitchell:

On behalf of the U.S. members of the North American Securities Administrators Association ("NASAA"),[1] I am writing in response to the Financial Industry Regulatory Authority, Inc. ("FINRA") Regulatory Notice 26-02: *Rule Revisions to Help Member Firms Protect Senior Investors From Financial Exploitation and All Investors From Fraud* (the "Notice"), which seeks commentary on "proposed rule modernization changes to further assist member firms in protecting customers from fraud and financial exploitation."[2] As NASAA continues to champion broader efforts to establish a national strategy to mitigate the online scam epidemic,[3] we are pleased to support FINRA's efforts to strengthen its customer protection rules. However, as explained below, we believe the proposed changes could be improved by clarifying the use and verification of trusted contact designations, establishing clear oversight requirements and reasonable belief guidance for initiating holds or delays in customer accounts, and implementing appropriately timed and detailed notification requirements for holds or delays.

I. The Trusted Contact Requirement

FINRA and NASAA agree that "having one or more trusted contacts provides another layer of security on the account and puts the financial firm in a better position to help keep the account

[1] Organized in 1919, NASAA is the oldest international organization devoted to investor protection. NASAA's membership consists of the securities administrators in the 50 states, the District of Columbia, Canada, México, Puerto Rico, the U.S. Virgin Islands, and Guam. NASAA is the voice of securities agencies responsible for grass-roots investor protection and efficient capital formation.

[2] Regulatory Notice 26-02.

[3] NASAA, *Prioritize the Mitigation of the Online Scam Epidemic in the United States* (Apr. 2025).

safe."[4] Yet, the use of trusted contacts is not yet as robust as either of us would prefer; the FINRA Foundation's National Financial Capability Study found that over half of respondents had not authorized a trusted contact, even though nearly half of those respondents expressed a willingness to do so.[5] These gaps show that there is more work to be done, particularly for older investors who appear to remain the primary target of scammers.[6] Encouraging investors to provide firms with trusted contacts as an additional measure of investor protection has been a collaborative effort, and NASAA looks forward to similar initiatives in the future.[7]

A. Use of "Emergency Contact" as an Alternative Term

FINRA proposes permitting firms to use the term "emergency contact" as an alternative to "trusted contact person," provided that firms' supervisory procedures and training reflect identical meaning and obligations. However, the Notice does not explain how the terminology will be explained to customers. Outside of routine examinations or customer complaints, any inconsistency in how firms present the designation could go unnoticed until after misunderstandings have occurred.

Requiring the terms to carry the same meaning and obligations, and to be explained to customers consistently, may help mitigate potential customer confusion. In particular, it could reduce the risk that customers interpret "emergency contact" in a more common-sense manner, namely, as someone to be notified in the event of a medical emergency only. By contrast, within the securities framework, a trusted contact may be engaged in response to a broader set of circumstances that may trigger red flags regarding suspected financial exploitation stemming from a variety of factors beyond medical emergencies, including fraud, diminished capacity, or other atypical behavior.

While investors may feel more comfortable with the term "emergency contact" because of its familiarity across healthcare, employment, education, and banking contexts, familiarity alone may not meaningfully increase participation, and could potentially lead to confusion. A person designated as a medical emergency contact may not be the same individual a customer would want notified about financial red flags. Firms should be required to make clear that, regardless of the terminology used, the designation serves a specific financial protection function, so as to avoid customer confusion.

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[4] NASAA, *FINRA, NASAA and SEC OIEA Urge Investors to Establish a Trusted Contact to Increase Investor Protection* (Sept. 28, 2021).

[5] Notice at 2.

[6] FINRA, *Protecting Vulnerable Adult and Senior Investors* at 1 (May 7, 2024).

[7] *See* NASAA, *supra* note 4.

If FINRA proceeds with the proposal, it may be helpful to clarify whether firms may use both terms interchangeably, or whether they must choose one to be used consistently. FINRA should consider requiring firms to provide a clear written disclosure explaining the circumstances under which the firm may contact a trusted contact or emergency contact, and promote standardized expectations for how firms should explain the designation to its customers. These steps would also address concerns already identified in FINRA's 2025 and 2026 Regulatory Oversight Reports which noted that some member firms were not providing written disclosures explaining when a trusted contact person might be contacted at the time they sought to obtain that information.[8] Educating clients on the value and use of trusted or emergency contacts should help spur broader adoption by investors.

B. Maintaining Accurate and Intentional Trusted Contact Designations

Current Rule 4512 applies the trusted contact requirement at the individual account level, allowing a customer with more than one account to provide a single trusted contact for all accounts or different trusted contacts for different accounts. Member firms are also currently permitted to seek trusted contact information collectively for customers with multiple accounts, provided each account is clearly identified.[9] The proposed new paragraph (d) to Rule 4512 would introduce additional flexibility by allowing a trusted contact designation to apply to existing and future accounts, subject to customer choice.

While this flexibility may be beneficial, a trusted contact should not be automatically applied across multiple accounts, including future accounts, without affirmative and ongoing acknowledgement from the customer.[10] Member firms should not be permitted to obtain a single authorization of a trusted contact person at the outset that would apply broadly and indefinitely to all future accounts, without periodically confirming that this remains the customer's intent. Similarly, firms should not be permitted to rely on an initial blanket request to cover future accounts and then proceed to use the same contact for future accounts without notifying the customer or confirming that the previously named trusted contact remains appropriate.

To ensure that trusted contact designations remain accurate and reflective of customer intent, FINRA should consider requiring firms to request confirmation or updates to trusted contact information at least annually. At a minimum, FINRA should consider providing guidance to

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8 FINRA, *2025 FINRA Annual Regulatory Oversight Report* at 28 (Jan. 2025); FINRA, *2026 Annual Regulator Oversight Report* at 38 (Dec. 2025).

9 FINRA, *Frequently Asked Questions Regarding FINRA Rules Relating to Financial Exploitation of Senior Investors*, Question.4.5 (last visited Feb. 25, 2026).

10 Notice at 19 ("Are there potential unintended consequences of allowing a single trusted contact across multiple accounts, including future accounts? Are there potential unintended consequences of requiring a customer to be provided the option to select a trusted contact on an account-by-account basis?").

encourage firms to issue periodic reminders prompting customers to review and maintain current trusted contact information. Firms could satisfy such a requirement or guidance through electronic prompts, telephone outreach, mailed correspondence, or in-person communications. Where a trusted contact has been designated to apply to future accounts, these reminders could also be incorporated into account opening processes, and should clearly distinguish whether the trusted contact applies to all accounts or only to specific ones.

Findings from FINRA's regulatory operations programs, highlighted in both its 2025 and 2026 Regulatory Oversight Reports, noted that some firms were not making reasonable attempts to obtain trusted contact information for non-institutional customers.[11] One example was the failure to request this information in the firm's regularly scheduled 36-month customer account records update letter. This example underscores the broader importance of fostering efforts to maintain current trusted contact information. Although requesting updates every three years may not be the only or optimal mechanism, incorporating such requests into routine account update communications would be a practical step. Similar approaches are common in other contexts; for example, when customers are periodically prompted to confirm or update their contact information when logging into financial accounts or online services. Applying comparable reminders in the trusted contact context would help ensure that the information remains accurate and reflects the customer's current preferences.

C. Additional Considerations: Verification and Review

FINRA should consider additional verification measures for trusted contacts. Prior to providing information, member firms should be able to confirm that the trusted contact is indeed the individual designated by the customer. It would also be prudent for member firms to periodically review a customer's trusted contact information to ensure that it remains current and that the individual continues to serve as the customer's preferred contact.

FINRA may also consider whether the framework should allow or encourage a secondary trusted contact as a backup if both the customer and primary contact are unavailable or compromised. In cases where both are unreachable, firms could escalate concerns to a supervisor or the relevant authorities and document the escalation process, attempts to contact, and any concerns raised. Guidance from FINRA on these measures would help ensure consistent implementation and enhanced investor protection.

By considering these enhancements, FINRA can strengthen the trusted contact framework and provide investors, particularly vulnerable seniors, with greater security and confidence in their financial relationships.

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[11] FINRA, *supra* note 8.

II. Temporary Holds Under Rule 2165

FINRA Rule 2165 permits a member firm to place a temporary hold on securities transactions or disbursements from the account of a "Specified Adult" when the firm reasonably believes that financial exploitation has occurred, is occurring, has been attempted, or will be attempted. Under the current rule, such holds are subject to defined time limits and notification requirements.

A. Extending the Temporary Hold Period

The Notice proposes to extend the maximum temporary hold period from 55 business days up to 145 business days (in 30-day extension increments). FINRA cited that commenters directly engaged in investigating financial exploitation have indicated that the current 55 business day period is sometimes insufficient for authorities to complete investigations, either given the nature of the allegations or the resources of the authorities involved. While FINRA should consider any empirical data regarding the appropriateness of this extension, we reiterate concerns that arose out of comments received in 2015 during the public comment period before final adoption of the NASAA Model Act to Protect Seniors and Vulnerable Adults (the "Model Act").[12] Particularly, commenters highlighted potential harm to customers from lengthy hold periods, including the inability to pay bills, bounced checks, and disruptions to medical care. In some cases, older adults reported splitting or stopping prescribed medications when funds were delayed. These considerations still underscore the need to carefully evaluate both the necessity and the potential impact of extending the hold period further to 145 business days. If FINRA advances this proposal, it should either provide the empirical data supporting the extension of the temporary hold period or clearly identify the basis for the extension, including whether it relies on evidence other than feedback from commenters.[13]

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[12] Letter from Christopher Gerold, NASAA President and Chief, New Jersey Bureau of Securities, to Jennifer Piorko Mitchell, FINRA Office of the Corporate Secretary, Re: Regulatory Notice 19-27: *Retrospective Rule Review* (Oct. 8, 2019).

[13] In Regulatory Notice 25-07, FINRA requested comment on whether the temporary hold period in Rule 2165 should be extended, and for how long. Feedback was received from the National Adult Protect Services Association's Policy Leadership, the Financial Services Institute, the CFP Board, and LPL Financial Holdings, Inc., on this question.

B. Clarification of the "Reasonable Belief" Standard

The rule permits firms to impose a temporary hold based on a "reasonable belief" of financial exploitation. We encourage FINRA to consider providing a non-exhaustive list of the kinds of facts or circumstances that may be sufficient to form such a belief.[14] While facts-and-circumstances standards are necessarily flexible rather than prescriptive, illustrative examples drawn from industry experiences or through information provided by state regulators and other agencies could help reduce the risk that temporary holds are applied too broadly. Without such guidance, determinations of reasonable belief may vary significantly across firms and situations, potentially leading to inconsistent outcomes based on factors such as transaction size, frequency, or perceived unusual behavior. Greater clarity on "reasonable belief" would help ensure the standard is applied in a manner that protects customers without unnecessarily restricting their ability to participate in the market due to inappropriately applied holds.

C. Notification Requirements and Method of Delivery

The Notice proposes a notification requirement (which may be oral) only for the first extension beyond 55 business days, but does not explain why subsequent extensions would not require additional notice. Presumably, the same considerations that justify notifying a customer of the first extension would apply to any further extensions, particularly as it relates to the reason for and potential duration of the extension.

The Notice also proposes to expand the list of entities that a member firm must notify upon forming a reasonable belief of financial exploitation to expressly include federal authorities.[15] Currently, the rule contemplates notification to a state regulator, an agency of competent jurisdiction, or a court of competent jurisdiction. We view the addition of federal authorities as a positive development, particularly given the multi-jurisdictional nature of many exploitation cases and NASAA's interest in supporting a national strategy to address the financial scam epidemic.

FINRA should also consider the manner in which notifications are delivered to customers. Although industry modernization may increasingly favor electronic communication, firms should ensure that customers who prefer physical mail receive prompt notice in that format when appropriate and reasonable. At a minimum, notifications should be delivered in a manner

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14 FINRA's *Frequently Asked Questions Regarding FINRA Rules Relating to Financial Exploitation of Senior Investors*, provides an example of a circumstance which there may be a reasonable belief of financial exploitation. However, additional examples, or a more general list of categories of indicators that firms should consider, may be helpful.

15 Notice at 10.

consistent with the customer's communication preferences and should be documented in firm records or on the customer's account for future reference.

D. Expansion of Authorized Firm Personnel

FINRA proposes to expand the categories of associated persons authorized to place, terminate, or extend temporary holds. In addition to supervisory, compliance, and legal personnel, firms could rely on associated persons serving in specialized senior investor protection or fraud prevention roles, with certain responsibilities.[16] We urge caution in this expansion and suggest that it be undertaken only where significant training and education are available for those empowered to place such holds. If the expansion effectively increases the number of individuals authorized to impose holds, there is a risk that application of the reasonable belief standard could diverge within a firm, resulting in both underinclusive and overinclusive use of holds.

As an alternative, FINRA may consider maintaining the current decision-making authority within supervisory, compliance, or legal functions while allowing those decision-makers to rely on the investigative findings of specialized personnel. Individuals focused on senior investor protection or fraud prevention may provide valuable investigative insight, but supervisory and compliance staff may retain a more complete view of the customer relationship and account history necessary to evaluate whether a hold is appropriate. Maintaining a smaller group of individuals authorized to sign off on hold actions also eases training, facilitates examinations of firm decisions, and lowers the risk of inconsistency in decision-making criteria.

We therefore encourage FINRA to carefully weigh feedback from currently authorized personnel regarding their experiences with temporary holds and their perspectives on the proposed expansion.

III. New Speed Bump for Suspected Fraud

The new proposed Rule 2166 would permit member firms to place a temporary delay of up to five business days on a transaction or disbursement in the account of a customer when there is a reasonable belief of fraud targeting the customer.[17] FINRA appropriately recognizes that fraud schemes often rely on urgency, pressure, and isolation, and that a short intervention window can meaningfully disrupt those tactics. This objective aligns with guidance from the Federal Bureau of Investigation, which has identified cooling-off periods as an effective method of countering scam

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[16] Notice at 11. According to the Notice appropriate responsibilities include investigating, evaluating, escalating, and reporting financial exploitation of specified adults.

[17] Notice at 12. As discussed previously, our concerns regarding the breadth of the "reasonable belief" standard apply equally here.

dynamics.[18] Creating a defined window for firms to contact customers outside the influence of potential perpetrators may allow firms to gather additional information and provide educational resources before a transaction proceeds.

The intervention window could increase the likelihood that customers recognize fraudulent activity and reconsider transactions initiated under emotional pressure. Research has shown that emotional stimulus increases vulnerability to scams, particularly among older adults.[19] By introducing a pause between intent and execution, the proposed rule may encourage decisions based on information rather than urgency. Importantly, because proposed Rule 2166 would apply to all customers regardless of age or capacity, it also addresses fraud risks across the investor population and promotes earlier exposure to fraud awareness that may have long-term protective effects.

A. Effective Notification Provisions

The notification provisions are directionally appropriate but require refinement. The requirement to notify authorized parties and trusted contacts within two business days is reasonable in principle, and the proposed content of the notification generally reflects the information customers would need to understand the delay. However, FINRA may consider requiring that notifications be delivered in a manner consistent with the urgency of the situation and that firms maintain a retrievable record of those communications so customers can later review their notification history. Without such requirements, the effectiveness of the notice obligation may be diminished.

Clearer expectations regarding the level of detail firms should include in notifications may also enhance the effectiveness of the notification provisions. Communications may be more effective when they explain, for instance, whether the concern relates to an unusual or excessive withdrawal or trading pattern, a newly added transfer destination or transfers to and from multiple new accounts, a change in contact instructions, or activity originating from an unfamiliar location, device, or communication channel. Providing this type of contextual information may better enable customers and trusted contacts to understand the nature of the risk and respond appropriately, while still allowing firms to exercise judgment based on the circumstances.

Finally, FINRA should consider including a provision in the rule that addresses member firm accessibility once a delay is imposed. Customers, trusted contacts, and authorized parties must

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18 Notice at 12.

19 Katharina Kircanski, Nanna Notthoff, Doug Shadel, et al., *Heightened Emotional States Increase Susceptibility to Fraud in Older Adults* at 4, (2018) ("These results suggest that a state of high emotional arousal, regardless of the specific emotion of excitement or anger, has a broad influence on older adults' susceptibility to fraud.").

be able to reach an appropriate firm representative without delay. Requiring firms to maintain a dedicated contact channel or specialized team for fraud-related holds would support the protective intent of the rule such that affected parties would not have to navigate automated systems, general call queues, or sporadically monitored voicemail inboxes when attempting to resolve potentially time-sensitive concerns.

IV. Conclusion

NASAA appreciates the opportunity to comment on the Notice. Thank you for considering these views. Should you have any questions about this letter, please contact either the undersigned or NASAA's General Counsel, Vince Martinez, at (202) 737-0900.

Sincerely,

Marni Rock Gibson

Marni Rock Gibson
NASAA President

american securities association
America's Voice for Main Street's Investors

March 11, 2026

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street NW
Washington, DC 20006

Re: Regulatory Notice 26-02 – Rule Revisions to Help Member Firms Protect Senior Investors from Financial Exploitation and All Investors from Fraud

Dear Ms. Mitchell,

The American Securities Association[1] (ASA) appreciates the opportunity to comment on Regulatory Notice 26-02, which proposes amendments to FINRA Rules 4512 and 2165 and new Rule 2166 to help firms protect senior investors from financial exploitation and all investors from exploitation. ASA is the voice of Main Street's investors and the financial firms that serve them, with a mission to promote investor trust and confidence and to help small businesses access the U.S. capital markets to grow and create jobs.

ASA believes that protecting senior investors and combating fraud are core objectives, and our comments are aimed at ensuring that any final rules do not unintentionally create new avenues for exploitation or data misuse—particularly for smaller and regional firms that are the 'boots on the ground' in detecting and interrupting exploitation.

As we have explained to Congress[2], even investors who do 'everything right' under existing rules can still lose their life savings when criminals exploit technological, jurisdictional, and regulatory gaps, and when regulatory data-collection regimes increase the amount of sensitive information available to bad actors.

I. <u>Rule 4512 – Trusted/Emergency Contacts</u>.

ASA supports allowing firms to use "emergency contact" as an optional alternative to "trusted contact person," as this terminology is known to many Main Street investors and it should

[1] ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.

[2] ASA Letter to the House Financial Services Committee outlining recommendations to strengthen financial fraud protections and crack down on foreign exploitation of American investors, dated March 5, 2026, available here: https://15c72067-2929-4106-8883-14b2d4025a5b.usrfiles.com/ugd/15c720_a73f500c109e425eb9f08381e7f892eb.pdf.

encourage broader adoption. We also support allowing customers to designate a single trusted/emergency contact for all current and future accounts, while preserving account-by-account designations where appropriate.

At the same time, ASA urges FINRA to remain focused on limiting the amount of sensitive personal information that is required or encouraged to be collected and stored solely for regulatory purposes. As we have cautioned Congress, large-scale concentration of personally identifiable and financially sensitive data can be exploited by sophisticated fraudsters and foreign adversaries, even when firms and investors comply fully with the rules.

We ask FINRA to: (1) confirm that firms may choose either term or both based on their client base; (2) affirm that firms may comply with the trusted/emergency contact requirements through reasonable operational controls—such as updating contact information when accounts are modified—without the need to repaper existing legacy accounts; and (3) provide sample, plain-language disclosures describing the role and limits of a trusted/emergency contact.

ASA supports prompt notice to customers and trusted/emergency contacts and agrees that clear, timely outreach is critical to effective intervention. We ask FINRA to align its investor-facing educational materials with any new terminology so firms can leverage them in our onboarding and outreach.

Importantly, FINRA should make clear that firms are not expected to collect or retain more information than is reasonably necessary to implement Rule 4512, and that conservative approaches to data collection and retention—particularly for seniors—are consistent with, and supported by, FINRA's objectives.

II. Rule 2165 – Extended Holds for Specified Adults.

ASA recognizes that extending the potential duration of Rule 2165 holds beyond 55 business days may better align with the reality of APS and law-enforcement investigations and, in some cases, give firms meaningful flexibility to protect vulnerable investors. However, we do not believe a 145-business-day cap is necessary in the vast majority of situations and, it risks turning temporary holds into de facto long-term freezes that can impose substantial costs and hardship on seniors and other investors who have done everything right under existing rules.

To that end, FINRA should clarify that the use of the extensions is optional, fact-specific, and subject to a firm's reasonable judgment and supervisory framework. Firms should be encouraged to consider targeted alternatives—such as partial holds, limited trade restrictions, or enhanced monitoring—where appropriate, and to release or narrow a hold promptly once the concerns that prompted it have been resolved.

FINRA could also acknowledge that reasonable firms may differ on whether a shorter or longer cap is preferable for their business models, and that firms may adopt more conservative internal limits within the regulatory maximum if they determine that a shorter cap better balances risk, customer experience, and operational considerations.

FINRA should also acknowledge that prolonged holds can be exploited by fraudsters or foreign actors who have already moved funds or compromised data elsewhere, leaving innocent investors effectively locked out of their own savings without materially improving their protection. Any guidance should therefore stress proportionality, tight internal limits, and prompt lifting of holds once the specific red flags have been addressed.

ASA supports reasonable follow-up obligations with authorities but requests clear guidance on what constitutes "reasonable efforts," including acceptance of email, portals, and automated acknowledgments as sufficient documentation. FINRA should confirm that a lack of response may be documented with standard internal notes and attestations, without imposing heightened evidentiary standards that are difficult for smaller firms to comply with.

We also support expanding eligible personnel to include associated persons in specialized senior-investor-protection or fraud-prevention roles and ask FINRA to confirm that firms may centralize these functions across affiliates, as well as allow smaller firms to satisfy the rule by designating appropriately trained supervisory or compliance personnel rather than creating new roles.

III. Proposed Rule 2166 – Temporary Delays for Suspected Fraud and Exploitation.

ASA recognizes the potential value of proposed Rule 2166, which would provide an optional safe harbor to briefly (up to five business days) delay disbursements or securities transactions when there is a reasonable belief of exploitation involving any adult customer.

Fraud targets investors of all ages, and a short "speed bump" can be critical to disrupting schemes such as account takeovers, imposter scams, and technology-enabled exploitation, but it cannot substitute for closing the deeper technological, jurisdictional, and regulatory gaps that sophisticated fraudsters and foreign adversaries exploit.

We recommend that FINRA retain the five-business-day baseline and allow one or two short extensions where law enforcement or another authority, with appropriate documentation, specifically requests more time.

FINRA should also clarify that Rule 2166 operates as an additional safe harbor and does not limit otherwise lawful contractual hold provisions, and that firms may convert a Rule 2166 delay into a Rule 2165 hold when the customer is later determined to be a Specified Adult, with guidance on notice and documentation expectations. Any extensions should be tightly cabined to circumstances where there is specific, documented engagement with law enforcement or another authority, and should not evolve into routine delays that burden legitimate customer activity and mask the need for broader policy solutions.

ASA supports prompt notice to customers and trusted/emergency contacts and agrees that clear, timely outreach is important, particularly when dealing with Specified Adults. At the same time, we support FINRA's approach that outreach to a trusted/emergency contact is not required for non-Specified Adults; trusted contact outreach is already sensitive in the Specified Adult context, and making it mandatory where no cognitive or vulnerability concerns exists could chill firms' willingness to adopt and rely on the safe harbor.

We ask FINRA to: (1) recognize multi-channel outreach (calls, secure messages, texts, email) as acceptable; (2) allow flexibility where immediate notice may tip off a fraudster who controls or monitors the customer's devices; and (3) acknowledge that firms acting in good faith under the safe harbor should not be second-guessed solely because a delayed transaction later proves legitimate.

FINRA should specifically emphasize that firms exercising Rule 2166 authority must calibrate their use of holds so that Americans are not effectively penalized for following existing rules, only to find their accounts frozen for extended periods while criminals exploit weaknesses elsewhere in the system.

Lastly, ASA supports ongoing efforts to clarify how complaints related to Rule 2165 and proposed Rule 2166 activity are treated for regulatory-reporting and Form U4 purposes. In particular, the promise of a safe harbor is undermined if associated persons acting in good faith to protect customers can still face Form U4 marks or other adverse consequences when a disgruntled customer later complains. FINRA should require that good-faith reliance on the Rule 2165 and 2166 safe harbors will *not*, standing alone, result in reportable events or "U4 dings" when a victim or other complainant lashes out. The promise of a safe harbor is undermined—and incentives to report and intervene promptly are weakened—if associated persons acting in good faith to protect customers can still face Form U4 marks or other adverse consequences when a disgruntled customer later complains. Regulators need to align their reporting frameworks with the broader public-policy imperative of encouraging firms to immediately surface emerging frauds and not punish them for doing so.

IV. <u>Information Sharing and Smaller-Firm Implementation</u>.

ASA supports FINRA's clarifications that appropriate disclosures to trusted/emergency contacts, other financial institutions, and relevant authorities for fraud-prevention purposes generally fit within Regulation SP exceptions and Section 314(b) of the USA PATRIOT Act. At the same time, ASA reiterates its concerns—raised with Congress—about large-scale, centralized regulatory data-collection efforts that aggregate vast amounts of personally identifiable and financially sensitive information, such as the SEC's Consolidated Audit Trail (CAT).

When such databases are compromised, American investors and savers bear the brunt of the resulting fraud and cyber risk. To aid consistent, risk-based practices—especially at smaller and regional firms—FINRA should provide guidance or FAQs summarizing permissible information-sharing pathways, with cross-references to SEC and FinCEN guidance and scalable examples for firms without large-firm infrastructure.

We also urge continued emphasis on strong identity-verification and authentication processes when sharing information to ensure that counterparties are legitimate and customer data is protected. FINRA could highlight examples of reasonable verification controls to show how privacy and fraud-prevention objectives can be advanced together. When mass surveillance databases, like CAT, are compromised American investors and savers bear the brunt of the resulting fraud and cyber risk.

V. Additional Investor-Protection Considerations.

To further inform FINRA's efforts, ASA draws on its recent work with Congress, including a May 16, 2023 comment letter[3] to the House Select Committee on the Chinese Communist Party and testimony[4] prepared for an April 9, 2025 hearing of the Senate Special Committee on Aging. In those materials, ASA details how the Chinese Communist Party and its affiliates have exploited U.S. capital markets, used opaque corporate structures, and sponsored cyber-enabled theft of Americans' personal and financial data—developments that provide concrete evidence of the evolving fraud risks facing retirees and other retail investors and thus are directly relevant to FINRA's senior-protection initiative.

In addition, we encourage FINRA to recognize explicitly that senior-investor fraud risk increasingly arises from sophisticated foreign cyber and data-exfiltration campaigns that target financial institutions and their customers, including schemes linked to the Chinese Communist Party's state-sponsored hacking apparatus.

State actors and affiliated cybercriminals have already demonstrated their ability to steal vast troves of sensitive personal and financially identifiable information (PII) from U.S. companies and

[3] ASA Submits letter to the Select Committee on the Chinese Communist Party, May 16, 2023, available here: https://files.constantcontact.com/ca98267e701/50657974-148a-4259-8f99-e6211115594b.pdf.

[4] Testimony of Christopher A. Iacovella, President & CEO, American Securities Association, Hearing Entitled "Financial Aggression: How the Chinese Communist Party Exploits American Retirees and Undermines National Security." United States Senate Special Committee on Aging and the United States House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party, available here: https://www.congress.gov/119/meeting/house/118132/witnesses/HHRG-119-ZS00-Wstate-IacovellaC-20250409.pdf.

government agencies, which can then be weaponized to impersonate seniors, defeat authentication protocols, and facilitate account takeovers and imposter scams.

Given this environment, FINRA's rules and guidance should emphasize robust, risk-based controls around the collection, storage, and transmission of investor PII, and should support member firms that implement conservative measures designed to minimize the amount of exploitable data available to fraudsters—particularly where seniors are concerned.

We also urge FINRA to warn American investors, especially retirees and those saving for retirement, of the unique fraud and exploitation risks posed when U.S. investors are indirectly exposed to opaque foreign companies through index products and other pooled vehicles.

Experience with Chinese issuers illustrates how regulatory and transparency gaps abroad can allow Enron-like frauds to enter U.S. portfolios via passive index strategies, leaving ordinary investors bearing losses they could not reasonably have anticipated or understood. While FINRA does not set index-construction policy, it can play an important role by encouraging firms to provide clear, plain-English disclosures about these structural risks, to incorporate heightened due-diligence and surveillance expectations for products with exposure to jurisdictions where basic auditing, disclosure, and governance standards are not reliably enforced, and to treat recommendations of such products to seniors as higher-risk activity for purposes of supervision and surveillance.

VI. <u>Conclusion</u>.

ASA appreciates FINRA's continued focus on protecting senior investors and combating fraud and exploitation affecting all investors and is broadly supportive of the proposal in Regulatory Notice 26-02. With the targeted refinements described above, we believe the framework will better enable firms to prevent and mitigate fraud and financial exploitation while preserving investor autonomy, market efficiency, and operational viability.

Our member firms stand ready to provide additional data and case studies from their front-line experience, and we welcome the opportunity to continue working with FINRA on these important issues.

Sincerely,

Jessica Giroux

Jessica Giroux
Chrief Legal Officer
American Securities Association

CARDOZO LAW

BENJAMIN N. CARDOZO SCHOOL OF LAW – YESHIVA UNIVERSITY

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Attn: Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority (FINRA)

Re: Regulatory Notice 26-02 - Comment on Proposed Rule

The Securities Arbitration Clinic at Cardozo Law School (the "Cardozo Clinic"), a pro bono legal services clinic serving lower income retail investors, respectfully submits this comment ("Comment") in response to the Financial Industry Regulatory Authority's ("FINRA") proposal in Regulatory Notice 26-02 (the "Notice") to amend Rules 4512 and 2165 and to introduce new Rule 2166. The proposed rule would permit member firms to place a temporary five-business-day delay when the firm has a reasonable belief that fraud has occurred, is occurring, or is likely to occur. Drawing on the Clinic's experience representing retail investors harmed by fraud, this Comment offers several recommendations intended to clarify the operational standards governing the proposed amendments and new rule while preserving investor autonomy.

In our clinical practice, many of our clients are elderly or very young, have limited income, and have limited familiarity with financial products and markets. Some also face language barriers or other challenges that increase their vulnerability to fraud. We regularly encounter victims whose losses represent their entire retirement savings accumulated over decades, or funds necessary to meet basic living expenses. From this vantage point, we have seen firsthand the devastating financial and emotional consequences that fraud can impose on individual investors and their families.

The Rapid Growth of Fraud Targeting Retail Investors

Investment fraud targeting retail investors has reached unprecedented levels. The FBI's Internet Crime Complaint Center reported $16.6 billion in fraud-related losses in 2024, a 33% increase from the prior year and more than four times the $3.5 billion reported in 2019.[1] Investment fraud

[1] FEDERAL BUREAU OF INVESTIGATION, INTERNET CRIME COMPLAINT CENTER (IC3) 2024 INTERNET CRIME REPORT 3 (2025), https://www.ic3.gov/Media/PDF/AnnualReport/2024_IC3Report.pdf [hereinafter IC3 2024 REPORT] (reporting $16.6 billion in total fraud-related losses in 2024); FEDERAL BUREAU OF INVESTIGATION, INTERNET CRIME COMPLAINT CENTER (IC3) 2019 INTERNET CRIME REPORT 3 (2020), https://www.ic3.gov/Media/PDF/AnnualReport/2019_IC3Report.pdf [hereinafter IC3 2019 REPORT] (reporting approximately $3.5 billion in losses in 2019). These figures reflect reported losses and likely understate the total magnitude of fraud, as many incidents go unreported.

alone has increased dramatically, rising from approximately $222 million in losses in 2019 to $6.57 billion in 2024, making it the largest category of reported fraud loss in the United States.[2]

These schemes share a common feature: they target individuals directly by persuading victims to transfer funds, disclose sensitive information, or grant access to financial accounts. While technological safeguards and corporate compliance measures have reduced certain forms of enterprise-level fraud, schemes that exploit individual investors have expanded rapidly. Fraud affecting retail investors also spans age groups. Younger adults report fraud victimization at rates comparable to or higher than older adults, although older victims tend to suffer significantly larger financial losses.[3]

Distinguishing Between Actor-Concealed Fraud and Induced Fraud

Operationally, fraud manifests in two materially distinct forms: Actor-Concealed Fraud and Induced Fraud. Actor-Concealed Fraud typically involves compromised sign-in credentials, impersonation, identity theft, and fraudulent ACATS transfer instructions. In these cases, the fraudulent actor is concealed from both the firm and the customer, and the warning signs often appear as technical or transactional anomalies. By contrast, Induced Fraud involves deception that leads customers to "authorize" transactions. Common examples include impersonation scams where someone pretends to be a legitimate representative of the member firm, friendship or romance scams, cryptocurrency transfer schemes, or urgent liquidation requests. Although the customer appears to "authorize" the transaction, that authorization is corrupted by deception.

These two forms of fraud present different detection challenges. Actor-Concealed Fraud often manifests through technical anomalies detectable through automated monitoring, whereas Induced Fraud frequently appears as customer-authorized activity influenced by deception characterized by behavioral and other contextual warning signs. Recognizing both forms within the Rule 2166 framework will help ensure that firms do not limit intervention only to traditional unauthorized account activity.

Member Firms are uniquely positioned to protect investors from Actor-Concealed Fraud because they can monitor suspicious activity through investor trading patterns, device identification and authorization, and other transactional indicators that may signal suspicious activity.

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[2] IC3 2019 REPORT, *supra* note 1, at 20 (reporting approximately $222 million in investment fraud losses in 2019); IC3 2024 REPORT, *supra* note 1, at 10, 19 (reporting approximately $6.57 billion in investment fraud losses in 2024). Investment fraud is now the single largest category of reported fraud loss in the United States. *See New FTC Data Show a Big Jump in Reported Losses to Fraud to $12.5 Billion in 2024*, FED. TRADE COMM'N (Mar. 10, 2025) https://www.ftc.gov/news-events/news/press-releases/2025/03/new-ftc-data-show-big-jump-reported-losses-fraud-125-billion-2024.

[3] FEDERAL TRADE COMMISSION, CONSUMER SENTINEL NETWORK DATA BOOK 2024 4–5, 13 (2025) https://www.ftc.gov/system/files/ftc_gov/pdf/csn-annual-data-book-2024.pdf (reporting that individuals aged 20–29 were more likely to report fraud victimization than individuals aged 70–79 in 2024). *See also* IC3 2024 REPORT, *supra* note 1, at 8, 27–33 (reporting that adults aged sixty and older reported approximately $4.9 billion in fraud losses in 2024 and experience significantly higher median losses than younger victims).

For example, in one case, a young investor's brokerage account was compromised by a series of unauthorized transactions. Although the trades were executed from an unauthorized device, sent to unverified accounts and were inconsistent from the investor's prior history, the brokerage firm failed to intervene until he lost a significant portion of the value in his account. One of the transfers was made at 3 a.m. Had the firm placed a hold on these transactions and communicated with the client to determine whether he had authorized the erratic activity, the losses would have been wholly preventable.

Victims of Induced Fraud can similarly benefit from heightened incentives for fraud detection, client communication, and comprehensive investigations.

In another case, a 78-year-old retiree from Brooklyn was targeted in an online investment scam. A fraudster contacted her through WhatsApp in her native language, made a personal connection to her, and persuaded her to invest through what appeared to be a legitimate online trading platform. Through repeated assurances and manufactured urgency, the fraudster induced her to authorize multiple transfers. At first, she transferred funds from her savings. A few months in, she transferred money out of her brokerage account while her broker was on vacation. She transferred over $155,000 – all her retirement savings and the funds she had spent decades saving to support a daughter with disabilities. By the time her licensed broker and her other daughter discovered the fraud, the money was already gone. Had they been able to discuss the transactions and show her how to check if the investment account that she was transferring her money to was legitimate, this fraud likely would not have occurred.

Another retiree was defrauded by a customer support impersonator of a member firm's exclusively online brokerage services platform. After being locked out of his brokerage account, he searched online for the firm's customer support number. He called the phone number listed on the top of the search result, which had the broker-dealer's logo and a direct link to its parent company's stock price. When asked if the agent could take control of his device to fix the problem, the retiree responded yes. Within minutes, the fraudulent agent convinced the retiree to transfer two quick $5,000 transfers in succession to a purported "Gold Account" within the firm, claiming doing so would allow him to obtain significant benefits associated with his account. After a few minutes, the customer grew suspicious and tried to contact the member firm to stop the transfer but was unable to reach a live person. The member firm failed to contact the customer for weeks. By the time the retiree was able to reach anyone, the money was gone. Notably, this customer had never transferred funds out of his account before, and the transfers were to unverified accounts. These transfers amounted to a significant portion of this retiree's retirement savings and have caused great emotional turmoil and financial hardship. Even a short delay on this transfer, or any kind of check-in notifying him that his money was being transferred out of his account would have likely prevented this unfortunate event from happening.

These cases illustrate the devastating financial and emotional harm that fraud can cause and underscore the importance of providing member firms with tools that allow them to intervene before funds are irrevocably transferred and lost.

The proposals in the Notice represent an important step in modernizing FINRA's regulatory framework to address the rapidly evolving threat of fraud and financial exploitation affecting retail investors. The Notice recognizes that technological developments, including artificial intelligence-enabled deception and increasingly sophisticated impersonation schemes, have dramatically expanded the scale and complexity of fraud targeting investors of all ages.

The Cardozo Clinic supports FINRA's effort to provide member firms with additional tools to detect and interrupt fraudulent activity before investors suffer irreversible losses.

However, the effectiveness of the proposed framework will depend heavily on the clarity of the operational guidance provided to member firms. In our experience representing retail investors who have been harmed by fraud, the absence of clear standards frequently results in inconsistent firm responses to suspicious activity and uncertainty regarding when intervention is appropriate.

This Comment therefore offers several recommendations designed to strengthen the Notice's proposals while preserving the balance between investor protection and customer autonomy that FINRA has emphasized.

Specifically, this Comment addresses three areas of the Notice's proposal:

First, the proposed Speed Bump under Rule 2166 and the operational meaning of the "reasonable belief of fraud" standard.

Second, the proposed amendments to Rule 4512 concerning trusted contacts and the alternative terminology of "emergency contact."

Third, the proposed extension of the maximum temporary hold period under Rule 2165 from 55 business days to 145 business days.

Proposed Rule 2166 and the Temporary Delay Framework – Speed Bump

Proposed Rule 2166 would permit member firms to place a temporary delay of up to five business days on a disbursement or securities transaction when the firm has a reasonable belief that fraud has occurred, is occurring, has been attempted, or will be attempted. The Cardozo Clinic supports the introduction of this mechanism. Many modern fraud schemes, particularly Actor-Concealed transfers, impersonation, relationship manipulation, or fraudulent investment schemes, depend on creating urgency and isolating victims from outside perspectives. A short delay can disrupt these tactics by providing time for firms to communicate with customers, verify authorization, and present information about potential fraud schemes.

In all of the cases cited above, the Speed Bump would have at least mitigated and likely would have prevented the fraud from occurring in the first place.

At the same time, the proposed Speed Bump appropriately limits the scope of the intervention, balancing investor protection with customer autonomy. For the rule to function effectively across business models and firm sizes, however, additional clarification regarding the "reasonable belief of fraud" standards would improve consistency and encourage firms to use the safe harbor.

The Regulatory Context and the Need for Rule 2166

Proposed Rule 2166 extends a safe-harbor framework to all adult customers by permitting the Speed Bump where a member firm reasonably believes fraud has occurred, is occurring, has been attempted, or will be attempted. We strongly support this approach for three reasons:

1. Fraud increasingly targets younger and middle-aged investors;
2. Emotional manipulation and urgency tactics impair judgment irrespective of age;
3. Short intervention windows can disrupt fraud momentum before funds leave the system.

The Speed Bump appropriately reflects the limited investigative role available outside the Specified Adult context and preserves customer autonomy by limiting the delay period. The principal area requiring refinement is definitional clarity.

Clarifying "Reasonable Belief of Fraud"

A. The Current Definition

Proposed Rule 2166 defines "fraud" as a deceptive scheme perpetrated by a third party that results in a request for a disbursement or securities transaction based on false or misleading information.

While broad, the rule does not specify what constitutes sufficient indicia to form a "reasonable belief." Firms have limited their scope of fraudulent activity on customer accounts that are eligible for reimbursement.[4] We suggest strengthening the definition of fraud (and/or supplying examples) to provide firms with a clearer guideline as to account activity and transactions that should constitute a reasonable belief of fraud.

Absent additional guidance, firms may face operational uncertainty regarding what constitutes a reasonable belief regarding fraud. Firms may be unsure whether the firm must speak directly to the customer to establish the belief, whether algorithmic alerts are sufficient, and/or whether familiarity with a customer's historical behavior is necessary to justify intervention. Providing

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[4] *See e.g.*, *How We Help Protect You*, CHASE, https://www.chase.com/digital/resources/privacy-security/security/how-we-protect-you ("You won't be held responsible for unauthorized charges made with your credit card." "We'll reimburse you for [] unauthorized transactions."); SELECTED TERMS AND CONDITIONS FOR WELLS FARGO CONSUMER DEBIT AND ATM CARDS, WELLS FARGO 6 (2025) ("With Zero Liability protection, you'll have no liability for Card transactions that you did not make or authorize."). Additionally, Wells Fargo stipulates an investigation process under their Zero Liability protection guarantee that the protection "does not apply if [they] determine, based on substantial evidence, that [the customer] [was] fraudulent or negligent in the handling of [their] Card or Account[.]" *Id.*

interpretive guidance identifying objective, non-exclusive indicators of fraudulent activity would improve consistency and reduce hesitation among firms that might otherwise refrain from acting due to perceived liability risk.

In the Cardozo Clinic's experience, firms often hesitate to intervene in cases involving Induced Fraud because they view those transactions as customer-authorized and therefore outside the scope of reimbursement obligations. Indeed, they often state so explicitly. For example, one member firm states in its Security Guarantee that it "won't offer any reimbursement to customers who have fallen victim to a scam, if a fraud investigation determines that the customer" authorized any transactions.[5] Because of these disclaimers, firms treat such transactions as matters of customer responsibility rather than fraud events requiring intervention. This Comment is directed at the need for intervention. Member firms' reluctance to intervene can allow fraudulent schemes to proceed unchecked even when warning signs are present.

We have seen a number of instances where there is an indication that Induced Fraud may be occurring, and member firms can take basic precautions that can help prevent it. Member firms could implement short, clear confirmation prompts that are modeled on safeguards used by peer-to-peer payment apps such as Zelle or Venmo. While broker-dealers operate under a different regulatory framework than payment platforms, similar confirmation prompts could provide effective consumer protection tools. Venmo asks users to confirm the recipient's identity and prompts them to verify the last four digits of the recipient's phone number to ensure the funds are transferred to the correct recipient. Zelle functions similarly by asking users to add the recipient as a contact first by entering their email address or phone number. Suggestions for pop-up messages prompted by transfers, for example, that are being made for the first time, or to unverified accounts could include: "Are you sure you would like to send this payment out of your account? Make sure you know and trust the recipient before sending. Scammers often ask for urgent transfers," and "Before completing this transfer, please confirm you know the recipient and are not being asked to move funds urgently. If you are unsure, please pause and contact a firm representative."

Proposed Objective Trigger Framework

To promote consistency and prevent arbitrary application, we recommend that FINRA provide non-exclusive examples of circumstances that support a reasonable belief of fraud. We suggest a structured but non-mandatory trigger framework. A rebuttable presumptive basis for invoking Rule 2166 could include:

a. A first-time transfer to a newly linked external account or unrecognized recipient; or
b. A transfer exceeding a defined percentage of account value or a customer-set threshold.

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[5] *Security Guarantee*, ROBINHOOD, https://robinhood.com/us/en/support/articles/security-guarantee/ (last visited Mar. 6, 2026).

This approach targets high-risk transaction types, preserves autonomy through customizable thresholds, and aligns with existing Anti-Money Laundering ("AML") and fraud-prevention best practices. Many firms already employ similar monitoring tools for AML compliance and fraud detection. Leveraging these existing systems to identify high-risk disbursement patterns may therefore allow firms to implement Rule 2166 with a relatively limited additional operational burden.

Supplementary Risk Indicators

Drawing on FINRA's prior fraud guidance referenced in Regulatory Notice 23-06, the following non-exhaustive indicators could support a reasonable belief:

1. Velocity Indicators

a. Rapid liquidation of long-held positions;
b. Immediate outbound transfer following asset arrival;
c. High-frequency movements are inconsistent with prior activity.

2. Identity and Access Anomalies

a. Recently changed contact information;
b. Newly linked bank account;
c. IP address or geolocation discrepancies;
c. Device fingerprint inconsistencies.

3. Transfer Irregularities

a. Repeated rejected or corrected transfer instructions;
b. Serial submission of incomplete transfer requests;
c. Account title discrepancies.

4. Communication Pattern Changes

a. Sudden deviation from normal communication method;
b. Unusual grammar or tone;
c. Language emphasizing urgency or secrecy.

Providing illustrative factors would enhance supervisory defensibility without mandating a specific checklist.

Applicability Across Business Models

Member firms operate under a wide range of business models. Some maintain advisor-client relationships while others operate via fully digital platforms.

Online-only firms may lack direct phone contact, historical personal relationships, or in-person verification opportunities. FINRA should clarify that objective transaction-based indicators are sufficient as a basis to protect customers against fraud. AI-driven or algorithmic anomaly detection may support a “reasonable belief” of fraudulent activity, and direct verbal confirmation that a problem has occurred is not a prerequisite.

Absent such clarification, firms without traditional client interaction may underutilize the rule due to perceived evidentiary risk to the detriment of many of their most vulnerable clients.

While there will be some operational costs, including system upgrades, push-notification development, and staff training, we believe these costs will be offset by the losses that fraud would otherwise impose. This includes reputational and economic harm to member firms and a reduction in regulatory fines and customer arbitration exposure.

Operationalizing the Speed Bump

The Speed Bump is intended to function as an educational intervention. Effective implementation should include:

a. Immediate digital notification;
b. Real-time confirmation interface;
c. Neutral screening questions, such as:
    i. “Has anyone instructed you to move funds urgently?”
    ii. “Have you been told to keep this transaction confidential?”
d. Brief educational prompts regarding common fraud schemes.

Research cited in the Notice supports the effectiveness of emotional interruption and targeted awareness. The Notice explains that many scams rely on creating “a false sense of urgency or isolation” to pressure victims into acting quickly before they have time to reconsider the transaction. Recognizing this dynamic, the FBI advises consumers to “Take a Beat” and pause to assess the situation rather than responding immediately to urgent requests. The Notice references research suggesting that emotional stimuli can increase susceptibility to fraud and that awareness of common scam tactics can help reduce financial loss. A structured pause that allows firms to engage customers and highlight indicators of fraud can help disrupt the urgency and pressure that drive many modern scams. Moreover, the Notice emphasizes that the ability to pause gives the customer time to receive education about the specific type of suspected fraud they may be facing. Additionally, this moment of reflection gives customers the opportunity to evaluate the legitimacy of the request. In this way, the Speed Bump functions not only as a delay but as an opportunity for actual fraud awareness, increasing the likelihood that customers will recognize warning signs in the future.

FINRA may wish to consider providing illustrative language for firms to use in push notifications or digital warnings. Such examples could promote clarity and consumer understanding while still allowing member firms the flexibility to test alternative messaging approaches. The Speed Bump should function as a cooling-off period. Firms should, however, not be prohibited from testing different templates to determine their effectiveness.

Preserving Customer Autonomy and Economic and Competitive Concerns

The Notice emphasizes balancing investor protection and autonomy. To reinforce that balance, customers should be permitted to customize transfer thresholds, and where appropriate, opt-out of additional safeguards above any baseline regulatory triggers. Firms should also be required to document override confirmations.

Additionally, while the Notice acknowledges potential indirect costs, including some possible lost opportunities and customer dissatisfaction, clarifying objective triggers, and allowing customer autonomy will reduce litigation risk, supervisory ambiguity, and uneven competitive impact. Furthermore, fraud prevention itself yields systemic economic benefits by preserving investor capital and reducing reputational harm to member firms.

Trusted Contact and Emergency Contact Framework Under Rule 4512

The Cardozo Clinic strongly supports efforts to promote the trusted contact/emergency contact framework. In most fraud cases that the Cardozo Clinic has encountered, particularly online investment scams and so-called "pig butchering" schemes, contacting a trusted contact would have at least mitigated the fraud and likely would have prevented the fraud from ever occurring.

Many consumers are already familiar with the concept of "emergency contact" from medical settings. Allowing firms to use this terminology therefore may reduce confusion and increase adoption. We therefore support FINRA's proposal in the Notice to allow firms to refer to the trusted contact as an "emergency contact." A limited anecdotal survey of the Cardozo Clinic's client population, however, suggests that many investors would be willing to designate a trusted contact when the purpose of the designation is clearly explained. For the clients surveyed, understanding how the designation could help them was more important than the terminology of the designation.

We therefore believe that providing clearer explanations of the trusted contact/emergency contact option and how it would work would encourage more people to designate a trusted contact and recommend that FINRA provide further guidance and language for firms to use.

Additionally, we recommend that firms check in on an annual basis to ensure that the named trusted contact is still appropriate. As the requirement currently stands, in accordance with Rule 4512 and 17 C.F.R. § 240.17a-3(a)(17) (2025), member firms are only required to provide customers with a copy of their account records within the first three years and list the individual designated as the customer's trusted contact. Customers must then notify the firm if they wish to make any changes to, among other things, the person designated as their trusted contact. Accordingly, the current system not only allows a designated trusted contact to become outdated but also increases the likelihood that customers will inadvertently overlook opportunities to update this information. Over time, a trusted contact may become unavailable due to death, incapacity, or changes in personal relationships. Requiring periodic confirmation of the designated contact, such as during annual account updates, would help ensure that the information remains accurate and usable.

Incorporating such confirmation into existing account maintenance processes would impose a minimal operational burden while strengthening the effectiveness of the trusted contact framework.

Extension of the Temporary Hold Under Rule 2165

The Notice proposes extending the maximum temporary hold period under Rule 2165 from 55 business days to 145 business days. This proposal reflects the reality that investigations into financial exploitation frequently require considerable time and may involve coordination across institutions, jurisdictions, and law enforcement agencies.

Adult Protective Services investigations and law enforcement inquiries often extend well beyond the existing hold period. Available data indicates in a meaningful subset of cases, particularly where investigators must obtain financial records or coordinate across institutions and jurisdictions.[6] Extended holds necessarily raise concerns regarding investor autonomy and access to funds. However, these concerns are mitigated by Rule 2165's requirement that firms maintain a continuing reasonable belief of financial exploitation and document the basis for the hold. We believe that the Notice's proposed structured extension framework appropriately balances these concerns by requiring documentation and continued reasonable belief of exploitation.

Conclusion

The Notice's proposal represents an important step toward strengthening investor protection in an environment of rapidly evolving fraud risks. Fraud schemes targeting retail investors have grown dramatically in both scale and sophistication, and member firms are often uniquely positioned to detect suspicious activity before losses become irreversible.

Providing member firms with tools such as temporary transaction delays, expanded temporary hold authority, and a strengthened trusted contact framework has the potential to significantly reduce fraud-related losses while preserving investor autonomy.

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[6] *See* L. McGee & K. Urban, Admin. Cmty. Living et al., Adult Maltreatment Data Report 2023 36–38 (2023), https://pfs2.acl.gov/strapib/2023_Adult_Maltreatment_Report_8e4fcee5f2.pdf. This report states that the national median duration of Adult Protective Services investigations is 36 days. *Id.* at 37–38 exhibit 5.5. State-level data show substantial variation. For example, Kentucky reported a median investigation duration of 72 days, Vermont 81 days, New Hampshire 90 days, and Washington 113 days. *Id.* Given that the figures provided are medians, these figures indicate that while many investigations conclude within several weeks, many investigations in various jurisdictions may exceed three months.

The effectiveness of the Notice's proposed rules will depend on clear operational guidance regarding the reasonable belief standard, appropriate indicators of fraud risk, and practical implementation of the temporary delay mechanism. Clarifying these elements would promote consistent application across firms while ensuring that the rules achieve their core objective of preventing fraud before losses occur.

The Cardozo Clinic appreciates FINRA's efforts in addressing these issues and welcomes the opportunity to engage with FINRA further as the rulemaking process continues.

Respectfully submitted,

The Cardozo Law School Securities Arbitration Clinic

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FINANCIAL SERVICES INSTITUTE | VOICE OF INDEPENDENT FINANCIAL SERVICES FIRMS AND INDEPENDENT FINANCIAL ADVISORS

VIA ELECTRONIC MAIL

March 9, 2026

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 26-02; Rule Revisions to Help Member Firms Protect Senior Investors From Financial Exploitation and All Investors from Fraud

Dear Ms. Piorko Mitchell:

On January 8, 2026, FINRA published its request for public comment on proposed recommendations based on Regulatory Notice 25-07 by proposing amendments to FINRA Rules 4512, 2165, and a new rule, 2166.[1] FINRA is offering this proposal as part of its modernization initiative and seeks to further assist member firms in protecting customers from fraud and financial exploitation.

Recent data underscore the urgency of enhancing these tools. Americans over the age of 60 lost more than $4.8 billion to fraud in 2024, while overall fraud losses exceed $16.6 billion nationwide. These trends highlight the importance of equipping member firms with effective and practical mechanisms to intervene when suspicious activity arises.[2]

The Financial Services Institute (FSI) appreciates the opportunity to comment on this important proposal, consistent with our mission to preserve and advance access to independent financial advice for Main Street Americans. The proposed rule highlights FINRA's continued leadership in modernizing its investor protection framework.

Background on FSI Members

The Financial Services Institute (FSI) was founded in 2004 and is the only organization advocating on behalf of independent financial services firms and their affiliated independent financial advisors. FSI represents 130,000 advisors, through its member firms, across all 50 states, serving Main Street Americans with affordable, competent, and unbiased financial advice. The independent financial services community has been an important and active part of the lives of American investors for more than 50 years. In the US, there are more than 175,000 independent financial advisors, which account for approximately 60 percent of all producing registered

[1] FINRA, Regulatory Notice 26-02, *Proposal to Adopt New Rule 2166 to Permit Temporary Holds for Suspected Fraud* (Jan. 2026), https://www.finra.org/rules-guidance/notices/26-02.

[2] Fed. Bureau of Investigation, Internet Crime Complaint Ctr., *2024 Internet Crime Report* (2025), https://www.ic3.gov/AnnualReport/Reports/2024_IC3Report.pdf

representatives.[3] These financial advisors are self-employed independent contractors, rather than employees of the Independent Broker-Dealers (IBD).[4]

FSI's IBD member firms provide business support to independent financial advisors in addition to supervising their business practices and arranging for the execution and clearing of customer transactions. Independent financial advisors are small-business owners and job creators with strong ties to their communities. These financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans. Their services include financial education, planning, implementation, and investment monitoring. Due to their unique business model, FSI member firms and their affiliated financial advisors are especially well positioned to provide Main Street Americans with the affordable financial advice, products, and services necessary to achieve their investment goals.

FSI members make substantial contributions to our nation's economy. According to Oxford Economics, FSI members nationwide generate $35.7 billion in economic activity.[5] This activity, in turn, supports 408,743 jobs including direct employees, those employed in the FSI supply chain, and those supported in the broader economy. In addition, FSI members contribute nearly $7.2 billion annually to federal, state, and local government taxes.[6]

Discussion

FSI appreciates the opportunity to comment on the Regulatory Notice 26-02. FSI generally supports Regulatory Notice 26-02, and we also offer several suggestions for refinement. We support the use of "emergency contact" terminology, allowing a single trusted contact across accounts, extending Rule 2165 temporary hold periods to 145 business days, and adopting the proposed fraud "speed bump" under new Rule 2166. We recommend extending the Rule 2166 delay period to 7–10 business days to enhance its effectiveness and suggest modification of Form U4 reporting to encourage appropriate escalation of suspected fraud without unintended consequences for associated persons. These concerns are discussed in greater detail below.

A. Trusted Contact Amendments

FSI supports FINRA's proposal to permit firms to use the term "emergency contact" as an alternative to "trusted contact person." We agree that customer familiarity with the term "emergency contact" could increase participation and comfort without altering the substantive protections of Rule 4512. Allowing firms flexibility in terminology, while maintaining consistent supervisory procedures and training, strikes an appropriate balance between investor protection and operational practicality.

FSI also supports FINRA's proposal to allow customers to designate a single trusted (or emergency) contact across multiple existing and future accounts at a member firm, provided that

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[3] Cerulli Associates, Advisor Headcount 2024, on file with author.

[4] The use of the term "financial advisor" or "advisor" in this letter is a reference to an individual who is a registered representative of a broker-dealer and an investment adviser representative of a registered investment adviser firm, or a dual registrant.

[5] Oxford Economics for the Financial Services Institute, The Economic Impact of FSI's Members (2020).

[6] *See id.*

customers retain the option to elect account-by-account designation. This is a logical and practical extension of prior FINRA's FAQs regarding Rules 4512 and 2165 and will reduce administrative friction that may otherwise discourage adoption. Streamlining this process enhances the utility of trusted contacts while preserving customer choice and autonomy.

B. Temporary Hold Amendments

FSI supports FINRA's proposal to extend the maximum temporary hold period under Rule 2165 from 55 business days to up to 145 business days in 30-business-day increments, subject to safeguards.[7] As FINRA notes, investigations by Adult Protective Services and other authorities frequently extend beyond the current 55-business-day limit.[8] Providing additional time, conditioned on reasonable follow-up efforts and continued reasonable belief of financial exploitation, appropriately recognizes the complexity of modern fraud schemes while maintaining guardrails against misuse.

C. New Speed Bump for Suspected Fraud

FSI supports FINRA's proposal to introduce new Rule 2166 to permit a short-term temporary delay for suspected fraud affecting customers of any age. We agree that a narrowly tailored "speed bump" mechanism can be an effective intervention tool, particularly in light of the urgency and isolation tactics frequently used by fraudsters. A brief pause can disrupt that momentum and allow firms to communicate with customers and combat the influence of bad actors. We view this framework as a thoughtful complement to Rule 2165, extending protective tools beyond "Specified Adults" while preserving the enhanced structure applicable to senior and vulnerable investors.

That said, FSI encourages FINRA to consider whether a delay period modestly longer than five business days, such as seven to ten business days, would better accomplish the rule's intended purpose. In many cases, additional time may be necessary to reach customers who are being actively defrauded and remain in frequent contact with the scammer, or who are subject to third-party influence that discourages communication with the broker-dealer. A modestly longer window would better position firms to establish meaningful contact, interrupt the fraud's momentum, and provide effective educational outreach before funds are disbursed. A longer window would also better align with firms' internal supervisory and escalation processes, which often require coordination across compliance, legal, and supervisory personnel before a final determination can be made. In addition, providing modest flexibility in the delay period would help ensure that firms can engage trusted contacts or regulators when appropriate, without creating unnecessary operational pressure that could undermine the effectiveness of the intervention.

D. Good-Faith Fraud Intervention Should Not Trigger Enforcement Risk

In addition, FSI recommends that FINRA provide some protection against customer complaints filed because of a firm's efforts to prevent a scam victim from being further victimized. Financial advisors and firms face adaptive adversaries when trying to preserve client accounts from foreign scams that steal investors' money. As these adaptive adversaries understand the securities reporting regime, some try to increase the pressure on financial advisors by threatening customer complaints.

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[7] FINRA, Regulatory Notice 26-02, *Proposal to Adopt New Rule 2166 to Permit Temporary Holds for Suspected Fraud* (Jan. 2026), https://www.finra.org/rules-guidance/notices/26-02.
[8] *Id.*

Even if these complaints are not always filed, the fear of a customer complaint that impacts an advisor's reputation, particularly an advisor in a small town, may act as a disincentive to report.

Customer complaints arising out of good faith uses of Rule 2165 should not be reportable as to individual advisors since they are not ultimately the decision-makers who determine whether to delay a disbursement or transaction under Rule 2165 and Proposed Rule 2166. Making such complaints non-reportable against an individual advisor promotes investor protection by encouraging financial advisors to internally escalate concerns that a client may be the victim of a scam, while preserving the availability of relevant information to the investing public. Because we believe the regulatory framework should not inadvertently discourage the escalation of suspected fraud targeting seniors, we urge FINRA to work with the SEC and NASAA to implement a process that prevents such complaints from being disclosed on the Form U4 or BrokerCheck.

Conclusion

FSI is committed to constructive engagement in the regulatory process and welcomes the opportunity to work with FINRA on this and other important regulatory efforts. Thank you for considering FSI's comments. Should you have any questions, please contact me at (202) 393-0022.

Respectfully submitted,

Andrew M. Hartnett

Andrew M. Hartnett
Vice President & Deputy General Counsel

Comment Letter on FINRA Regulatory Notice 26-02

Investor Protection Enhancements for Senior and Vulnerable Investors

Submitted by: Chad Hicks & Philip Loeffel

Introduction and Acknowledgment of Collaborative Engagement

We appreciate the opportunity to comment on FINRA Regulatory Notice 26-02 issued by the Financial Industry Regulatory Authority (FINRA). This notice reflects repeated, substantive, and meaningful collaboration between FINRA and industry participants, including direct engagement with our organization.

Through ongoing dialogue, data-driven discussions, and practical feedback grounded in real-world fraud and exploitation scenarios, FINRA demonstrated a clear commitment to incorporating firm-level experience into its regulatory approach. Regulatory Notice 26-02 represents a thoughtful and responsive outcome of that process and a meaningful advancement in modernizing investor protection frameworks.

Importantly, the direction of this proposal and similar signals across the regulatory landscape, reflects a shared understanding between regulators and industry participants that **enhancing protective and supervisory controls to mitigate illicit activity will, at times, introduce friction into the customer experience. While this may reduce transactional speed or convenience in certain instances, the overarching objective is to protect customers from increasingly sophisticated fraud schemes and financial exploitation**. We believe this mutual recognition of the protection-versus-friction dynamic is both necessary and appropriate in the current threat environment.

I. Terminology Update – Rule 4512

We strongly support FINRA's proposal to permit the use of the term "emergency contact" as an alternative to "trusted contact" under Rule 4512.

During prior engagement with FINRA, our Senior and Vulnerable Investor (SVI) Designated Principal raised this issue based on consistent customer confusion observed across the industry. Specifically:

- Customers frequently misinterpret the term “trusted contact” to mean the individual has authority to access or transact in their accounts, which is not the case.
- This misunderstanding has caused hesitation among customers particularly seniors resulting in lower designation rates and reduced effectiveness of the rule.
- The term “emergency contact” aligns with widely understood consumer terminology and clearly communicates the limited, communication-only purpose of the role.

This proposal reflects FINRA’s responsiveness to operational realities and customer behavior patterns. While updating terminology may appear modest, clarity in communication is foundational to effective supervisory frameworks.

More broadly, this change exemplifies the evolving regulatory posture: firms are being asked to strengthen protective controls while simultaneously maintaining customer trust and comprehension. Clear terminology reduces unnecessary friction and confusion, helping balance enhanced supervisory safeguards with an accessible customer experience.

We believe this amendment will materially improve customer understanding, increase participation rates, and enhance the protective intent of Rule 4512 without imposing additional operational burden.

II. Reporting to Federal Agencies – Request for Clarification

We support FINRA’s proposal to expand reporting options to include federal agencies when firms reasonably suspect financial exploitation or fraud. However, we respectfully request additional clarity to promote consistent implementation across member firms.

During collaborative discussions, our SVI Designated Principal noted:

- The term “federal agencies” is currently undefined and subject to broad interpretation.
- In practice, firms understand the proposal to primarily reference the Federal Bureau of Investigation Internet Crime Complaint Center (IC3) and the Financial Crimes Enforcement Network (FinCEN).
- The absence of specificity may create uncertainty, inconsistent reporting practices, and potential examination risk due to differing interpretations.

Recommendation

FINRA should provide either:

- A non-exhaustive list of recognized federal agencies appropriate for reporting; or
- Clear criteria defining what constitutes an acceptable federal reporting destination.

Clarification will promote uniform supervisory practices and improve regulatory outcomes.

As regulatory expectations increasingly encourage proactive reporting and law enforcement coordination, firms recognize that additional reporting obligations may require expanded internal controls and documentation. This evolution may slow certain processes or introduce additional procedural steps. However, the industry broadly understands and increasingly shares with regulators that these measures are necessary tradeoffs to better detect and prevent illicit conduct before losses become irreversible.

III. Temporary Hold Extensions – Rule 2165

We generally support FINRA's proposal to allow extended temporary holds when there is a reasonable belief of financial exploitation. This flexibility reflects the complex and evolving nature of modern fraud investigations.

Member firms would benefit from additional guidance regarding:

- Documentation expectations for each hold extension;
- Customer notification frequency and content;
- How firms should demonstrate continued reasonable belief over extended timeframes.

Clear supervisory guardrails will allow firms to balance investor protection with customer autonomy and ensure predictable examination outcomes.

We recognize that extended holds may create customer dissatisfaction or perceived inconvenience. However, regulatory signals across the financial services ecosystem increasingly reflect a shared understanding: preventing financial exploitation may require slowing transactions when credible red flags arise. The temporary introduction of friction is preferable to the permanent loss of customer assets.

IV. Proposed Rule 2166 – Temporary Delays for Suspected Fraud

A. Strong Support for Proposed Rule 2166

We view proposed Rule 2166 as a valuable and timely tool for preventing fraud, particularly given the rise of real-time payment scams affecting investors of all ages.

The Federal Bureau of Investigation's 2024 Internet Crime Report documented losses exceeding $16.6 billion to fraud, with individuals over age 60 accounting for at least $4.8 billion of those losses. The Global Anti-Scam Alliance has reported that rapid real-time payment fraud has resulted in over $1 trillion in global losses.

Modern fraud schemes exploit the speed and finality of instant payment systems. Authorized push payment fraud, account takeover schemes, business email compromise, and AI-enhanced social engineering including deepfakes and voice cloning have materially altered the risk landscape.

In this context, the proposed five-business-day "speed bump" framework represents a necessary recalibration of the balance between transaction efficiency and customer protection. Regulatory and supervisory bodies globally are signaling that instantaneous movement of funds without intervention controls is incompatible with effective fraud mitigation.

The industry increasingly recognizes that enhancing pre-disbursement controls may slow certain legitimate transactions. However, this friction is aligned with the overarching goal of safeguarding customers and preserving trust in financial markets.

B. Recommendations for Effective and Consistent Implementation

1. Clarify the Standard for Reasonable Suspicion

We recommend FINRA provide actionable guidance on the standard for establishing a "reasonable belief of fraud" sufficient to invoke a delay.

Drawing from international regulatory frameworks, including guidance from the Financial Conduct Authority, FINRA could provide a non-exhaustive framework incorporating:

Behavioral Indicators

- Signs of distress, confusion, or third-party coaching
- Inconsistent or implausible explanations
- Emotional urgency inconsistent with transaction history

Transactional Indicators

- Significant deviations from historical account patterns
- Multiple rapid disbursement requests
- Payment methods commonly associated with fraud typologies

Technology-Enhanced Detection

- Alerts from validated fraud monitoring systems
- Machine learning anomaly detection
- Device or location anomalies

Providing such guardrails reinforces the shared understanding that protective intervention is appropriate when risk indicators converge even if that intervention temporarily alters the customer experience.

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2. Affirm Good-Faith Use and Safe Harbor Protections

Firms need assurance that reasonable, good-faith use of Rule 2166 will not create enforcement exposure.

We recommend FINRA explicitly affirm that:

- Good-faith invocation of delay authority even if fraud is ultimately not confirmed will not result in enforcement action.
- Reasonable judgment exercised by trained personnel will be respected.
- The absence of confirmed fraud does not retroactively invalidate a documented, reasonable belief.

Without such clarity, firms may hesitate to apply protective controls due to fear of second-guessing. Regulatory alignment around good-faith intervention is essential to encourage appropriate use of delay authority.

As regulators continue signaling that proactive fraud interdiction is expected, firms must be empowered to introduce friction when necessary without punitive hindsight analysis.

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3. Harmonization With Existing Obligations

FINRA should clarify interactions with:

- Regulation T and customer account agreement timing provisions;
- Customer notification best practices;
- Suspicious Activity Report (SAR) considerations involving FinCEN;
- Expanded federal reporting mechanisms referenced in the Notice.

Clear harmonization guidance will ensure that enhanced supervisory controls are implemented consistently and transparently.

V. Training, Technology, and Industry Coordination

Training

FINRA should provide guidance on minimum training elements, including:

- Recognition of evolving fraud typologies;
- Customer vulnerability indicators;
- Documentation best practices;
- Communication techniques that balance protective intent with customer autonomy.

Technology Integration

Modern fraud detection increasingly relies on real-time analytics and machine learning. FINRA should clarify that:

- Technology generated alerts may support reasonable belief determinations when appropriately validated;
- Firms are not required to adopt specific technologies but should implement controls appropriate to their risk profile;
- Human review remains essential.

Cross-Industry Data Sharing

Fraud prevention requires coordination. While infrastructure initiatives may fall outside FINRA’s direct authority, FINRA can encourage responsible intelligence sharing consistent with privacy and competitive considerations.

Conclusion

Regulatory Notice 26-02 reflects FINRA’s responsiveness to industry experience and its commitment to collaborative rulemaking. We commend FINRA’s engagement with our SVI Designated Principal, brokerage compliance, and platform governance teams throughout this process.

Across the proposals we discussed terminology updates, expanded reporting, extended holds, and temporary payment delays a consistent regulatory signal is evident: enhanced protective and supervisory controls are necessary to combat increasingly sophisticated illicit activity. The industry broadly recognizes that strengthening these controls may introduce additional review steps, documentation requirements, and transaction delays that affect customer convenience. However, this measured friction serves the broader objective of protecting customers, preserving assets, and maintaining trust in financial markets.

With the clarifications outlined above, we believe the proposed amendments will significantly enhance investor protection, promote consistent implementation across firms, and strengthen the industry's ability to combat financial exploitation and fraud.

We appreciate FINRA's consideration of these comments and remain available to provide additional input as the rulemaking process continues.

Submitted by:
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Philip Loeffel, Certified Chief Information Security Officer (Certification Number on File)

About the Authors:

Chad Hicks is a Certified Fraud Examiner (CFE) and Regulatory, Fraud, Legal & Product Consulting Specialist at Robinhood, where he serves as a frontline leader in the firm's engagement with the Securities and Exchange Commission (SEC) and FINRA on financial crimes investigation, investor protection, and regulatory compliance. With over a decade of progressive experience spanning fraud detection, incident response, platform governance, and risk operations, Hicks possesses an end-to-end understanding of the customer fraud lifecycle from initial detection through legal and regulatory resolution. Thus, enabling him to design and implement enterprise-wide controls that strengthen every layer of the protective framework. He co-leads Robinhood's Veterans Employee Resource Group and brings a mission-driven discipline forged as a United States Marine with global operational experience. His direct, ongoing coordination with federal regulators on reporting, senior and vulnerable investor protections, and emerging fraud typologies, including authorized push payment fraud, AI-enhanced social engineering, and account takeover schemes and provides the operational authority and regulatory credibility underpinning the recommendations in this comment letter. Hicks holds a CRD number on file with FINRA and studied at American University in Bosnia and Herzegovina.

Philip Loeffel is the Founder and CEO of Mind Mesh AI, a software technology executive with over 20 years of experience building and scaling enterprise software companies across fintech, defense, and AI sectors. He holds current certifications as a Chief Information Security Officer (CISO) and Certified Ethical Hacker (CEH), along with a FINRA Securities Industry Essentials (SIE) credential—giving him a rare intersection of software engineering depth, cybersecurity authority, and securities industry regulatory awareness. Philip's career spans founding and leading defense contractor Riptide Software through over $100M in awarded contracts, writing mission-critical code for NASA and government programs, and currently advising government agencies and financial institutions on secure AI transformation. His expertise in AI-enhanced fraud detection, software engineering, and the cybersecurity implications of autonomous AI agents directly informs the technology integration and detection framework recommendations outlined in this comment letter. Philip holds a B.S. in Computer Engineering and an M.S. in Computer Science.

Commonwealth

March 6, 2026

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: Comments Pursuant to Regulatory Notice 26-02

Dear Ms. Piorko Mitchell:

Commonwealth Financial Network is providing this correspondence in response to FINRA's invitation to submit comments as outlined in Regulatory Notice 26-02.

Commonwealth is an independent broker/dealer and an SEC-registered investment adviser with home office locations in Waltham, Massachusetts, and San Diego, California. Commonwealth has more than 2,400 registered representatives who are independent contractors conducting business throughout all 50 states.

Proposed Amendments to Rule 2165

Commonwealth fully supports the use of the term "emergency contact" for inclusion in Rule 4512, as well as the additional 90 day increase to the 2165 hold period.

We also support broadening 2165 to encompass additional vulnerable investors, regardless of age or capacity, and the other recommended modifications to 2165. However, we note that with respect to potentially running afoul of the safe harbor afforded by 2165, member firms should be entitled to broad deference in the assessment of the subjective metric of what constitutes a "reasonable belief of financial exploitation."

Proposed Rule 2166

Commonwealth generally supports the adoption of this new rule. However, we do not believe the proposal goes far enough. Specifically, Commonwealth believes that the proposed mandatory hold period is insufficient.

A five-day hold period is inadequate for: (i) customers who have been deeply entangled in scams to meaningfully reflect on suspected fraudulent activity and reconsider their decisions; and (ii) the firm to conduct a thorough review of the matter.

Commonwealth

There is, of course, no specific, ideal, hold period. Whatever period is ultimately adopted, it will be somewhat arbitrary. However, the difference between the 145-day maximum proposed for Rule 2165, and the mere five-day period proposed for 2166, is stark.

Commonwealth strongly disagrees with FINRA's assessment that

"*The length of the Rule 2165 hold period also recognizes the severity of the consequences for seniors who are the victims of financial exploitation ... Those same considerations and resources do not necessarily exist for fraud perpetrated on other types of investors.*"

Exploitation and Fraud are demoralizing and catastrophic to victims, regardless of age, competence, or other demographic.

Furthermore, certain fact patterns are not always clear as to whether a situation involves fraud, on the one hand, or exploitation on the other. Additionally, some cases may involve a customer whose age or circumstance does not fall within one of the specific 2165 protected classes at inception, but later falls within those parameters during the pendency of the investigation.

Commonwealth believes that adopting a hold period that mirrors the 2165 rubric would eliminate confusion regarding when (and to which cases) the respective hold periods apply.

In any case, we believe that the hold period should be substantially longer than the proposed five-day period.

Sincerely,

Kate Howarth
Supervisor, Senior Protection and Fraud

Joe Tully
VP, Associate General Counsel

APEX Clearing™

March 9, 2026

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority, Inc.
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 26-02 – Proposed FINRA Rule 2166 (Temporary Delays for Suspected Fraud)

Dear Ms. Mitchell:

I. Introduction

Apex Clearing Corporation ("Apex") appreciates the opportunity to comment on Regulatory Notice 2602 (the "Notice"), in which the Financial Industry Regulatory Authority, Inc. ("FINRA") proposes amendments designed to help member firms protect customers from fraud and financial exploitation. Apex is a self-clearing broker dealer providing execution, clearing, custody, and technology solutions to a broad range of introducing broker dealers and registered investment advisers. As a carrying firm that processes a substantial volume of Automated Customer Account Transfer Service ("ACATS") transactions, Apex has direct, day-to-day experience with the rising incidence of transfer related fraud and account takeover.

We commend FINRA for recognizing that scams and fraud schemes targeting investors of all ages have increased dramatically in sophistication and frequency and for proposing new Rule 2166 (Temporary Delays for Suspected Fraud) as part of FINRA's broader investor protection initiative. Rule 2166 is a significant step forward. However, the proposed rule does not operate in a vacuum. Its effectiveness, particularly in the ACATS context, depends on how it interacts with the existing account transfer framework, including FINRA Rule 11870 and National Securities Clearing Corporation ("NSCC") Rule 50.

This letter, therefore, has three principal objectives:

1. To express Apex's support for the core fraud prevention tools embodied in proposed Rule 2166 and the related amendments to Rules 2165 and 4512;

2. To urge FINRA to recognize that, without corresponding modernization of NSCC Rule 50's indemnification framework and clear guidance on the interplay with Rule 11870, the full investor protection benefits of Rule 2166 will not be realized; and

3. To recommend that FINRA amend Rule 11870 to add suspected fraud as a permissible basis to take exception to a transfer instruction, thereby providing delivering firms with clear authority to halt suspicious transfers.

In preparing this letter, Apex has solicited and considered input from a number of its introducing broker-dealer and platform clients. The themes and recommendations below reflect not only Apex's perspective as a clearing firm but also the operational concerns and suggestions of firms across the industry that will be responsible for implementing Rule 2166 in practice.

II. Apex's Support for the Core Framework of Proposed Rule 2166

Apex supports the central elements of proposed Rule 2166, which establish an optional safe harbor permitting member firms to place a temporary delay of up to five business days on a transaction or disbursement where there is a reasonable belief of fraud targeting a customer. In particular, we agree with:

- The creation of a time limited "speed bump" that allows firms to interrupt a suspected fraud long enough to contact the customer, gather information, and provide education about the suspected scheme (proposed Rule 2166(b)(1)–(2)).
- A broad definition of "fraud" that explicitly encompasses identity theft, account takeovers, and similar deceptive schemes (proposed Rule 2166(a)(4)).
- The requirement that firms make reasonable efforts to notify authorized parties and trusted or emergency contacts of the delay and the basis for the firm's concern, subject to appropriate exceptions (proposed Rule 2166(b)(1)(B); Supplementary Material .04).
- The inclusion of supervision, training, and recordkeeping requirements to ensure that use of the rule is systematic, documented, and subject to oversight (proposed Rule 2166(c)–(d)).
- The safe harbor from FINRA Rules 2010, 2150, and 11870 when members act in accordance with Rule 2166 (Supplementary Material .01).

We also support the related amendments to Rule 4512 that allow firms to use the term "emergency contact" and to apply a trusted/emergency contact designation across a customer's existing and future accounts, provided the customer is given an account-by-account choice (proposed Rule 4512.06(d)–(e)). These changes will make it more likely that firms have a meaningful point of contact when a customer is unreachable or potentially under the influence of a fraudster.

Based on feedback from our introducing broker-dealer clients, we believe the proposed five-business-day delay period strikes an appropriate balance between providing sufficient time to investigate suspected fraud and minimizing unnecessary disruption to legitimate customer activity. We note, however, that firms should have the flexibility to release a Rule 2166 hold early if the fraud concern is cleared before the five-day period expires, and we would welcome confirmation from FINRA that early termination of a hold is permitted and remains within the safe harbor.

III. The Need to Align Rule 2166 With NSCC Rule 50's Indemnification Framework

While Apex supports Rule 2166, we are concerned that its fraud-prevention potential will be significantly constrained in the ACATS environment unless the associated loss-allocation rules are modernized. At present, NSCC Rule 50, Section 17 places the indemnification obligation in fraudulent transfer cases squarely on the receiving side of the transaction, i.e., on the "Requesting Firm," typically the receiving clearing broker, and, by contractual cascade, on the receiving introducing broker-dealer. This allocation is increasingly misaligned with how ACATS fraud actually occurs.

A. ACATS Fraud Originates at, and Is Best Prevented by, the Delivering Firm

In virtually every ACATS fraud scenario Apex encounters, the bad actor's scheme depends on the compromise of customer information maintained at the delivering firm (or its introducing broker), not at the receiving firm. The fraudster cannot initiate a fraudulent transfer without first obtaining detailed, non-public information about the victim's account: account number, positions, Social Security number or other tax identifier, and often recent account activity. That information resides in the delivering firm's systems and records.

The delivering firm is also the party best positioned to recognize and halt the fraud before any assets leave the customer's account. It possesses:

- The customer's historical contact information and transaction patterns;
- Surveillance data on recent changes to email address, phone number, or physical address;
- Device and log-in telemetry; and
- A regulatory obligation under Regulation S-P (safeguarding customer records and information), Regulation S-ID (identity theft red-flags programs), and FINRA Rules 2090 and 3110 to know its customers and supervise accounts for suspicious activity.

Proposed Rule 2166 implicitly acknowledges this reality by granting the firm that holds the account at the time the suspicious instruction is received the authority to impose a temporary delay when it reasonably believes fraud is occurring or has been attempted. FINRA's prior guidance in Regulatory Notices 22-21 and 23-06 likewise focuses heavily on the role of the firm that holds the existing account in detecting ACATS-related fraud[1].

[1] See FINRA Regulatory Notice 22-21 (Oct. 6, 2022) (alerting firms to "a rising trend in the fraudulent transfer of customer accounts through ACATS" and explaining that a bad actor uses the "stolen identity of a legitimate customer of a carrying member" to initiate the transfer, thereby focusing the analysis on the firm that holds the existing account); FINRA Regulatory Notice 23-06 (Mar. 28, 2023) (describing "potential indicators of ACATS fraud" and "practices to mitigate risk," including notifying the customer that an account transfer instruction has been received, engaging representatives assigned to the customer's account, and reviewing patterns of transfers from the carrying member, controls that, by design, are implemented by the firm that already carries the customer's account).

Our client feedback confirms this perspective. Firms consistently report that fraudulent ACATS transfers are most commonly linked to account-takeover events at the delivering firm, typically preceded by credential compromise, password resets, contact-information changes, new device or IP login activity, and suppression of two-factor authentication. The delivering firm is in the best position to detect these signals and act on them.

B. The Receiving Side Lacks the Same Ability to Prevent ACATS Fraud

By contrast, neither the receiving clearing firm nor the receiving introducing broker-dealer has a comparable ability to detect and prevent ACATS fraud:

- The receiving introducing broker sees what appears to be a legitimate new customer presenting valid identification. It does not have historical data to compare against, nor does it have direct access to the customer relationship at the delivering firm.
- The receiving clearing firm sits even further removed, processing ACATS messages as an operational intermediary without direct customer contact.
- FINRA Rule 11870 does not list "fraud" as a permissible ground to reject an ACATS transfer; the rule is designed to prevent delivering firms from impeding legitimate transfers on competitive or subjective grounds. As discussed further in Section IV below, we believe this gap should be addressed by amending Rule 11870 to add suspected fraud as a permissible basis for exception.

In short, the receiving side has no superior ability to determine that a seemingly valid transfer instruction is fraudulent. It is the delivering side whose data was compromised and who can place the proposed Rule 2166 "speed bump" on a suspicious transfer.

C. NSCC Rule 50's Indemnity Misallocates Risk and Blunts Rule 2166's Incentive Effects

Despite this reality, NSCC Rule 50, Section 17 requires the Requesting Firm (receiving clearing broker) to indemnify the Accepting Firm (delivering broker) for losses associated with "unauthorized or allegedly unauthorized transfer requests," regardless of where the compromise occurred or which firm had the practical ability to prevent the fraud. In practice, clearing firms require their introducing broker-dealer clients to indemnify them for such losses, so that the ultimate financial burden falls on the receiving introducing firm, the party farthest from the point of compromise.

This framework produces several problematic outcomes:

1. It insulates the delivering firm from the financial consequences of its own information-security failures or failure to act on red flags. The firm at the point of origin of the fraud is made whole; the firm with no role in the compromise bears the loss.

2. It dampens the incentive for delivering firms to invest in robust fraud-prevention controls and to actively use tools such as Rule 2166's temporary delay and customer-notification requirements. If the financial loss can be shifted downstream, the business case for aggressive fraud-prevention measures is weakened.

3. It places disproportionate risk on smaller receiving introducing broker-dealers, which may lack the capital to absorb significant fraud losses arising from another firm's data compromise, thereby constraining competition and innovation.

Rule 2166, as proposed, gives delivering firms a powerful new tool. But without corresponding reform of the indemnity framework, the firm that can prevent the fraud still has limited economic "skin in the game."

Our clients have emphasized this point strongly. As one firm put it, "loss allocation should align with which firm was best positioned to prevent the fraud." Without modernization of indemnification frameworks, firms may hesitate to invoke Rule 2166 holds due to liability uncertainty, or, worse, the party that failed to prevent the fraud will continue to be made whole at the expense of innocent receiving firms.

D. Request That FINRA Coordinate With NSCC and the SEC on Indemnification Reform

Apex respectfully urges FINRA to work with NSCC/DTCC and the Securities and Exchange Commission to modernize NSCC Rule 50, Section 17 so that fraud risk is borne by the parties best able to prevent it. While the precise drafting of any amendment is beyond the scope of this letter, we believe the following principles should guide reform:

1. Indemnification in fraudulent ACATS cases should presumptively rest with the delivering side. Where a transfer is determined to have been initiated by a bad actor using compromised or stolen customer information from the delivering firm's environment, the delivering member (or its associated introducing broker) should bear the indemnification obligation, subject to an appropriate safe harbor for firms that maintain and apply robust fraud prevention controls, including use of Rule 2166.

2. Operational correction mechanisms for nonfraudulent errors should be preserved. For good faith operational mistakes such as incorrect positions or quantities delivered, the current reclaim and indemnity structure can continue to function as a straightforward corrective tool.

3. Neutral intermediaries should not serve as insurers of last resort. Clearing firms that perform ministerial functions in accordance with NSCC and FINRA procedures, and that have no customer facing role in the transfer, should not bear strict liability indemnity for fraud they cannot reasonably detect or prevent.

4. Delivering firms should have an affirmative obligation to validate transfer instructions with the customer of record. To further align incentives and reduce fraudulent ACATS transfers at the source, we encourage FINRA to consider whether delivering members should be required, not merely permitted, to take reasonable steps to validate that an outgoing transfer instruction is a legitimate instruction from the actual customer before completing the transfer. Such validation could include direct outreach to the customer using verified contact information on file, confirmation through secure digital channels, or other methods appropriate to the firm's customer base and risk profile. An affirmative validation requirement would complement Rule 2166's temporary delay mechanism and would provide additional support for placing indemnification responsibility on the delivering side when validation is not performed or is performed inadequately.

5. Invoking or declining to invoke a Rule 2166 delay should not, by itself, prejudice a firm's indemnification rights or defenses. Firms acting in good faith, whether they place a hold and later release it, or decline to place a hold because red flags were not present, should not face adverse indemnification consequences solely on the basis of their Rule 2166 decisions.

We recognize that NSCC is a separate self-regulatory organization with its own rule filing process under Section 19 of the Exchange Act. Nonetheless, we believe FINRA is uniquely positioned to highlight the need for convergent reform and to foster a coordinated approach that aligns investor protection tools such as Rule 2166 with the market infrastructure rules that govern ACATS transfers.

IV. Request That FINRA Amend Rule 11870 to Add Suspected Fraud as a Permissible Basis for Exception

As noted in Section III.B, FINRA Rule 11870(d) enumerates specific grounds on which a carrying member may take exception to a transfer instruction. Currently, "suspected fraud" is not among them. Rule 11870(d) permits a carrying member to reject a transfer instruction only for enumerated reasons such as signature guarantee issues, account number discrepancies, or credit and margin concerns. Fraud, even where the carrying member has a well documented, reasonable belief that the transfer instruction was initiated by a bad actor using stolen customer information, is not a listed basis for exception.

While proposed Rule 2166 provides a temporary safe harbor for delaying a transfer for up to five business days, it does not amend the underlying Rule 11870 framework. Once the five day period expires, the delivering firm may face pressure to complete the transfer to avoid a Rule 11870 timing violation, even if it continues to believe the transfer is fraudulent.

We respectfully request that FINRA consider amending Rule 11870(d) to add suspected fraud, where the carrying member has a documented reasonable belief that fraud has occurred, is occurring, has been attempted, or will be attempted, as a permissible basis to take exception to a transfer instruction. This amendment would:

1. Provide a clear, rule based foundation for delivering firms to halt suspicious transfers, reducing uncertainty about how Rule 2166 and Rule 11870 interact;

2. Complement the temporary delay mechanism in Rule 2166 by giving delivering firms authority to reject, not merely delay, transfers where fraud indicators are strong and customer validation efforts have been unsuccessful;

3. Further align the regulatory framework with the goal of stopping fraud at its point of origin, before customer assets leave the delivering firm; and

4. Support the indemnification reform principles discussed in Section III.D by reinforcing that delivering firms bear primary responsibility for validating transfer instructions and preventing fraudulent outflows.

We recognize that any amendment to Rule 11870 must be carefully drafted to prevent abuse and ensure that delivering firms cannot use "suspected fraud" as a pretext for impeding legitimate customer transfers. Appropriate safeguards could include:

- A requirement that the delivering firm document the specific basis for its reasonable belief of fraud;
- A requirement that the delivering firm make reasonable, documented efforts to contact the customer and any trusted/emergency contact to validate the transfer instruction before taking exception;
- A time limit (e.g., consistent with Rule 2166's framework) within which the delivering firm must either validate the instruction, obtain regulatory or law enforcement guidance, or permit the transfer to proceed; and
- Regulatory oversight and examination of firms' use of the fraud exception to ensure it is not being misused for competitive purposes.

With these safeguards, an amendment to Rule 11870(d) would meaningfully strengthen the fraud prevention framework that Rule 2166 is designed to support.

V. Interaction of Rule 2166 With ACATS Timelines and Unresponsive Customers

In addition to the indemnity and Rule 11870 issues, the ACATS context raises a practical question that, if left unresolved, will create uncertainty for firms seeking to rely on Rule 2166.

A. The Unresponsive Customer Scenario

A common fact pattern is as follows:

1. The delivering member identifies significant red flags associated with an outgoing ACATS transfer: recent changes to customer contact information,

unusual device or IP activity, atypical transfer destination, or indicators tied to known scam typologies.

2. The firm forms a reasonable belief that fraud has occurred or is being attempted and, accordingly, invokes Rule 2166 to place a temporary delay on the transfer.

3. Within two business days, the firm attempts to notify the customer and the trusted/emergency contact, using the channels available.

4. Neither the customer nor the trusted/emergency contact responds during the five-business-day delay period, and no federal or state regulator or court has yet requested an extension.

In this scenario, the delivering firm's substantive suspicion of fraud remains; what has changed is only the passage of the initial five-day period. At that point, the firm appears to face a Hobson's choice:

- Complete the ACATS in order to comply with the strict timelines in FINRA Rule 11870 and NSCC Rule 50, thereby enabling a transfer it still reasonably believes to be fraudulent; or
- Continue to hold or reject the transfer based on its ongoing reasonable belief of fraud, thereby risking a potential violation of Rule 11870's timing and permissible rejection standards.

This scenario is not hypothetical. Our clients report that obtaining timely customer responses is a significant operational challenge, particularly when the only available outreach channels are email and phone. In true account-takeover situations, fraudsters may have changed the customer's contact information or may be actively intercepting communications. Without the ability to reach the customer via SMS or other real-time channels, firms often cannot obtain a response within the five-day window.

B. Requested Clarifications From FINRA

To address this dilemma, Apex respectfully requests that FINRA clarify, whether in the adopting release, supplementary material, or subsequent guidance, that:

1. A firm's good faith use of Rule 2166 to delay a suspected fraudulent ACATS transfer, combined with documented but unsuccessful outreach to the customer and trusted/emergency contact, can justify continued delay or refusal to process the transfer beyond the initial five business day period, consistent with Rule 2010 and the Rule 2166 safe harbor from Rule 11870.

2. In such circumstances, FINRA will not view the firm's decision to continue to hold the transfer as a per se violation of Rule 11870, particularly where the

firm is seeking direction from a federal or state regulator, law-enforcement agency, or court regarding the appropriate course of action.

3. Conversely, Rule 2166 should not be construed as requiring a firm to complete a transfer solely because the five-day period has lapsed if the firm continues to maintain a reasonable, well-documented belief that the transfer is fraudulent.

4. Firms should have clarity on what constitutes "reasonable outreach" for purposes of the Rule 2166 notification requirements, including whether voicemail, email, and secure portal messages are sufficient when the customer does not respond, and what additional steps (if any) firms should take before concluding that the customer or trusted contact is "unavailable."

We recognize the need to avoid giving firms a pretext for impeding legitimate transfers. But we also believe the rule framework should not force a firm to effectuate a transfer it reasonably believes will facilitate fraud simply because the customer or trusted contact has not responded within an arbitrary time box. The amendment to Rule 11870(d) proposed in Section IV would help address this concern by providing delivering firms with explicit authority to take exception to a transfer based on suspected fraud, subject to appropriate safeguards.

C. Clarification Requested Regarding Scope of Rule 2166 in ACATS Contexts

Apex also requests that FINRA provide express guidance on the scope of Rule 2166's temporary delay as it applies in the ACATS context. Specifically, we seek clarification on whether the rule permits a delivering firm to delay only the outgoing ACATS transfer itself, or whether the five-business-day delay also extends to subsequent disbursements from the receiving firm's account after the ACATS settles.

Our reading of proposed Rule 2166(b)(1)–(2) is that the rule permits a member to place a temporary delay on "a disbursement of funds or securities from the Account" where there is a reasonable belief of fraud. For a delivering firm, the relevant "disbursement" is the outgoing ACATS movement itself. Once the ACATS settles and the assets arrive at the receiving firm, the delivering firm's Rule 2166 delay on that particular disbursement has run its course.

To place a hold on activity after the transfer settles at the receiving firm, for example, a suspicious wire request or liquidation from the newly opened account, the receiving firm would need to independently invoke Rule 2166 based on its own reasonable belief of fraud targeting its customer. The rule does not, as we understand it, automatically extend the delivering firm's five-day delay to cover post-settlement activity at the receiving firm.

If this interpretation is correct, we believe it would be helpful for FINRA to confirm it expressly, either in the adopting release or supplementary material. Such clarification would:

1. Reduce operational confusion among firms regarding when the Rule 2166 clock starts and stops in an ACATS scenario;

2. Ensure that receiving firms understand they have independent authority, and responsibility, to invoke Rule 2166 if they detect fraud indicators after the transfer settles; and

3. Provide a clearer framework for firms to design their surveillance, escalation, and customer-outreach procedures around ACATS-related fraud.

VI. Operational Enhancements to Support Consistent Implementation

To further strengthen Rule 2166's impact in the ACATS environment, Apex recommends that FINRA, in coordination with NSCC, consider the following operational enhancements:

A. Standardized ACATS Status for Rule 2166 Delays

NSCC could adopt a standardized ACATS status or reason code indicating that a transfer is subject to a "Rule 2166 Temporary Delay for Suspected Fraud." This would:

- Provide a clear, auditable signal to the receiving firm that the delay is regulatory in nature;
- Facilitate consistent treatment of such transfers across the industry; and
- Allow NSCC to design timeline logic that suspends the standard validation and settlement clocks while the Rule 2166 status is in effect.

We also note that our clients have raised concerns about poor communication from contra firms when ACATS transfers are rejected, with rejection notices often failing to cite the correct or specific reason for the exception. A standardized status code for Rule 2166 delays would help address this issue and promote transparency between delivering and receiving firms.

B. Support for Partial Transfer Delays

Where operationally feasible, we encourage FINRA to endorse, and NSCC to support, the concept of partial transfer delays, under which a delivering firm could hold only those assets or cash flows believed to be implicated in a fraudulent scheme while permitting non-suspect assets to transfer. This targeted approach could reduce customer frustration and economic impact while still addressing the core fraud risk.

C. Model Communications and "Reasonable Belief" Examples

We believe firms would benefit from:

1. Non-mandatory model language for customer and contra-firm notifications issued in connection with a Rule 2166 delay, drafted to be consistent with Regulation S-P's fraud-prevention exceptions and the voluntary information-sharing safe harbor in 31 C.F.R. § 1010.540 (Section 314(b)).

2. A non-exhaustive list of ACATS-specific indicators that may support a "reasonable belief" of fraud for purposes of Rule 2166, for example, combinations of recent contact-information changes, device anomalies, and immediate requests for full-account transfers to newly opened accounts at unfamiliar firms.

3. Guidance on when and how firms should involve trusted or emergency contacts during a Rule 2166 delay, including whether outreach to a trusted contact is appropriate when the firm has been unable to reach the account holder directly, and how to document such outreach.

4. Clarity on recordkeeping expectations, including what documentation firms should maintain regarding the basis for a reasonable belief of fraud, supervisory approvals, duration of the hold, and customer communications.

Such guidance would not only promote consistent application of Rule 2166 but also assist firms in designing surveillance and escalation procedures under FINRA Rules 3110, 3120, and 3130.

D. Clear Allocation of Responsibilities Between Introducing and Clearing Firms

Our clients have requested clarity on how Rule 2166 responsibilities should be allocated between introducing broker-dealers and their clearing firms. In a fully disclosed clearing arrangement, both the introducing firm and the clearing firm may have access to different pieces of information relevant to detecting fraud. We encourage FINRA to provide guidance—whether in the adopting release, supplementary material, or a subsequent FAQ—on how firms should coordinate their Rule 2166 responsibilities, including:

- Which firm (introducing or clearing) should be primarily responsible for invoking a Rule 2166 delay in various scenarios;
- How information relevant to a "reasonable belief" of fraud should be shared between introducing and clearing firms; and
- How safe-harbor protections apply when an introducing firm and its clearing firm act in coordination to implement a Rule 2166 delay.

VII. Conclusion

Proposed Rule 2166 is an important and timely enhancement to FINRA's investor-protection framework. Apex supports its adoption and believes that, if implemented thoughtfully, it will materially assist firms in interrupting fraud schemes before they result in catastrophic losses for customers.

At the same time, Apex respectfully submits that the rule's effectiveness, particularly in the ACATS setting, will depend on whether the surrounding infrastructure and liability rules are brought into alignment. The current indemnification regime under NSCC Rule 50, Section 17, which places the burden of fraudulent transfers on the receiving side regardless of where the fraud originates or who can best prevent it, is increasingly inconsistent with the realities of modern identity-theft-driven fraud and with the objectives of Rule 2166 itself. Similarly, the absence of "suspected fraud" as a permissible basis for exception under Rule 11870 leaves delivering firms without clear authority to reject transfers they reasonably believe to be fraudulent.

Apex therefore urges FINRA to:

- Engage with NSCC and the SEC to modernize the indemnification framework so that firms with the ability and regulatory obligation to prevent ACATS fraud also bear appropriate economic responsibility;
- Amend Rule 11870(d) to add suspected fraud as a permissible basis to take exception to a transfer instruction, subject to appropriate documentation and safeguard requirements;
- Consider whether delivering firms should have an affirmative obligation to validate transfer instructions with the customer of record before completing the transfer;
- Clarify expressly, in the adopting release or supplementary material, that a delivering firm's Rule 2166 delay applies to the outgoing ACATS transfer itself, and that a receiving firm must independently invoke Rule 2166 to delay post settlement disbursements or transactions based on its own reasonable belief of fraud;
- Provide clarifying guidance on the interaction between Rule 2166, Rule 11870, and ACATS processing, particularly in situations where a firm reasonably believes fraud is occurring but is unable to obtain timely confirmation from the customer or trusted/emergency contact;
- Provide guidance on recordkeeping expectations, trusted contact outreach protocols, and what constitutes "reasonable outreach" when customers are unresponsive; and
- Clarify how Rule 2166 responsibilities should be allocated and coordinated between introducing broker dealers and their clearing firms.

Apex would welcome the opportunity to participate in any further industry discussions or working groups on these issues and to share additional data and operational experience that may assist FINRA in finalizing Rule 2166 and related guidance.

Respectfully submitted,

/s/ Rajeev Khurana

Rajeev Khurana
General Counsel
Apex Clearing Corporation

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March 9, 2026

Via FINRA Regulatory Comment Form

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 26-02
FINRA Requests Comment on Rule Revisions to Help Member Firms Protect Senior Investors from Financial Exploitation and All Investors From Fraud

Dear Ms. Mitchell:

We are submitting this letter on behalf of the Committee of Annuity Insurers (the "Committee"),[1] in response to FINRA Regulatory Notice 26-02, *FINRA Requests Comment on Rule Revisions to Help Member Firms Protect Senior Investors from Financial Exploitation and All Investors from Fraud* (the "Notice"), issued by the Financial Industry Regulatory Authority, Inc. ("FINRA") on January 8, 2026.[2] The Notice solicits comment on proposed amendments to FINRA Rules 4512 (Customer Account Information) and 2165 (Financial Exploitation of Specified Adults) and a proposed new Rule 2166 (Temporary Delays for Suspected Fraud). The Committee appreciates the opportunity to comment on the Notice.

BACKGROUND

The Committee appreciates FINRA's dedication to strengthening protection for senior and vulnerable investors and providing broker-dealers with tools to help combat financial exploitation. In 2018, through its adoption of FINRA Rule 2165 and amendments to Rule 4512, FINRA implemented a regulatory framework designed to support the early identification and prevention of financial exploitation of senior and vulnerable adults. This framework permitted FINRA members to contact a senior or vulnerable customer's trusted contact person and institute a temporary hold on disbursements of funds or securities when they developed a reasonable suspicion of financial exploitation. This regulatory framework benefitted from a rule change in 2021, when FINRA expanded Rule 2165 to let members place holds on securities transactions (not just disbursements) and lengthened the temporary hold period by an additional 30-business-days,

[1] The Committee is a coalition of many of the largest and most prominent issuers of annuity contracts. The Committee's 33 member companies represent approximately 80% of the annuity business in the United States. The Committee was formed in 1981 to address legislative and regulatory issues relevant to the annuity industry and to participate in the development of insurance, securities, banking, and tax policies regarding annuities. For over four decades, the Committee has played a prominent role in shaping government and regulatory policies with respect to annuities at both the federal and state levels, working with and advocating before the SEC, CFTC, FINRA, IRS, Treasury Department, and Department of Labor, as well as the NAIC and relevant Congressional committees. A list of the Committee's member companies is available on the Committee's website at www.annuity-insurers.org/about-the-committee/.

[2] FINRA Regulatory Notice 26-02, FINRA Requests Comment on Rule Revisions to Help Member Firms Protect Senior Investors from Financial Exploitation and All Investors from Fraud (January 8, 2026), available here.

provided certain criteria were met.[3] Along with improving the framework through rule changes, FINRA has issued guidance seeking to clarify key aspects of the rules.

The Notice represents FINRA's latest effort to strengthen protections for investors against financial exploitation. Growing out of the FINRA's "FINRA Forward" rule modernization initiative and comments received by member firms, including the Committee, the Notice proposes targeted amendments to FINRA Rules 2165 and 4512, and introduces a new Rule 2166, each intended to strengthen member firms' ability to protect customers from financial exploitation and fraud while operating within a regulatory safe harbor. The rule changes proposed in the Notice focus on several areas where members experience friction under the existing framework, including:

- **Amendments to Trusted Contact Person Provision in Rule 4512.** Recognizing the importance of the trusted contact person framework in protecting investors from financial exploitation, the Notice proposes two amendments. First, firms would have the opportunity to use the term "emergency contact" as an alternative to "trusted contact person." Second, firms would be permitted to seek a customer's authorization to apply a trusted contact person to a customer's existing and future accounts with the member firm – an expansion of existing guidance.

- **Extension of Hold Period Under Rule 2165.** The Notice proposes adding three 30-business day extensions to the current temporary hold framework under Rule 2165, allowing transactions or disbursements to be held for a total of 145 business days provided that certain conditions are met.

- **New Proposed Rule 2166.** Proposed Rule 2166 would offer firms a tool to protect all customers, regardless of age or capacity, from suspected fraud. The rule would allow a firm to place a temporary delay of up to five business days on a transaction or disbursement in the account of any customer if the firm developed a reasonable belief of fraud targeting the customer, provided certain conditions are met.

COMMITTEE COMMENTS

The Committee appreciates the opportunity to comment on the Notice and is generally supportive of the proposed changes. The Committee has long supported the implementation and expansion of FINRA's regulatory framework around the protection of customers from financial exploitation. In connection with FINRA Regulatory Notice 25-07 (FINRA's request for comment on modernizing rules related to member workplaces), the Committee specifically advocated for two changes to Rule 2165: (1) extending the maximum temporary hold period beyond 55-business days; and (2) providing a mechanism for firms to protect customers of all ages from suspected fraud.[4] The Committee is pleased that the Notice addresses these points by proposing the expansion of the hold period under Rule 2165 for an additional 90 business days and the addition of a new Rule 2166 that would grant a safe harbor allowing firms to protect customers regardless of age or capacity.

The Committee offers the following two comments, which are focused on areas where greater clarity or flexibility may further strengthen the proposed framework.

1. **The Committee Requests that FINRA Further Expand the Hold Period in Proposed Rule 2166**

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[3] *See* Securities Exchange Act Release No. 34-94061, Order Approving a Proposed Rule Change to Amend Rule 2165 (Financial Exploitation of Specified Adults) (January 25, 2022), 87 FR 4974 (January 31, 2022) (Notice of Filing of File No. SR-FINRA-2021-016), available here.

[4] The Committee's comment letter in response to FINRA Regulatory Notice 25-07 can be found here.

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The Committee supports Proposed Rule 2166 and its objective of providing member firms with a regulatory safe harbor to protect all customers from suspected fraud, regardless of age or capacity. The extension of protections beyond senior and vulnerable investors represents a meaningful advancement in FINRA's investor protection framework, and the Committee commends FINRA for recognizing that fraud can target any customer. However, the Committee respectfully submits that the proposed five business day temporary delay period under Proposed Rule 2166 will not, in many circumstances, afford firms sufficient time to adequately investigate suspected fraud, form and maintain a reasonable belief that fraud is targeting the customer, contact the customer and/or customer's trusted contact person, and provide the customer with educational resources regarding prevalent fraud schemes.

Accordingly, the Committee recommends that FINRA consider expanding the temporary delay period under Proposed Rule 2166 to at least 15 business days. Specifically, the Committee suggests two alternative approaches for FINRA's consideration. First, FINRA could establish an initial temporary hold period of 15 business days, which would align the delay period under Proposed Rule 2166 with the initial hold period currently available under Rule 2165 and provide firms with a more practicable timeframe within which to take appropriate protective action. Alternatively, FINRA could retain the proposed five business day initial delay period but permit member firms to extend the delay by an additional 10 business days where the firm continues to maintain a reasonable belief that fraud is targeting the customer, resulting in a total delay period of up to 15 business days.

The Committee believes that either approach would better equip member firms to effectively protect customers from fraud while maintaining appropriate safeguards against unnecessary delays in customer account activity. The Committee would also welcome FINRA's consideration of a framework permitting further extensions of the temporary delay period beyond 15 business days, subject to appropriate conditions (such as those contained in Rule 2165), in circumstances where additional time is necessary to resolve the suspected fraud and protect the customer's interests.

2. Expansion of Individuals Authorized to Place Holds

The Committee supports the proposed expansion of the individuals authorized to place temporary holds under Rule 2165 to include those persons who serve in a specialized senior investor protection fraud prevention role with responsibilities that include, as appropriate, investigating, evaluating, escalating, and reporting financial exploitation. However, the Committee respectfully recommends that FINRA consider broadening this provision further to encompass additional personnel whose job responsibilities include investigating, evaluating, and reporting financial exploitation, regardless of whether such individuals serve in a role specifically designated as a "specialized senior investor protection fraud prevention role."

In the Committee's view, the current proposed language may unnecessarily restrict the pool of qualified personnel who are well-positioned to identify and respond to suspected financial exploitation. By removing the requirement that the individual hold a specialized title or designated role, and instead focusing on whether the individual's actual job responsibilities encompass the investigation, evaluation, escalation, and reporting of financial exploitation, FINRA would afford member firms greater operational flexibility to deploy appropriately qualified personnel to protect customers from financial exploitation in a timely and effective manner.

REQUEST FOR REGULATORY COORDINATION

In addition to the two comments noted above, the Committee would like to offer a more general comment focused on the need for greater coordination among the various financial regulators and others to help build a more comprehensive and coordinated framework to help financial institutions fight financial exploitation and fraud.

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Along those lines, the Committee believes that, in conjunction with extending the hold period under Rule 2165, FINRA should encourage the North American Securities Administrators Association ("NASAA") to amend its Model Legislation or Regulation to Protect Vulnerable Adults from Financial Exploitation (the "Model Act")[5] to be consistent with Rule 2165. The Model Act, which has been adopted by most states, currently provides for a maximum hold period of 25 business days, which is significantly shorter than the hold period available under Rule 2165 and would not encompass FINRA's proposed 90-business-day extension. As a result, member firms operating across multiple jurisdictions will be required to navigate a patchwork of inconsistent hold period requirements each time they encounter suspected financial exploitation. The Committee respectfully urges FINRA to work with NASAA and state securities regulators to harmonize hold periods across jurisdictions, thereby reducing regulatory complexity and enabling member firms to more effectively protect customers from financial exploitation.

By way of further example, the Notice would afford member firms additional flexibility to use the term "emergency contact" as an alternative to "trusted contact person." Certain states may have adopted statutes or regulations that specifically reference the term "trusted contact person" in provisions governing the permissible disclosure of customer information to designated third parties. Coordination between FINRA and state regulators would help ensure that any terminology differences do not create ambiguity or conflict with respect to a firm's authority to contact and disclose information to such individuals under applicable law.

In addition, the Committee requests that FINRA spearhead an effort to coordinate with state agencies, law enforcement bodies, adult protective services agencies, and courts that receive reports of financial exploitation from member firms to impress upon them the importance of establishing expeditious processes for the resolution of issues raised by such reports. The effectiveness of the temporary hold framework depends not only on the length of the hold period available to member firms, but also on the responsiveness of the governmental and judicial bodies to which firms report suspected exploitation. Delays in the review and resolution of such reports can undermine the protections that the hold framework is designed to provide and may leave customers in a prolonged state of uncertainty regarding access to their accounts.

[5] NASAA's Model Act can be found here.

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CONCLUSION

The Committee appreciates the opportunity to provide these comments on the Notice. Please do not hesitate to contact Clifford Kirsch (212.389.5052 or CliffordKirsch@eversheds-sutherland.com) or Eric Arnold (202.383.0741 or EricArnold@eversheds-sutherland.com) with any questions or to discuss this comment letter.

* * *

Respectfully submitted,

EVERSHEDS SUTHERLAND (US) LLP

BY: ______________________
Clifford Kirsch

BY: ______________________
Eric Arnold

FOR THE COMMITTEE OF ANNUITY INSURERS

FINRA

Intellivest Securities, Inc. Comment On Regulatory Notice 26-02

Daniel H. Kolber
Intellivest Securities, Inc.

Why reinvent the wheel? Please take another look at the language in the Electronic Fund Transfer Act 15 U.S.C. 1693, especially the section on error resolution.

Commentator Bill Singer's drafting suggestions should be adopted.

Condolences to Commentator Tobin. Similarly, one of my client's bank account was taken over and the funds eventually replaced. I learned of law enforcement's extreme frustration that the banks' rarely prosecute, even when they have in-house video of the crooks, who increasingly are emboldened by this tolerance of crime.

FINRA needs to actively prosecute in order to reverse the trend that these crimes are a cost of doing business.

Thank you.

Respectfully submitted,

Intellivest Securities, Inc.

By: Daniel H. Kolber, its Executive Representative

March 4, 2026

Via E-mail: pubcom@finra.org

Ms. Jennifer Piorko Mitchell

Office of the Corporate Secretary

FINRA

1700 K Street, NW

Washington, DC 20006-1506

RE: Regulatory Notice 26-02: Proposed Amendments to FINRA Rules 4512 (Customer Account Information) and 2165 (Financial Exploitation of Specified Adults) and Proposed Rule 2166 (Temporary Delays for Suspected Fraud)

Dear Ms. Mitchell:

We appreciate this opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA") Proposed Amendments to FINRA Rules 4512 (Customer Account Information) and 2165 (Financial Exploitation of Specified Adults) and Proposed Rule 2166 (Temporary Delays for Suspected Fraud), set forth in Regulatory Notice 26-02 (the "Notice"). We support FINRA's continued efforts to strengthen a consistent nationwide framework to address elder financial exploitation and fraud. Our comments briefly explain this support and offer some suggestions to further improve the proposals.

Our backgrounds provide a solid perch from which to offer comments. For two decades, we have built on our securities experience to help two financial services entities pursue means of protecting their older and vulnerable clients from the growing crime of financial abuse. We engaged adult protective services, academics, regulators, law enforcement and industry organizations in pursuing research and other initiatives designed to create protections that a securities firm could provide to its clients. As consultants, we continue to provide insight to firms, many lacking the resources of larger institutions, on protecting their clients and responding to potential frauds and scams.

I. BACKGROUND

FINRA issued this Notice requesting comments concerning amending its existing rules designed to combat elder financial abuse and proposing a new rule that will aid firms in addressing fraud against all customers. These changes are essential. FINRA notes that there is an urgency to enhance tools designed to combat elder financial fraud as FBI statistics show the dollars lost to financial fraud are growing year over year. FINRA has previously designed tools to help firms protect their older and vulnerable clients who face fraud situations by: 1) permitting all clients to give the firm the name of a person whom the firm could contact about a possible fraud (FINRA 4512) and 2) with respect to clients who are specified adults (age 65+ or 18+ with impairments) allowing a firm to place a temporary hold on a client's transaction where the firm suspect fraud is under way (FINRA 2165.) While there is no guarantee of preventing fraud, firms find it especially useful to reach out to someone who is trusted by the client and with whom the firm can discuss concerns about fraud while also halting a transaction that might involve exploitation of the client. Each of these rules, however, will benefit from some of the adjustments that FINRA has suggested, and possibly others.

II. **FINRA Rule 4512, Trusted Contact**

FINRA should permit firms to use an alternative to "trusted contact." Initially effective in 2018, an amendment to FINRA 4512 requires firms to ask all non-institutional account customers if they would like to name a "trusted contact" on their account. The purpose of the trusted contact is to allow a firm to reach out to this person when it has concerns related to the customer, including suspicions of possible fraud. FINRA's rule makes it clear that a trusted contact has no authority or control over the customer's account such as joint ownership or power of attorney. Instead, this person can act as a resource when the firm thinks it would aid in addressing certain situations with the customer.

Unfortunately, the take rate for customers using this crucial tool is under 50%. Some have noted that the term "trusted" contact may be unfamiliar or confusing to investors. For example, a lay person may see "trusted" as akin to "trustee," a term that many attribute to a loss of control over their account(s). The amendment FINRA proposes will allow firms to use the phrase "emergency contact" as an alternative to "trusted contact."

This proposed change will work because the phrase "emergency contact" is in current and frequent use throughout the everyday interactions many customers have. In addition, the person(s) who a customer names will quickly grasp the concept of "emergency contact" thereby reducing the likelihood that the contact thinks that the designation gives them any control or access to the customer's finances. Customers will be more likely to name an "emergency contact" as the term creates no impression of extending control but rather conveys the opportunity for appropriate contact when needed. With that view, the universe of people a customer "trusts" may be smaller than those the customer feels could be notified in the event of an emergency.

FINRA should refrain from any rigidity in the use of the term "emergency contact." Firms should have the flexibility to implement here without restraint to a particular nomenclature. For example, a firm could simply have a heading, "IN CASE OF EMERGENCY" under which are lines for name, email and phone number. Another firm might have a phrase, "PLEASE LIST BELOW SOMEONE WE COULD CALL IN AN EMERGENCY." In neither example is the phrase "emergency contact" used, but almost certainly customers would understand the request. FINRA should allow flexibility in how firms seek out and obtain what in essence will be an emergency contact.

FINRA should also pass the amendments permitting a customer to name a contact for all existing and future accounts. As FINRA explains, firms would make it clear that customers still could assign contacts on an account-by-account basis if that is their wish. For any number of reasons, a customer may have multiple accounts at the firm and permitting a single form for trusted or emergency contact is a reasonable approach to ease administrative burdens on customers.

III. FINRA Rule 2165, Temporary Holds

Since its passage in 2018, FINRA 2165 has permitted brokerage firms to place a temporary hold on certain transactions in an account of a “specified adult” (age 65+ or 18+ with impairments) when the firm suspects financial exploitation is under way. Experience to date has shown that in some instances, these holds may need to last longer. The aggregate time limit for such a hold currently is extended to 55 days. FINRA explains that the nature of the distinct types of fraud and scams coupled with other investigative challenges result in investigations frequently taking longer than 55 days. FINRA’s proposed amendments address these concerns by allowing firms to extend holds in three additional 30-day periods. This potential maximum hold of 145 days also would provide governmental authorities with additional time to investigate, evaluate and possibly resolve the potentially fraudulent activity. FINRA has crafted the amendments so that a firm may extend only in 30-day increments and only after first notifying both those persons authorized to transact business on the account and the trusted contact. Additionally, the firm must document certain details of its investigative efforts related to the extension, such as contacts with the government agencies.

These amendments are a clear recognition that fraud investigations take time. FINRA’s proposed, extended timeline is welcome. FINRA further proposes amending Rule 2165 to include federal agencies along with those state agencies to whom firms must make reports as a prerequisite to extending holds beyond the first 30 days. The inclusion of federal agencies helps FINRA bring the rules in line with some of the realities of how fraud matters are reported and investigated today. As will be discussed later, however, the amendments to Rule 2165 here proposed by FINRA do not address the reality of aging, dementia or diminished capacity. Rule 2165 should recognize that there are instances where medical professionals may advise that a customer is incapable of managing their finances. In such a documented circumstance, it would be prudent to permit a temporary hold based upon this documented request until agencies or authorities submit more formal requests.

FINRA suggests other smaller amendments to Rule 2165 that it should approve. The persons who can place a hold should extend beyond persons in a “supervisory, compliance or legal” position with the firm. As they try to address the growing challenges of elder financial abuse, many firms have established specialized teams focused on these issues. FINRA correctly proposes permitting those in the firm who act in a specialized role focused on senior and vulnerable investors to handle financial holds pursuant to Rule 2165.

Viewed together, FINRA has improved Rule 2165 to make it both flexible and effective as a tool firms can use where they reasonably suspect financial fraud or abuse of older or vulnerable adults.

IV. Proposed FINRA Rule 2166

In its almost eight years of working with rules designed to help protect older investors and those adult investors with vulnerabilities, FINRA notes that the growth of scams and frauds are impacting a firm's customers of all ages. Rule 2166 will act as tool to help protect investors of all ages. This new rule would permit a firm to impose a temporary hold on a transaction, but only as a "speed bump," by letting the temporary hold last only five business days. Given the crush of matters that currently overwhelm firm staffing, the increasing complexity of attempted frauds and the potential difficulty in connecting with trusted contacts, we advocate for a longer time period, of at least ten business days. This intervention gives the firm a reasonable opportunity to discuss with the customer concerns that the transaction involves fraud. FINRA's apparent intention is that the delay and any accompanying discussion will point the customer towards understanding that they were involved in a fraud. Similar to 2165 for senior investors, the rule will require notice to others who can trade in the account and to any trusted contact. FINRA explains that there is a different rule for non-seniors because there are specific agencies such as Adult Protective Services who work with frauds against seniors and the consequences of losing significant financial assets generally are greater for older investors. Given the growth of financial exploitation of clients, well beyond "specified clients," Rule 2166 is a welcome addition to FINRA's current rules designed to combat fraud.

In extending the application of a temporary hold to investors of all ages, FINRA has indeed recognized that the need for tools for investor protection in this space is not limited only to those above a certain age or with an established vulnerability. That said, FINRA should also consider allowing limited use of Rule 2166 when a customer displays clear signs of cognitive decline even absent evidence of fraud. In situations where a customer's directives contradict known facts or demonstrate an inability to understand their circumstances, a brief delay to permit firms the opportunity to effectively contact trusted contacts and/or appropriate state or federal agencies could prevent irreversible harm. Given that many gerontologists, as well as social scientists and commentators, believe that dementia is becoming more prevalent as more people live longer, Rule 2166 may be appropriate for these situations.

V. Conclusion

FINRA has done a commendable job over the past decade in providing firms with tools and guidance to aid in the protection of their customers from frauds, scams and other financial abuse tactics. As seen in some of the comments to date, there are those who think these rules go too far in temporarily halting an individual's control over transacting in their account. We would submit that these commentators may not have worked with any of the innumerable clients who bear the loss of their complete savings and now exist destitute. Others assert that the rules are too lax, and it should be mandatory that firms hold transactions. The comments are an indication that FINRA probably has it right. Moreover, since these protective tools have been in place, there has not been a rash of complaints. This dearth implies that firms have used the rules judiciously which favors the current proposals making the rules broader rather than tightening them. The current proposals will strengthen firms' ability to protect their customers of all ages and capacities.

Respectfully submitted,

Ronald Long, Consultant

Thomas Mierswa, Consultant

CAMBRIDGE
INVESTMENT RESEARCH, INC.

March 9, 2026

VIA ELECTRONIC MAIL: pubcom@finra.org

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

RE: Regulatory Notice 26-02; Fraud Protection; Rule Revisions to Help Member Firms Protect Senior Investors From Financial Exploitation and All Investors From Fraud

Dear Ms. Piorko Mitchell,

Cambridge Investment Research, Inc. ("Cambridge") appreciates the opportunity to comment on FINRA Regulatory Notice 26-02 (the "Proposal"). The Proposal contemplates changes to FINRA Rule 4512 allowing firms to use the term "emergency" contact in place of "trusted" contact, and FINRA Rule 2165 extending the temporary hold period, as well as newly proposed FINRA Rule 2166, which would allow Firms to implement a five-day "speed bump" when there is reasonable belief of fraud.

Cambridge supports the Proposal so far as it : (1) enhances understanding of the role and purpose of a Trusted Contact; (2) provides financial professionals with alternative methods for explaining the Trusted Contact concept to clients; (3) affords firms additional time to investigate potential instances of financial exploitation; and (4) allows firms greater flexibility to assess concerns involving clients who may not otherwise meet the definition of a vulnerable client.

I. Proposed Amendments to Rule 4512

With respect to Rule 4512, the term "emergency" contact, as opposed to "trusted" contact enhances the likelihood that clients and financial professionals will appreciate the significance of this designation, facilitate more meaningful conversations regarding the purpose of the designation, and hopefully drive higher rates of adoption. Consequently, Cambridge is very supportive of creating optionality in the terminology contemplated by the Proposal.

Additionally, with respect to Rule 4512, Cambridge believes that the Rule should be expanded to permit designation of a contact person at the client level. Considerations underlying adoption of the trusted contact regime apply not only to a single account but typically across a client's entire relationship with a firm. Consequently, investors should have at least the option to apply their contact designation to their entire relationship with a firm, as opposed to a single account. This optionality more accurately reflects the reality that financial exploitation impacts clients as a whole, not individual accounts.

II. Proposed Amendments to Rule 2165

As FINRA is aware, investigations into potential financial exploitation are often complex and time-consuming. Therefore, Cambridge supports the Proposal's extension of the hold period articulated in Rule 2165.

Nevertheless, the Proposal as it relates to Rule 2165 is too restrictive in terms of who can extend the hold period under this rule. Restricting the reasons for extending a hold to just delayed or absent responses from state agencies, particularly in circumstances where agencies are unwilling or unable to share information, renders the improvement contemplated by the Proposal in this regard potentially meaningless. Cambridge is also concerned that the "reasonable" follow-up referenced in the Proposal is too vague and thus causes uncertainty and risk for firms attempting to comply with Rule 2165.

Cambridge is also concerned that longer temporary holds may increase the likelihood of customer complaints, yet the proposal does not provide corresponding relief or guidance in this area as it related to financial professionals. The Firm encourages consideration of alternative reporting mechanisms or, at a minimum, the establishment of a specific non-sales-practice complaint designation for complaints arising from temporary holds under Rule 2165.

III. Proposed Rule 2166

Finally, Cambridge supports FINRA's adoption of new Rule 2166. Specifically, allowing firms to institute a five-day temporary hold on a transaction or disbursement—the "speed bump"—when the firm suspects fraud with respect to *any* customer, regardless of age or capacity, is a welcome addition to the firms' arsenal in combating fraud.

However, there is room for improvement in proposed Rule 2166. For example, the five-day hold may be too short to provide the protection contemplated. Additionally, the supervision, training, and record keeping requirements are so vague as to put firms at risk of non-compliance.

Also, the decision whether to engage a Contact should remain optional. Many issues involving fraud can be resolved directly with the client, but mandatory contact may discourage clients from designating a Contact at the outset.

Cambridge also questions the inclusion of language addressing a potential extension contingent upon approval by a federal or state regulator, or a court or agency of competent jurisdiction, noting that it is highly unlikely the states would act within the short timeframe provided. That said, the language does not appear to be harmful to the overall proposed rule.

Cambridge encourages FINRA to provide greater clarity regarding the scope of "fraud," and whether the rule should be more narrowly tailored to scams, as firms would likely independently place holds in situations not involving client-initiated activity.

IV. Conclusion

Cambridge appreciates FINRA's consideration of these proposed rule changes and the opportunity to provide feedback on Regulatory Notice 26-02. The Firm supports FINRA's continued efforts to enhance investor protection through practical and meaningful safe harbors that enable firms to respond effectively to potential financial exploitation. Cambridge respectfully encourages FINRA to consider the comments and recommendations outlined above as it finalizes these proposals and looks forward to continued collaboration to ensure the rules appropriately balance investor protection, regulatory clarity, and operational feasibility.

Cambridge would be happy to discuss further any of the comments or recommendations outlined in this letter.

Respectfully submitted,

/s/ Seth A. Miller

Seth A. Miller
General Counsel
President, Advocacy & Administration

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LPL Financial

March 9, 2026

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006

Re: Regulatory Notice 26-02: FINRA Requests Comment on Rule Revisions to Help Member Firms Protect Senior Investors From Financial Exploitation and All Investors From Fraud

Dear Ms. Mitchell:

LPL Financial Holdings, Inc. ("LPL") appreciates the opportunity to provide comments to the Financial Industry Regulatory Authority ("FINRA") in response to Regulatory Notice 26-02: FINRA Requests Comment on Rule Revisions to Help Member Firms Protect Senior Investors from Financial Exploitation and All Investors from Fraud (the "Request"). We look forward to collaborating with FINRA as it reviews its regulatory requirements applicable to members and associated persons and modernizes its rulebook.

While LPL is generally supportive of the proposed amendments to FINRA Rules 4512 (Customer Account Information) and 2165 (Financial Exploitation of Specified Adults) and proposed Rule 2166 (Temporary Delays for Suspected Fraud), clear guidance from FINRA is needed to promote consistent application of the proposed changes to the rules. LPL's comments below are organized by subject matter in the order that they appear in the Request.

I. Overview of LPL

LPL is a full-service wealth management firm and the parent company of two dually registered FINRA Member independent broker-dealers and retail investment advisory firms, operating in all 50 states and territories. We are steadfast in our belief that Americans deserve access to personalized guidance from a financial professional. LPL serves as a trusted partner to more than 32,000 financial professionals and the wealth management practices at approximately 1,200 financial institutions, servicing and acting as a custodian for approximately $2.4 trillion in brokerage and advisory assets on behalf of approximately 8 million Americans.

We provide our financial professionals with the technology, research, clearing, and compliance services and practice management programs they need to serve their clients and create thriving businesses. Our financial professionals offer investment and financial education, financial planning, access to investment products and brokerage services, and personalized investment advice to investors seeking wealth management, retirement planning, financial planning, and asset management solutions.

LPL Financial

II. Comments on the Request

A. Rule 4512 (Customer Account Information)

Updates to Rule 4512: Currently, Rule 4512(a)(1)(F) and its supplementary material require firms to attempt to obtain, for retail accounts, the name and contact information of a "trusted contact person age 18 or older who may be contacted about the customer's account." LPL is supportive of modifying Rule 4512 to change the reference from "trusted contact" to "emergency contact" or permit usage by firms of that term, given that wording is more commonly used in other contexts such as employment, healthcare, and similar circumstances. This will avoid customer confusion and increase the probability that retail customers will provide that information. LPL is supportive of the additional flexibility for a customer to name a trusted or emergency contact for use across all customer's accounts. Further, LPL suggests adding a provision that if a customer has reached the age of 65 and has not designated a trusted contact, firms may contact a third-party individual they reasonably believe could assist in addressing possible financial exploitation, confirm the specifics of the customer's current contact information or health status, or provide the identity of the customer's legal guardian, executor, trustee or holder of a power of attorney.

B. Rule 2165 (Financial Exploitation of Specified Adults)

Extended Temporary Hold If There Is Ongoing Exploitation: Currently, assuming a firm's internal review supports its reasonable belief that the financial exploitation of the specified adult has occurred, is occurring, has been attempted or will be attempted, FINRA Rule 2165(b)(4) permits a temporary hold on trades and disbursements for an additional 30 business days. That 30-business day hold period in Rule 2165(b)(4) is in addition to the 15-business day hold in Rule 2165(b)(2) and the 10-business day hold in Rule 2165(b)(3) (for a total of 55 business days). To allow greater time for state regulators, adult protective services, or law enforcement to investigate and act, LPL generally supports FINRA's proposed modified Rule 2165, to allow extending temporary holds beyond 55 business days to the new maximum of 145 business days in 30-day increments. LPL also supports FINRA broadening the application of Rule 2165 beyond "specified adults," to include any customer where there is a reasonable belief of financial exploitation.

Expanding the Rule 2165 Safe Harbor: LPL urges FINRA to expand the scope of the safe harbor to exempt customer complaints made in connection with a FINRA Rule 2165 temporary hold from disclosure on Forms U4 and U5 and pursuant to FINRA Rule 4530 (the "Safe Harbor Protections"). Registered representatives rely on their firm's supervisory, compliance, and legal personnel to make determinations under Rule 2165. Without the proposed Safe Harbor Protections, the possibility of a customer complaint being reported on Form U4, U5 or pursuant to FINRA Rule 4530 can have a significant chilling effect on reporting within a firm. When a hold is placed on a customer account, even when intended to protect the customer, it can cause a customer to become angry and submit complaints for any variety of reasons. Further, it is possible a bad actor could use the possibility of a reportable complaint as a tool to leverage in connection with the financial exploitation of a customer. Registered representatives should not be punished via disclosures on Forms U4 and U5 or pursuant to FINRA Rule 4530, when a firm imposes a hold pursuant to FINRA Rule 2165. Therefore, FINRA Rule 2165 should clarify that customer complaints made in connection with a Rule 2165 temporary hold are not reportable on Forms U4, U5 and pursuant to FINRA Rule 4530.

LPL Financial

C. **Proposed Rule 2166 (Temporary Delays for Suspected Fraud)**

Extending Temporary Delay: LPL Financial generally supports FINRA's proposed Rule 2166 and has confidence the rule would provide member firms with a limited, reasonable mechanism to temporarily delay transactions when fraud is suspected, thereby enhancing investor protection without unduly restricting customer access to funds. Extending the proposed delay from five to ten business days would more appropriately balance the need for timely intervention with customer autonomy.

Guidance for Reasonable Belief of Fraud: To promote consistent application and mitigate regulatory uncertainty, LPL recommends that FINRA provide additional guidance regarding the "reasonable belief of fraud" standard, including illustrative factors or examples that may be relied upon by firms and associated persons acting in good faith. LPL further encourages FINRA to clarify that firms and associated persons will not be subject to liability or disciplinary action solely because a temporary delay is later determined to have been unnecessary, provided the delay was based on a good faith reasonable belief, and implemented in accordance with the firm's supervisory procedures.

Training Expectation Guidance: We recommend that FINRA provide clarity regarding any training expectations for associated persons under proposed FINRA Rule 2166. Given the judgment-based nature of this rule, guidance on whether firms are expected to provide initial and/or periodic training would promote consistent application while preserving firm flexibility.

Optional Contact of Trusted Personnel: LPL also recommends that contact with trusted or authorized personnel in connection with a temporary delay under proposed FINRA Rule 2166 be optional rather than mandatory. Because this tool is intended to apply to all customers, regardless of age or capacity, some customers may not have designated trusted contacts or may prefer not to involve third parties in a time sensitive or personal financial matter. Preserving firm discretion in this area would respect customer privacy and avoid discouraging use of the trusted contact tool.

Application of Safe Harbor Protections: The firm recommends that FINRA expressly extend the Safe Harbor Protections applicable under FINRA Rule 2165, detailed above, to actions taken pursuant to proposed FINRA Rule 2166. Providing parallel protection would ensure that firms and associated persons acting in good faith and in accordance with written supervisory procedures are not subject to liability or disciplinary action as a result of a temporary delay. Aligning the Safe Harbor Protections across FINRA Rule 2165 and proposed FINRA Rule 2166 would promote consistent application, encourage appropriate use of the new tool, and reduce regulatory uncertainty.

III. **Conclusion**

Thank you for your consideration and FINRA's continued commitment to modernizing its rules.

Kind Regards,

Matthew Morningstar
Group Managing Director, Chief Legal Officer

Comment Letter on Regulatory Notice 26-02
Re: Proposed Amendments to Rules 4512 and 2165 and Proposed Rule 2166

Dear FINRA:

I appreciate the opportunity to comment on Regulatory Notice 26-02 and FINRA's continued efforts to modernize its framework for protecting investors from financial exploitation and fraud.

I submit this comment based on prior service at FINRA and my current work analyzing supervisory responses in matters involving suspected exploitation, fraud, and account compromise. That experience provides insight into how FINRA rules function in examinations and how regulatory frameworks are later interpreted in adversarial proceedings. I offer the following observations to support consistent and practical application.

Overall, the tools provided by Rules 4512 and 2165, and the proposed addition of Rule 2166, represent meaningful mechanisms for investor protection. The flexibility embedded in these rules is appropriate. Firms must retain discretion to evaluate the totality of facts and circumstances. At the same time, additional clarification in certain areas may help ensure that regulatory intent and practical application remain aligned.

1. <u>Clarifying the Reasonable Belief Standard</u>

The concept of a reasonable belief is central to Rule 2165 and to proposed Rule 2166. While the rule identifies a reasonable belief as the prerequisite threshold in order to rely on its provisions, the rule does not define what the reasonable belief *is* nor does it establish a standard for *when a reasonable belief exists.*[1] Its flexibility is important, but in practice the absence of clearer articulation regarding what that threshold is and when that threshold is met can create interpretive tension.

In examinations, firms frequently describe layered supervisory systems designed to detect and escalate red flags of exploitation or fraud. In post-loss disputes, however, I have observed arguments that no obligation to escalate or intervene existed unless and until the firm formed a *formalized* reasonable belief sufficient to trigger a temporary hold under Rule 2165. In some

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[1] Other regulatory frameworks demonstrate that it is possible to define when a reasonable belief shall exist while preserving flexibility. For example, certain state statutes addressing suspected financial exploitation articulate the standard as arising when a person observes behavior, unusual circumstances, and/or transaction patterns that would lead an individual with similar training or experience, based on the same facts, to form a reasonable belief that exploitation has occurred or is occurring.

The specific purposes and statutory context of those provisions differ from FINRA's application here, and I only include such formulations to illustrate how a standard can be expressed in objective terms, tied to how a similarly situated professional would evaluate the same facts, without mandating a particular action in every instance. Providing similar conceptual clarity within the FINRA framework may help reduce interpretive ambiguity while preserving appropriate discretion.

matters, the existence of a reasonable belief is framed as having arisen only if the firm chose to act, treating it retrospectively and outcome dependent rather than as a part of an ongoing supervisory process under FINRA Rule 3110(c)(2).

Providing illustrative guidance regarding factors that may contribute to the formation of a reasonable belief could promote greater consistency. Such guidance need not mandate specific actions, but could describe circumstances that, individually or collectively, may support escalation or protective review. Examples might include sudden changes in account profile information in proximity to disbursement requests, unexplained behavioral deviations from historical patterns, involvement of unfamiliar third parties, acknowledged scam narratives, or internally identified transaction anomalies.

2. Safe Harbor and Broader Regulatory Responsibilities

Clarifying that the reasonable belief analysis operates within a broader supervisory framework may reduce the risk that the rule's permissive structure is read to diminish existing responsibilities in the presence of documented red flags. Even if FINRA elects not to further define when the threshold is met, it may be helpful to reiterate how Rules 2165 and proposed 2166 interact with firms' independent supervisory, AML, and Regulation S-ID obligations.

The availability of a safe harbor should not create ambiguity as to whether the absence of a temporary hold relieves a firm of duty to respond that might arise under other non-permissive regulatory frameworks.[2] Those frameworks are not structured as permissive safe harbors in the same manner as Rule 2165, nor proposed Rule 2166.

For example, the same underlying facts that may not result in a temporary hold can nevertheless trigger internal risk or surveillance alerts, supervisory review considerations under Rule 3110, Reg S-ID, or anti-money laundering escalation analysis.

3. Proposed Rule 2166 and the Five Business Day Delay

A. Clarifying Scope in Potentially Unauthorized Transaction Scenarios

Proposed Rule 2166 permits a temporary delay of up to five business days where there is a reasonable belief of fraud targeting a customer. The rule appears primarily designed to address fraudulent inducement, where a customer may be authorizing a transaction under deceptive influence.

[2] For example, some circumstances might nevertheless require intervention under the obligation of Reg S-ID to detect, prevent and mitigate identity theft.

It may be helpful for FINRA to clarify whether Rule 2166 is intended to apply in circumstances where the transaction itself may be unauthorized, such as potential account compromise, credential manipulation, or interception of authentication controls.

In unauthorized transaction scenarios, the issue may not be whether the customer can be persuaded to reconsider a transaction, but whether the firm has a reasonable basis to question whether the transaction was authorized at all. Clarification regarding the intended scope of Rule 2166 may help prevent interpretive confusion, particularly where firms confront indicators of account takeover or compromised communication channels.

B. Five Business Day Delay and Unresolved Risk Conditions

Proposed Rule 2166 establishes a five business day delay absent extension by a regulator or court. In many circumstances, that period may be sufficient.

However, fraud risk does not always resolve within a fixed timeframe. The passage of five business days does not necessarily resolve underlying questions regarding inducement or manipulation. If the condition that prompted the delay remains unresolved, the protective purpose of the delay may not yet have been fulfilled.

For example, in refund scams or imposter scams, a customer may be instructed by a bad actor posing as a government agency, financial institution, or law enforcement authority to transfer funds to protect assets or assist with a purported investigation. In some instances, account activity may also reflect digital login anomalies consistent with remote desktop access or account takeover, yet the customer may nevertheless participate voluntarily because they believe they are preventing fraud.

In these circumstances, apparent authorization does not necessarily eliminate the possibility that the transaction is the product of manipulation. The expiration of the five business day delay should not be interpreted as resolving the underlying concern if credible indicators of inducement remain present or if new indicators surface because of those interactions with the customer.

Where a transaction remains subject to ongoing review due to unresolved risk conditions, the ability to have a narrowly tailored and documented delay extension tied directly to addressing those concerns may better advance the investor protection objective than automatic release based solely on elapsed time.

The guiding principle should remain reasonableness and proportionality. Additionally, a time-based mechanism should not be interpreted as limiting a firm's responsibility to act on the results of its investigation under applicable supervisory frameworks.

C. Evaluating Customer Responses During the Intervention Period

The Notice explains that the purpose of the temporary delay is to alert the customer to suspected fraud and persuade the customer not to proceed with the transaction. To achieve that objective, the intervention process must meaningfully assess whether the customer's authorization reflects independent intent or ongoing manipulation.

In inducement-based scams, customers often do not recognize that they are being deceived. They may respond to verification inquiries with confidence, repeating the narrative provided by the bad actor. In such circumstances, the relevant inquiry is not solely what the customer believes, but how that belief was formed.

For example, in relationship-based investment scams, including those commonly described as "pig butchering" schemes, a customer may express strong trust in the individual who introduced the investment opportunity. The fact that the customer believes they know or trust the person is not, by itself, dispositive. In such scams, a customer's unequivocal affirmation that they "know" or "trust" the individual is often the predictable product of the very conduct the rule is designed to interrupt. If the intervention process ends there, the delay serves a procedural function but not a protective one. How the relationship was initiated and developed, including whether it originated online, through social media, or through unsolicited contact, may be critical to assessing whether the opportunity is legitimate or part of an imposter scheme.

Customers generally lack visibility into broader fraud patterns, including the use of applications or platforms designed to mimic legitimate investment services. What appears credible based on limited interaction may reflect recognizable scam attributes from the firm's vantage point.

It may therefore be helpful for FINRA to remind firms that the intervention period should not be reduced to a rote exchange of verification questions. Where red flags remain, firms may need to engage in contextual dialogue that explains the basis for concern and explores how the transaction and any related relationship were formed. The objective is not merely to document confirmation, but to assess whether the customer's decision is informed and free from fraudulent influence.

Reinforcing that the temporary delay is intended as a substantive protective tool rather than a procedural checkpoint may help ensure that the rule functions as designed.

4. <u>Trusted or Emergency Contact Framework</u>

The proposal to permit the use of the term emergency contact may increase customer comfort and participation. Greater adoption of this safeguard is likely beneficial.

Consideration could also be given to allowing more than one designated contact. In exploitation matters, a single contact may be unavailable, unreachable, or otherwise unable to assist. Allowing multiple contacts, while preserving customer choice and control, may enhance the practical effectiveness of this protective measure.

Conclusion

The proposed amendments and the introduction of Rule 2166 reflect FINRA's ongoing commitment to addressing the evolving threat landscape facing investors. The flexibility built into these rules is appropriate and should be preserved.

Additional clarification regarding the reasonable belief standard, the interaction between safe harbor provisions and independent supervisory obligations, the scope of proposed Rule 2166, and the design of meaningful intervention processes may strengthen consistent application and further advance investor protection.

I appreciate FINRA's consideration of these observations and its continued engagement with industry participants to enhance investor protection.

Respectfully submitted,

C. Mustico

Catherine Mustico, CFE, CAMS, CAMS-FCI

sigma FINANCIAL CORPORATION Member FINRA/SIPC

parkland SECURITIES, LLC Member FINRA/SIPC

February 27, 2026

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006

Re: Comments on Regulatory Notice 26-02

Dear Ms. Mitchell:

Sigma Financial Corporation and Parkland Securities, LLC (collectively, the "Companies," "we," "us," or "our") are registered broker-dealers and FINRA member firms located in Ann Arbor, Michigan.[1] The Companies value FINRA's longstanding self-regulatory compact with member firms,[2] and we appreciate the opportunity to provide constructive feedback on the various issues raised for comment in Regulatory Notice 26-02. The requests for comments to which the Companies are responding are set forth below and follow the same wording as on page 19 of Regulatory Notice 26-02.[3]

<u>Request for Comment</u>: Are the proposed conditions for hold extensions reasonable and balanced?

> **<u>Response</u>:** No, because the current conditions for hold extensions remain unclear, and this ambiguity is not resolved in the *Notice*. We believe members would benefit from additional guidance regarding FINRA Rule 2165.03. This provision states:
>
>> A member's reasonable belief that a natural person age 18 and older has a mental or physical impairment that renders the individual unable to protect his or her own interests may be based on the facts and circumstances observed in the member's business relationship with the natural person.

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1 The Companies' CRD numbers are 14303 and 115368, respectively.

2 This compact was articulated by one of FINRA's former CEOs. *See* Richard G. Ketchum, Chief Regulatory Officer, NYSE, Keynote Speech at the Practising Law Institute, Nov. 11, 2004 ("if we do not accept the fact that the burden of self-regulation is collaborative with equal responsibility to the industry and those in this hall who advise them, as it is with the SROs, then we have already failed").

3 The comments provided herein are an adaptation and expansion of the Companies' earlier comments submitted in response to Regulatory Notice 25-07.

It is unclear which "facts and circumstances observed" would be sufficient to make a member's belief "reasonable." Courts have concluded that registered representatives have no duty whatsoever to assess a customer's mental capacity.[4] The reason is not surprising: registered representatives "cannot be expected to have *any expertise* in assessing mental capacity."[5]

This is why, for example, determining mental impairment (e.g., incapacity) is usually left to licensed medical professionals in the analogous context of trusts and estate planning.[6] Absent a determination from a licensed medical professional, it would be helpful to know if the following are sufficient to form a "reasonable" belief:

- An assertion, whether written or oral, from the customer's spouse, child, attorney-in-fact, or trusted contact person, indicating or stating that the customer has diminished capacity, has dementia, is experiencing memory or cognition problems, etc.; or

- Several successive or repeat occurrences, directly observed by the registered representative or their office staff, of the customer struggling with memory recall or comprehension.

These are just examples of the types of scenarios that can arise. In general, member firms are commonly provided with only these subjective impressions of well-meaning individuals who have no expertise whatsoever in medical, mental health, psychological, or psychiatric matters.

Overall, member firms lack clarity as to whether they can simply accept the word of, and act upon the mental health assessments made by, individuals who know the customer well but are not licensed medical professionals, or whether registered representatives can reasonably make their own assessments given that they "cannot be expected to have any expertise in assessing mental capacity." Stated differently, under FINRA Rule 2165.03 it is not clear at what point member firms should (or may) no longer rely upon the conclusions of untrained individuals (e.g., registered representatives) and instead must rely upon assessments from licensed medical professionals. We encourage FINRA to provide additional guidance and clarity on this issue.

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4 *See, e.g.*, *Edward D. Jones & Co. v. Fletcher*, 975 S.W.2d 539, 544 (Tex. 1998) ("There simply is no responsibility on the part of service providers in general or stockbrokers in particular to determine the competence of their clients.").

5 *Id*. (emphasis added).

6 *See, e.g.*, MO. REV. STAT. § 456.6-603(5) (adopting Section 603 of the Uniform Trust Code with modification by defining an "affidavit of incapacity" to mean a written certificate furnished by "at least one licensed medical doctor that states that the settlor lacks capacity to revoke the trust"). *See also* David J. Feder and Robert H. Sitkoff, *Revocable Trusts and Incapacity Planning: More than Just a Will Substitute*, 24 ELDER L.J. 1, 31 (2016) (noting that a "familiar solution" to the question of incapacity is "to put the determination in the hands of the settlor's physician and one or more additional named persons, such as the settlor's spouse or children").

<u>Request for Comment</u>: Are there potential economic consequences not discussed in this *Notice*?

> **<u>Response</u>:** Yes, there are potentially *significant* economic consequences that have not been addressed by this *Notice*. Specifically, in a world with ever-increasing and record-breaking losses due to fraud,[7] we believe this *Notice* fails to take into account the increased litigation risk, and the substantial defense costs and potential damages associated therewith, that member firms will face as a result of their ability to frustrate fraud attempts by placing extended holds under FINRA Rule 2165 and "speed bump" holds under proposed FINRA Rule 2166.
>
> The Supplementary Material to FINRA Rule 2165 and proposed FINRA Rule 2166 make clear that temporary holds are *optional* in nature and not required:
>
> > <u>FINRA Rule 2165</u>
> > This Rule provides members and their associated persons with a safe harbor from FINRA Rules 2010, 2150 and 11870 when members exercise discretion in placing temporary holds on disbursements of funds or securities from the Accounts of Specified Adults or transactions in securities in the Accounts of Specified Adults consistent with the requirements of this Rule. **This Rule does not require members to place temporary holds on disbursements of funds or securities from the Accounts of Specified Adults or transactions in securities in the Accounts of Specified Adults**.[8]
> >
> > <u>FINRA Rule 2166</u>
> > This Rule provides members and their associated persons with a safe harbor from FINRA Rules 2010, 2150 and 11870 when members exercise discretion in placing temporary delays on disbursements of funds or securities from or transactions in securities in Accounts consistent with the requirements of this Rule. **This Rule does not require members to place temporary delays**.[9]
>
> Even so, we are concerned about the proposals in the *Notice* because of the increased financial risk that they pose to member firms. Despite the fact that FINRA Rule 2165 and proposed FINRA Rule 2166 are permissive in nature, there is legal sentiment that when a member *can* place a temporary hold in order to prevent financial harm, it *must* do so or else it risks a lawsuit on a fiduciary theory of negligence and "economic suicide." As one legal commentor explains:

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7 "While the impact of fraud can be most devastating for senior investors as a group, the threat of fraud extends across all age demographics and is growing at an alarming pace. The Federal Bureau of Investigation (FBI) reported a record-breaking $16.6 billion in losses in 2024, representing a 33 percent increase in losses from 2023. Globally, consumers lost over $1 trillion to scams in 2024." FINRA Regulatory Notice 26-02, p. 3 (Jan. 8, 2026).

8 FINRA Rule 2165.01 (emphasis added). *See also* FINRA Rule 2165(b)(1) ("A member may place a temporary hold on a disbursement of funds or securities").

9 Proposed FINRA Rule 2166.01 (emphasis added).

> Customer counsel argue . . . that common decency and respect for their profession must be required in an industry where trust plays such a central role. In the securities industry, brokers, managers, and firms know when a customer is walking the ledge of economic ruin. From experience and training, they know how to prevent it. That is rarely an issue in these cases. The question is whether the broker has any obligation to do anything about it. They have the knowledge. But do they have any obligations, armed with that knowledge? . . . A customer's attorney who is considering taking an economic suicide case usually starts with the presumption that because brokerage firms have a greater knowledge of financial affairs than their customers do, they owe certain fiduciary duties to those customers . . . . Some go so far as to say that a broker has a duty to refuse to accept orders the broker knows, or reasonably believes, will result in a loss to the customer.[10]

Such a theory of liability, while not common, is also not unheard of. For example, in 1990, a panel of AAA arbitrators in Florida ruled that a brokerage firm had a duty "to take adequate steps when it became apparent that [the customer] was trading inappropriately, that he was losing large amounts of money and that he was putting excessive amounts of his net worth at risk."[11] In particular:

> Mr. Peterzell claimed that the firm and several of its brokers were liable to him for failing to step in and stop him from ruinous options trading. In the AAA case, the Panel expressly found that the firm breached its fiduciary duty to Peterzell. In their Award, the arbitrators held that, notwithstanding the fact that it was a nondiscretionary account and that Peterzell controlled his money, the firm had a duty to take appropriate steps once there was clear evidence that Peterzell was embarking on a "course which was destined to cause financial ruin."[12]

This is significant, because even when a member firm can see that a customer's decision is destined to cause financial ruin (e.g., withdrawing funds and sending them to an obvious scammer), the customer himself may be *unwilling* to see as much. This has been a common occurrence noted by the FINRA Investor Education Foundation.[13]

For example, a customer who has been lured into a romance scam may still choose to press forward, despite the red flags brought to their attention, because the desire for human

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[10] ROBBINS, 1 SECURITIES ARBITRATION PROCEDURE MANUAL § 5-27 (discussing economic suicide cases). *See also* Barbara Black and Jill I. Gross, *Economic Suicide: The Collision of Ethics and Risk in Securities Law*, 64 U. PITT. L. REV. 483 (Spring 2003).

[11] *Joel Peterzell v. Dean Witter Reynolds, Inc.*, AAA Case No. 32-136-0416-88-ID (Nov. 9, 1990), cited and quoted in ROBBINS, 1 SECURITIES ARBITRATION PROCEDURE MANUAL § 5-27.

[12] Black and Gross, *supra* note 91, at 516–17.

[13] FINRA INVESTOR EDUCATION FOUNDATION, EXPOSED TO SCAMS: WHAT SEPARATES VICTIMS FROM NON-VICTIMS?, at p. 10 (Sept. 2019) ("Looking back, it was so obvious that it was a scam. I guess I wanted it to be true. I didn't read the comments until it was too late."), available at https://www.finrafoundation.org/sites/finrafoundation/files/exposed-to-scams-what-separates-victims-from-non-victims_0_0.pdf.

connection is so strong that the customer "wishes" the relationship to be real and proceeds as if it is.[14] In other words, the temporary hold contemplated by this *Notice* may often be placed against the customer's wishes *in order to protect the customer from himself* (i.e., to prevent the customer from going along with the scam). Experts in the victimology of online fraud have observed a similar trend:

> Victims of [advance fee] fraud, including romance fraud, are highly resistant to warnings about potential frauds, particularly when they have an already established a relationship with an offender. And particularly in cases where the offender has been successfully manipulating the victim to transfer funds, often over long periods of time. The resistance of victims to accept or even consider warnings that may prevent continued victimisation is concerning but not surprising. Several victims in this study likened their relationship to an addiction. This was often exacerbated by the pressure that was exerted by offenders on victims when victim expressed doubts to the offender over the authenticity of the relationship. Victims were often left fearful about disengagement.[15]

Placing a temporary hold on such a customer's account in these circumstances can lead to significant conflict between the customer and their registered representative. It would not be surprising for such a customer to feel like they are being wronged and denied access to their money—which they perceive as theirs to do with as they wish—leading to frustration, anger, threats of legal action, and eventually a soured relationship. Sadly, the phrase "no good deed goes unpunished" finds ready application in this context.[16] (Worse yet, once the hold expires, the customer is free to do as they wished all along and send the money to the scammer.)

On the other hand, declining to place a temporary hold could result in liability from the customer or, more likely, the customer's creditors, friends, and relatives who loaned the customer money without knowledge of the scam,[17] or the customer's heirs who later question how their inheritance was squandered in a scam and seek to hold the member firm (with its "deep pockets") accountable for inaction. This puts a member firm squarely in a no-win situation.

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[14] A recent study that incorporates interviews with victims of online fraud includes this anecdote regarding bank warnings: "[T]he bank tried to stop me. So I reduced the amount and just did it, I just had to do that transaction that Saturday and then another one on Monday. People were trying to help me but I had the blinkers on." Jacqueline M. Drew and Julianne Webster, *The Victimology of Online Fraud: A Focus on Romance Fraud Victimisation*, 3 J. ECOM. CRIMINOLOGY art. 100053 (Mar. 2024), available at https://www.sciencedirect.com/science/article/pii/S2949791424000058.

[15] *Id*.

[16] The fallout is not limited to the registered representative. Thanks to the scammer's coaching of the victim, a member firm that places a temporary hold can expect frequent (e.g., daily) angry phone calls from the customer demanding their money. Exasperated registered representatives may also refer such customers to the member firm's back-office team to "handle the matter" for them.

[17] "Several victims indicated that they only stopped sending money to the offender when they simply had no more money to send. This often came after borrowing money from family and friends and taking out loans." *Id*.

It would be a perverse outcome indeed if FINRA Rule 2165 (or proposed FINRA Rule 2166), which is intended as a shield for member firms, could be ultimately weaponized against members by the plaintiffs' bar. If FINRA does decide to expand the application of FINRA Rule 2165 and promulgate new FINRA Rule 2166, in order to help members out of this no-win situation, we encourage FINRA to revise FINRA Rule 2165.01 and proposed FINRA Rule 2166.01 to read something like the following (new language is italicized and underlined):

FINRA Rule 2165.01

This Rule does not create a private right of action and does not impose a duty that can serve as the basis for a negligence or other tort claim. This Rule provides members and their associated persons with a safe harbor from FINRA Rules 2010, 2150 and 11870, *and a safe harbor from liability to customers under FINRA rules and the Code of Arbitration Procedure for Customer Disputes*, when members exercise discretion in placing temporary holds on disbursements of funds or securities from the Accounts of Specified Adults or transactions in securities in the Accounts of Specified Adults consistent with the requirements of this Rule. This Rule does not require members to place temporary holds on disbursements of funds or securities from the Accounts of Specified Adults or transactions in securities in the Accounts of Specified Adults, *and members may not be held liable by any person for a decision not to place such a temporary hold on disbursements of funds or securities*.

FINRA Rule 2166.01

This Rule does not create a private right of action and does not impose a duty that can serve as the basis for a negligence or other tort claim. This Rule provides members and their associated persons with a safe harbor from FINRA Rules 2010, 2150 and 11870, *and a safe harbor from liability to customers under FINRA rules and the Code of Arbitration Procedure for Customer Disputes*, when members exercise discretion in placing temporary delays on disbursements of funds or securities from or transactions in securities in Accounts consistent with the requirements of this Rule. This Rule does not require members to place temporary delays, *and members may not be held liable by any person for a decision not to place such a temporary hold on disbursements of funds or securities*.

With this added language, member firms would have greater assurance that they will not be held liable for choosing not to act under a rule that is clearly intended to be permissive in nature.

Conclusion

The Companies sincerely appreciate the opportunity to comment on these important matters and add their voice to the policy discussion. Thank you for considering our feedback and inviting us to play a role in helping FINRA further amend its rules and guidance.

Sincerely,

Randolph F. Pistor

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March 21, 2026

Via Email to pubcom@finra.org
Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1505

Re: FINRA Regulatory Notice 26-02; Fraud Protection

Dear Ms. Mitchell,

Thank you for the opportunity to provide feedback in response to FINRA's request for comment on proposed rule revisions to help member firms protect senior investors from financial exploitation and all investors from fraud. We write this comment on behalf of the Securities Arbitration Clinic at St. John's University School of Law. The Clinic is part of the St. Vincent de Paul Legal Program, Inc., a not-for-profit legal services organization. The Clinic represents underserved investors with small dollar claims and is committed to investor protection and education. The Clinic is regularly approached by victims of fraud and financial exploitation, who often have lost their life savings due to scams and are unable to recover their funds once the money has left their accounts.

The Clinic supports FINRA's efforts to modernize its rules to further assist member firms in protecting customers from fraud and financial exploitation. Amidst alarming increases in the rates of fraud and losses suffered by vulnerable Americans, financial institutions and member firms often become the "first line of defense."[1] The Clinic welcomes FINRA proposals aimed at

[1] Paul Span, *Banks Are Becoming Bulwarks for Vulnerable Seniors,* N.Y. Times (Feb. 28, 2026), available at https://www.nytimes.com/2026/02/28/health/scams-elderly-banks.html.

better positioning members to effectively respond to the threat while remaining cognizant of the potential impact on small investors.

Trusted Contact versus Emergency Contact

As FINRA modernizes its rules regarding the trusted contact framework, investor ease and protection should remain a priority to ensure that the process strengthens safeguards against fraud while enabling investors to feel confident that their autonomy and privacy is preserved. Because third-party intervention and consultation with others have been shown to reduce the likelihood that a target will suffer losses, maintaining a contact on file whom a member firm may notify in cases of suspected fraud or financial exploitation may serve as an effective tool in preventing fraud.[2] The effectiveness of this approach, however, necessarily depends on whether the customer has such a contact on file. The term "emergency contact" may be more familiar to many investors than the term "trusted contact," and that familiarity may encourage a greater number of investors to designate an individual to serve in this role. Further, allowing a single designation to apply across all accounts held at a member firm should help increase the likelihood that investors will have an emergency contact on file when concerns regarding fraud or financial exploitation arise.

One additional aspect of the efficacy of the trusted/emergency contact framework is ensuring that all investors are fully aware of the authority that is – and is not – given to this individual. In the Clinic's experience, investors do not always understand the scope of a trusted contact's authority in this context. For example, Clinic clients have expressed confusion about whether a named trusted contact held a power of attorney for their accounts. In such situations, investors may be more inclined to designate an emergency contact if they are fully informed about the scope and limits of the role. Accordingly, in addition to the written disclosures required by Rule 4512 regarding the circumstances under which a trusted or emergency contact may be contacted, FINRA should encourage member firms to disseminate educational materials, including links to FINRA resources, to further increase customer awareness and comfort with the emergency contact framework.

The Reasonable Belief Requirement

Seniors and other small investors who have suffered significant and often irreversible losses due to fraud routinely contact the Clinic, and we recognize that investigations involving suspected fraud may require significantly more time than that allowed by current limitations on extension periods. By allowing member firms increased flexibility to issue firm-initiated or regulator-requested extensions, even in the absence of formal written orders, we believe the proposed amendments may help limit potential damage.

The governing standard under Rule 2165 and proposed Rule 2166 is based on a reasonable belief standard. Member firms are provided a safe harbor for discretionary temporary holds on disbursements or transactions as long as they have a "reasonable belief" that financial

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[2] FINRA Investor Education Foundation, *Exposed to Scams: What Separates Victims from Non-Victims?* (Sept. 2019), available at https://www.finrafoundation.org/sites/finrafoundation/files/exposed-to-scams-what-separates-victims-from-non-victims_0_0.pdf.

exploitation has occurred, is occurring, or may occur.[3] Additionally, member firms are required to retain records of the basis for the reasonable belief of fraud. However, as written, the Rules do not define what constitutes such reasonable belief. We respectfully suggest that, even if broadly defined, reasonable belief should be included in the Definitions subsection (a) of Rule 2165 and proposed Rule 2166. This would provide clearer guidance to member firms and may enhance accountability. Because member firms may choose when to institute a hold, this should help ensure that their discretion is exercised only in adherence to the reasonable belief standard as defined.

Temporary Holds Under Proposed Rule 2166

In situations involving fraud or financial exploitation, a brief pause can offer a much-needed opportunity for potential victims to reevaluate the situation. Accordingly, the Clinic is supportive of the "speed bump" envisioned by proposed Rule 2166 because it may interrupt fraudulent schemes and prevent investors from suffering monetary loss. "One of the most common tactics scammers employ is a false sense of urgency or isolation."[4] We believe that FINRA's proposed Rule 2166 would increase protection for investors of any age by allowing member firms to institute a temporary five-day hold to negate the effects of key tactics used by perpetrators of fraud.

However, affected customers may experience frustration when a temporary hold is imposed unexpectedly. In such circumstances, requiring written – rather than merely oral – notification clearly explaining the basis for the firm's reasonable belief, as defined by FINRA, may help customers feel that their autonomy is being given due consideration.

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[3] FINRA Rule 2165(b)(1)(A); Proposed Rule 2166(b)(1)(A).

[4] Federal Bureau of Investigation > News > Press Releases, *FBI Announces Nationwide 'Take a Beat' Campaign to Increase Awareness of Frauds and Scams,* FBI National Press Office (August 19, 2024), available at https://www.fbi.gov/news/press-releases/fbi-announces-nationwide-take-a-beat-campaign-to-increase-awareness-of-frauds-and-scams.

Thank you for the opportunity to comment on these crucial aspects of fraud protection and for your consideration of our comments.

Respectfully Submitted,

St. Vincent De Paul Legal Program, Inc.
Securities Arbitration Clinic
St. John's University School of Law

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FINRA

Bill Singer Comment On Regulatory Notice 26-02

Bill Singer

Re: **Regulatory Notice 26-02 – Request for Comment on Enhancements to Protect Senior Investors and All Investors from Fraud**

I submit this comment as a veteran legal/regulatory/compliance lawyer, who has represented securities-industry firms, individual registered persons, Wall Street whistleblowers, and defrauded public investors. In 2015, I achieved a significant award of approximately $1.5 million from the Securities and Exchange Commission on behalf of a whistleblower client, who was the first in-house compliance officer to be declared eligible for an award under the Dodd-Frank Act. Having sat at all sides of the table, I am able to offer my unique perspective.

Let me be clear at the outset: *Protecting senior investors from financial exploitation is a legitimate, necessary, and overdue regulatory priority.* Financial predators target seniors with alarming frequency, and FINRA's Rules 2165 and 4512 were meaningful steps in addressing that sordid reality. Good intentions, however, do not excuse poor drafting -- nor do they justify the erosion of Due Process under the guise of "investor protection." While well-meaning, Regulatory Notice 26-02 risks repeating a familiar FINRA mistake by attempting to expand discretionary authority without providing ***clear standards, enforceable guardrails, or timely redress for harmed customers.***

Senior Exploitation -- A Pernicious Threat

To FINRA's credit, the regulator's focus on preventing/minimizing senior exploitation seeks to address a particularly pernicious threat. As such, the problem is not ***whether*** FINRA member firms should act when exploitation is suspected, but **how**, **under what standards**, and **what happens when the firm is wrong**. I wholeheartedly applaud Notice 26-02's proposed expansion of member firm authority to delay or restrict customer disbursements based on suspicions of exploitation, diminished capacity, or cognitive decline. Unfortunately, despite the best of intentions the expanded regulatory effort is dangerously predicated upon **nebulous, subjective language.** Thankfully, that is largely a challenge to be overcome through careful drafting; however, FINRA must carefully define such terms as ***reasonable belief, vulnerability, and impairment.***

The Uncomfortable Scenario

Let's confront the scenario that FINRA's Notice conspicuously avoids:

A senior customer's account is frozen because a registered representative or supervisor believes there are "indicators" of cognitive decline. The customer adamantly denies any impairment, produces medical documentation to the contrary, demands immediate access to funds, and insists that the hold itself is causing financial and emotional harm.

Now what?

Regulatory Notice 26-02 does not set out an **articulate accelerated redress mechanism** for customers whose assets are frozen incorrectly, prematurely, or indefinitely. The Notice focuses on firm *discretion* and *internal processes* but offers little comfort to the investor who finds themselves effectively locked out of their own money. Unquestionably, a ***temporary hold*** that lasts days may be protective and in the senior's best interests; however, if that same hold extends for weeks or months without a truly independent review, it could easily transition from protective to punitive.

Accelerated Redress

Investor protection -- even when prompted by legitimate concerns for vulnerable seniors -- cannot come at the expense of **fundamental fairness**. Seniors should not be expected to forfeit autonomy simply as a byproduct of their age. *Due Process* is not to be sacrificed as a precaution. Further, if a senior should disagree with a firm's judgment, that objection, in and of itself, should not automatically be deemed *proof* of mental incapacity. There is a danger if the member firm is empowered to act as a sole and arbitrary **investigator, judge, and gatekeep** of customer assets. Clearly, the new rules must provide for a prompt and easy pathway for a senior to disprove any articulated suspicions about mental capacity. Additionally, that avenue of accelerated redress should not rely upon a recourse such as mandatory arbitration because that process is often dilatory and expensive -- and would impose burdens and stress upon particularly susceptible seniors.

Giving FINRA full credit for focusing on harm to seniors and having noted my support for efficient and effective rulemaking in that regard, I still have concerns that Regulatory Notice 26-02 does **not** meaningfully propose an expedited, independent review process for disputed holds. As a senior myself and having advocated for seniors during my career, I do not consider such an omission as trivial. At this juncture of the process, I would deem it the ***central flaw*** of the proposal. Thankfully, this is an obstacle that can be overcome by thoughtful drafting. If FINRA intends to expand hold authority, it must simultaneously mandate **accelerated redress**, including:

Mandatory Written Findings

Firms should be required to provide the customer, within a short, defined period (e.g., 3 business days), a written explanation specifying:

The factual basis for the hold;

The specific behaviors or transactions at issue;

The rule provisions being relied upon.

Independent Review Mechanism

Customers should have access to a neutral third-party review, whether through:

FINRA-appointed independent reviewers; or

A rapid-response FINRA ombuds or adjudicatory unit.

Strict Timelines

Any disputed hold should trigger:

A mandatory review within 5 business days; and

A written determination within 10 business days, absent extraordinary circumstances.

Presumption in Favor of Access

Where credible evidence contradicts the firm's suspicion (e.g., medical certification, coherent customer instructions), the **DEFAULT** should be release of the hold, not its extension.

Data Collection and Transparency

FINRA should require firms to report:

The number of holds imposed;

The duration of holds;

The number of holds later determined to be unfounded.

Final Thoughts

Investor protection and market integrity are not served when **vague standards empower firms to freeze assets without meaningful accountability**. The challenge for FINRA is to absolutely protect vulnerable seniors; however, in seeking to accomplish that admirable goal, FINRA must not infantilize those same seniors. Just as the road to hell is paved with good intentions, regulatory ***overreach*** can be just as harmful as regulatory ***neglect***. In proceeding with its effort to draft rules to protect seniors, FINRA must ensure **due process, transparency, and timely redress.**

Respectfully submitted,

Bill Singer, Esq.

March 9, 2026

VIA EMAIL TO pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 26-02: Request for Comment on Rule Revisions to Help Member Firms Protect Seniors from Financial Exploitation and All Investors from Fraud

Dear Ms. Mitchell,

On behalf of CFP Board[1], the Financial Planning Association (FPA)[2], and the National Association for Personal Financial Advisors (NAPFA)[3], we appreciate the opportunity to respond to the request for comment by the Financial Industry Regulatory Authority, Inc.

[1] CFP Board consists of two affiliated non-profit organizations, the Certified Financial Planner Board of Standards, Inc. and the Certified Financial Planner Board of Standards Center for Financial Planning, Inc. (collectively, CFP Board). CFP Board operates the CFP® certification program, which sets high standards of competency and ethics for financial planning and is accredited by the National Commission for Certifying Agencies. CFP Board works to advance the financial planning profession for the public's benefit. Today, CFP Board certifies more than 107,000 CFP® professionals (or more than one-third of retail financial professionals) who operate under different business and compensation models and provide professional services on behalf of investment advisers, broker-dealers, insurance companies, banks, and trust companies, among other business types.

[2] FPA® is a 501(c)(6) trade association and the leading Membership organization for CERTIFIED FINANCIAL PLANNER™ professionals and the largest organization representing those individuals engaged in the financial planning process. FPA® represents and supports over 17,000 Members and 79 state and local chapters nationwide. FPA's core Members are CERTIFIED FINANCIAL PLANNER™ professionals, who pride themselves on being held to high standards of professional competence, ethical conduct, and clear, complete disclosure when serving their clients.

[3] NAPFA is the nation's leading organization of fee-only, comprehensive financial planning professionals. There are more than 4,600 NAPFA members across the country serving clients from all backgrounds. NAPFA members adhere to standards of professional conduct that are widely recognized as among the highest in the financial planning profession. A "NAPFA-Registered Financial Advisor" must be registered with the Securities and Exchange Commission (SEC), or with a state securities regulator, as a "registered investment adviser" or "RIA." A "NAPFA-Registered Financial Advisor" also must hold the CERTIFIED FINANCIAL PLANNER® designation from CFP Board.

(FINRA) set forth in Regulatory Notice 26-02 (January 8, 2026),[4] which addresses proposed rule revisions to protect seniors from financial exploitation and all investors from fraud. We enthusiastically support FINRA's continued efforts to provide firms with important tools to combat this widespread problem.

I. Introduction

CERTIFIED FINANCIAL PLANNER® professionals play a unique role in the fight against financial exploitation and fraud. According to CFP Board's *Code of Ethics and Standards of Conduct,* financial planning is a collaborative process that helps maximize a client's potential to meet life goals by providing financial advice that integrates relevant elements of the client's personal and financial circumstances. As a direct result of the information shared and the relationship that naturally forms during the financial planning process with a client, CFP® professionals may be the first to notice the red flags of financial exploitation or suspect that their client is a victim of fraud or a scam. CFP® professionals are well-positioned to share information and financial education to help clients prevent or cope with this harm.

Given the special role of financial planners, CFP Board, FPA, and NAPFA strongly support policies that educate consumers about fraud, scams, and financial exploitation, and that provide governmental entities, financial firms, and financial professionals with the tools needed to combat these issues.[5] Further, since fraudsters will always find ways to defraud consumers despite our best efforts and intentions, we also support policies that assist victims of financial fraud, scams, and exploitation to recover from their losses.[6]

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[4] *See* FINRA Regulatory Notice 26-02 (January 8, 2026), https://www.finra.org/sites/default/files/2026-01/Regulatory-Notice-26-02.pdf.

[5] For example, CFP Board has endorsed various legislation that would offer support for those fighting against fraud, such as (1) the Senior Security Act, which would establish a Senior Investor Taskforce within the SEC to identify and report on financial scams and challenges targeting investors; (2) the GUARD Act, which would provide law enforcement with federal resources to better investigate scams and fraud; (3) the Preventing Deep Fake Scams Act, which would create a task force to study and mitigate the use of artificial intelligence-generated deep fakes in fraud and scams; (4) the TRAPS Act, which would form a national interagency task force to respond to fraud and scams and improve information sharing between firms and law enforcement; (5) the Strategic Task Force on Scam Prevention Act, which would enable public and private agencies to collaborate on educating the public and coordinate on scam prevention strategies; and (6) the Financial Exploitation Prevention Act, which would provide firms the ability to hold certain suspicious transactions if they suspect any financial exploitation.

[6] *See, e.g.,* the Tax Relief for Fraud Victims Act, which CFP Board has also endorsed.

Amid rising incidences of investment fraud and ever-increasing consumer losses, particularly for seniors,[7] we applaud FINRA's enhanced, multifaceted efforts to protect vulnerable investors from financial exploitation. FINRA's robust resources for firms and consumers, its strong collaboration with regulators and law enforcement, and its rules designed to detect and prevent fraud and financial exploitation are essential to tackle this epidemic. Accordingly, we support the proposed amendments to FINRA Rules 4512 (Customer Account Information) and 2165 (Financial Exploitation of Specified Adults), as well as proposed FINRA Rule 2166 (Temporary Delays for Suspected Fraud). In furtherance of FINRA's efforts and in response to the request for comment in Regulatory Notice 26-02, we offer several observations and recommendations about the proposed amendments and rule.

II. Proposed Amendments to FINRA Rule 4512 (Customer Account Information)

FINRA's "trusted contact" provision in Rule 4512 serves as a critical safety net, particularly for seniors. A trusted contact allows member firms and associated persons to combat financial exploitation and fraud while maintaining investor autonomy. Importantly, firms may intervene during emergencies—such as for suspected cognitive decline, sudden illness, or potential elder scams—by reaching out to a verified party to confirm an account holder's well-being and the legitimacy of suspicious transactions. Trusted contacts can serve as an early warning system and first line of defense against unauthorized transfers or elder financial abuse, an emergency resource when a point of contact is needed when an investor is unreachable due to travel, illness, or natural disasters, and a mechanism to verify identity. Importantly, trusted contacts preserve privacy by restricting a firm from sharing sensitive account balances or private data, focusing only on the client's safety and whereabouts.

Because a significant number of customers have not authorized a trusted contact, despite known benefits, Regulatory Notice 26-02 proposes amendments to Rule 4512 to increase awareness, understanding, and adoption of the trusted contact framework. FINRA requests comment on alternative, perhaps more recognizable, terminology for "trusted contact," such as "emergency contact," asking: Is the proposed "emergency contact" terminology likely to increase customer comfort and participation?

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[7] For example, as FINRA noted in Regulatory Notice 26-02, in 2024, the Federal Bureau of Investigation reported Americans over 60 lost $4.8 billion to fraud.

We Support Offering Firms the Option to Use Alternative Terminology.

We support the proposed amendment offering firms alternative terminology to “trusted contact” with the goal of increasing customer comfort and participation in the process. The term "emergency contact" is a familiar and standard part of modern life and is used frequently in healthcare, schools, and workplaces. Further, the purpose of an emergency contact is clear: someone to call when the primary person cannot be reached or is in trouble. The term is also arguably less formal and less intimidating for some audiences, better conveying to them that the referenced individual is a safety net, not a secondary decision-maker. Allowing firms to use either or both terms (e.g., "emergency / trusted contact") to capture different demographics is optimal. With either term, firms should be sure that they provide clear and plain-English (or in the client’s language) explanations that the person’s role is limited to information sharing and does not grant account access.

Firms Should Have Customers Designate a Trusted Contact or Affirmatively Opt Out.

FINRA should go further to ensure this critical safety net is utilized. Currently, Rule 4512 requires only “reasonable efforts” from firms to obtain trusted contact information. This has resulted in only 42% of consumers listing a trusted contact, according to FINRA’s Investor Education Foundation survey.[8] FINRA must address this issue. We recommend that FINRA further amend Rule 4512 to require firms to have customers designate a trusted contact or have customers affirmatively opt out of the framework after they have been informed of the benefits of listing a trusted contact. This change would help normalize the designation of a trusted contact and facilitate meaningful conversations between financial professionals and their clients. To prevent administrative and operational burdens that might be presented by the retroactive collection of this “opt out” information, we propose that such a mandate be effective only for new accounts opened after the rulemaking process and a reasonable implementation period, and that FINRA consider the best way to address existing accounts.

FINRA Should Require an Annual Reminder of the Purpose of a Trusted Contact.

Along the same lines, given the widespread nature of frauds and scams, FINRA should require firms to remind customers annually that firms will reach out to the trusted contact if they suspect the client may be the victim of a scam or fraud (so long as the trusted contact is not the potential perpetrator) and that doing so is not a privacy breach. This would make it easier for customers to understand that firms are working in their best interest by following this protocol.

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[8] FINRA Investor Education Foundation, Investors in the United States: A Report of the National Financial Capability Study (December 2025) at 21.

FINRA Should Allow Customers the Option to Have One Trusted Contact on All Accounts.

Regarding trusted contacts, Regulatory Notice 26-02 also asks whether there are potential unintended consequences of allowing a single trusted contact across multiple accounts, including future accounts, or of requiring a customer to be provided the option to select a trusted contact on an account-by-account basis?

We support the proposed amendment that provides customers with the choice to name a trusted contact across all accounts, including future accounts. Applying a single trusted contact the customer previously identified to all future accounts risks the potential for a customer forgetting whom they selected, as well as issues that may result from potential degradation of a customer's relationship with the identified person over time. On the other hand, requiring customers to identify a contact for each account may cause fatigue for some customers, causing them to opt out of identifying anyone at all. This is of particular concern given the already low rate of trusted contact adoption. Allowing customers the choice to provide trusted contacts across accounts or on an account-by-account basis will provide the customer with the most control over personal dynamics across accounts and contacts, though we recognize that this may increase complexity and operational costs for firms.

FINRA Should Require Firms to Reconfirm Trusted Contacts.

To keep information current, we recommend that firms be required or at least strongly encouraged to reconfirm trusted contacts on a regular basis—whether identified across accounts or individually—rather than allowing them to remain active indefinitely without review. This could be done in the context of an annual account review, at an appropriate interval within the financial planning process, when a customer discloses a major and relevant life event, or when gathering account update information pursuant to the books and records requirements of Rule 17a-3(a)(17) under the Securities Exchange Act of 1934.

FINRA Should Allow Customers to Designate Multiple Trusted Contacts.

Further, we urge FINRA to consider amending Rule 4512 even further to explicitly allow firms to ask customers to designate multiple (more than one) trusted contacts in the manner the customer chooses—across accounts or by account. We understand that many firms are already doing this. Having multiple people listed as trusted or emergency contacts is protective in the event that the trusted contact designated by the customer is the person causing harm to the customer or if another trusted contact is unavailable. As such, we ask you to consider amending Rule 4512(a)(1)(F) as follows (additional text underlined):

(F) subject to Supplementary Material .06, name of and contact information for one or more trusted contact person(s), age 18 or older, who may be contacted about the customer's account; provided, however, that this requirement shall not apply to corporate or other business accounts.

III. Proposed Amendments to Rule 2165 (Financial Exploitation of Specified Adults)

FINRA Rule 2165 serves as a valuable financial "emergency brake" to protect seniors and other vulnerable adults from financial exploitation. Given the potential complexity and length of investigations of suspected financial exploitation, FINRA proposes in Regulatory Notice 26-02 to extend Rule 2165 to extend the temporary hold period to provide additional time for customers, trusted contacts and authorities to work together to address ongoing or potential harm, and requests comment on whether the proposed 145-business-day maximum temporary hold period for Rule 2165 is appropriate or whether a shorter or longer period would be more appropriate. FINRA also requests comment on whether the proposed conditions for hold extensions are reasonable and balanced.

We Support Extending Hold Periods and Urge Consideration of Mandatory Reporting.

Extensions to the maximum temporary hold periods in Rule 2165 would be reasonable and appropriate. Firms, Adult Protective Services or law enforcement must be allowed sufficient time to complete an investigation, especially in suspected "pig butchering" or international wire fraud schemes in which money crosses borders and legal jurisdictions. Also, because the agencies with which member firms work are often overwhelmed, a longer hold prevents the "automatic release" of funds simply because an investigator could not get to or complete a review within the existing time frame. While a longer hold period could heighten the risks of potentially unwarranted "locks" on a customer's liquidity or potential misuse of the hold by member firms to avoid administrative burdens or to retain assets, those are mitigated by FINRA's proposed amendments to Rule 2165's Supplementary Materials that would enhance the notification process about holds for impacted customers or trusted contacts, as well as proposed allowances for legitimate transactions and disbursements when account-level restrictions are applied. However, FINRA and firms should remain focused on the potential for these issues.[9]

[9] FINRA should continue to provide guidance to member firms regarding which red flags contribute to a "reasonable belief" that financial exploitation has occurred, such as in Regulatory Notices 17-11 and 22-05, as well as in FINRA's FAQs on senior financial exploitation. The types of scams and fraud are evolving quicker than ever, particularly with the proliferation of artificial intelligence-generated impersonation such as deepfake audio or video.

Importantly, we urge FINRA to continue evaluating the need for mandatory reporting to Adult Protective Services and other regulators when red flags appear. The best way to stop a scammer—who is likely scamming multiple individuals with funds at multiple financial institutions—is for all firms to hold suspicious transactions and share information with authorities immediately so that investigations can proceed swiftly.[10]

IV. Proposed Rule 2166 (Temporary Delays for Suspected Fraud)

We Encourage FINRA to Consider an Initial 15-Business-Day Hold for All Suspected Fraud.

We also strongly support proposed FINRA Rule 2166, which introduces a "speed bump" temporary delay for suspected fraud across all customer accounts. In Regulatory Notice 26-02, FINRA asks whether the proposed five-business-day temporary delay is an appropriate intervention window for proposed Rule 2166 or if a 10-business-day period would be more appropriate. While the proposed five-business-day hold is a significant step forward, we urge FINRA to consider an even more robust, longer framework for these delays to effectively combat the more sophisticated styles of fraud being perpetrated through artificial intelligence and with digital assets. A longer “speed bump” will allow firms to better evaluate the situation and align with law enforcement. It may also help customers recognize what may actually be a high-pressure scam through emotional hijacking, which can cloud a victim’s judgment, especially “in the moment.”

Accordingly, we suggest that FINRA consider an initial 15-business-day hold for all suspected fraud. Aligning the duration of Rule 2166 with the initial 15-day hold period of Rule 2165 would create a uniform operational standard for firms, reducing the risk of administrative errors during high-stress fraud events.

V. Conclusion

Thank you for the opportunity to comment on the proposed amendments and proposed new Rule 2166. We strongly support FINRA’s efforts to enhance firms’ ability to combat financial exploitation for all customers, and especially seniors and vulnerable adults. However, any sound policy should apply to consumers of all ages, not just to our most vulnerable. Assisting clients in times of need is a crucial aspect of financial planning. FINRA’s proposal will improve this critical line of defense to protect customers from losing their life savings to fraud.

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[10] We were pleased to see mention in Regulatory Notice 26-02 of FINRA’s leveraging of financial intelligence to combat fraud through its Financial Intelligence Fusion Center (FIFC) and the Financial Intelligence Unit (FIU). These efforts demonstrate the power of information sharing that would only be enhanced through mandatory reporting of financial exploitation red flags to authorities by member firms.

If you have any questions or would like to discuss these issues further, please contact the undersigned individuals.

Sincerely,

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March 6, 2026

Via email:

Jennifer Piorko Mitchell
Office of the Corporate Secretary
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Washington DC, 20006-1506

RE: University of Pittsburgh Securities Arbitration Clinic response to the "Proposed Fraud Protections" request for comment Regulatory Notice Comment 26-02

By: Professor Alice L. Stewart*, Professor Rachael T. Shaw*, Sabrina Briceno*, Hayley Schultz,* and Oladimeji Babalola*

Introduction

Dear Secretary Jennifer Piorko Mitchell,

The University of Pittsburgh Securities Arbitration Clinic (the "Clinic") appreciates the opportunity to comment on the Financial Industry Regulatory Authority's ("FINRA") proposed Fraud Protection rule. The Clinic, a University of Pittsburgh curricular offering, provides legal representation to investors with limited resources, often advocating for people whose claims

*Director of Legal Clinics and Associate Professor of Law; Director of the University of Pittsburgh Securities Arbitration Clinic and Low-Income Taxpayer Clinic.
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represent much of their life savings. The Clinic offers the following commentary on the proposed initiative.

Clinic's Statement

The proposed amendments to Rules 4512, 2165, and 2166 will bring about several economic impacts- both negative and positive- for investors with limited resources. The Clinic urges FINRA to consider the impact the changes will have on our clients and other potential investors with limited resources and small investments.

Trusted Contact Amendments

Use of the Term "Emergency Contact"

Rule 4512 currently permits member firms to request the name and contact information of a "trusted contact person," defined as an individual authorized to assist firms in limited circumstances, including updating contact information, responding to concerns of diminished capacity, and addressing potential financial exploitation. The proposed amendment would expand this terminology to include the option of designating an "emergency contact," while expressly clarifying that such designation would not confer power of attorney or transactional authority.

While the Clinic supports FINRA's broader objective of protecting vulnerable investors, particularly seniors, it hesitates to endorse the introduction of "emergency contact." The Clinic is not persuaded that this terminology will increase participation, and instead, anticipates that it is likely to introduce confusion regarding the authority associated with the designation. The term carries a well-established meaning in medical and personal decision-making contexts that materially differs from the limited communicative role stipulated. The term "emergency contact" extends beyond the communication role of a trusted contact.

Research demonstrates that individuals routinely misunderstand the role of emergency contacts and frequently assume they possess legal authority to make healthcare decisions, even in the absence of formal advance directives or healthcare proxy status.[1] Patients commonly and incorrectly conflate emergency contacts with decision-makers authorized to act on their behalf during medical crises.[2] The widespread misconception of the term underscores that "emergency contact" is not a neutral or purely administrative term. It conveys an implied level of authority that exceeds the purpose of a "trusted contact" in Rule 4512. If patients mistake emergency contact in a medical context, they are likely to do the same with their member firm.

As a result, rather than the intended outcome of increasing comfort and participation through clarity, the terminology may inflate investors' expectations regarding the powers of the designated contact. Senior investors may reasonably infer that an emergency contact can intervene substantively in financial matters during periods of incapacity. When that authority does not in fact exist, the designation risks becoming misleading, ultimately decreasing investor comfort and participation.

The Clinic suggests that the existing "trusted contact" terminology remains. Introducing "emergency contact" is unlikely to enhance adoption in a meaningful way and may instead generate misunderstanding for investors. Alternatively, to increase participation of "trusted contact," we suggest adding a description of what a trusted contact does in the corresponding

[1] Patients misunderstand role of emergency contacts versus advance directives," *ScienceDaily* (Sept. 10, 2014), https://www.sciencedaily.com/releases/2014/09/140910185904.htm
[2] *Id.*

trusted contact portion of the form. We recommend that the description should mirror the content in the FINRA Trusted Contact Info Sheet found online.[3] Using this consistent information, investors can understand what a trusted contact actually is, what authority they hold, and what they are supposed to do. Additionally, we recommend adding a twice-yearly reminder for both investors to add trusted contact to their account. These notification reminders can be used via the portal to create the account. Ultimately, the Clinic sees these routes as better alternatives for senior investors to better understand the role of a trusted contact and therefore, elect to have one assigned to their account.

Cross-Account Designation of Trusted or Emergency Contacts

Further, the proposed amendment would permit investors to apply a trusted or emergency contact designation across all existing and future accounts at a member firm, subject to customer authorization. However, the Clinic is concerned that a default or broadly applied cross-account designation introduces significant unintended consequences.

Investment accounts often serve distinct financial purposes and reflect varying levels of sensitivity and risk. Customers may intentionally separate retirement savings, joint family accounts, business assets, and estate planning funds. An appropriate trusted contact for one account may be unsuitable for another. Extending a single designation across all accounts creates a presumption that risks unintentionally expanding access to sensitive financial information beyond what the investor reasonably intended.

[3] FINRA, Trusted Contact Person Infographic (2021), https://www.finra.org/sites/default/files/2021-09/trusted-contact-infographic.pdf.

Additionally, interpersonal relationships evolve over time. Changes in caregiving roles, family dynamics or conflicts may render a once-trusted individual inappropriate for continued involvement across all financial matters. A cross-account presumption, particularly one that automatically extends to future accounts, may inadvertently lock in access long after the underlying relationship has changed. While investors technically retain the ability to modify or revoke designations, default structures matter. When access is broadly applied by default, many customers, especially senior investors, may not revisit or fully understand the scope of the designation, increasing the risk of over-disclosure and misuse.

To balance flexibility with protection, the Clinic recommends an account-by-account presumptive structure that allows customers to affirmatively apply the same trusted contact to multiple accounts if they so choose. This model preserves efficiency for investors who desire uniformity while preventing overextension of access. An account-by-account presumptive structure would allow investors to select the same trusted contact for either, all or specific individual accounts. This structure is set up for each account to be assigned a trusted contact, instead of one trusted contact being automatically assigned to all accounts. It allows different accounts to have different trusted contacts, while maintaining the possibility that a trusted contact may be assigned to multiple accounts. The Clinic recommends this option to allow investor flexibility and increase participation.

Temporary Hold Amendments

The proposed amendments to Rule 2165 would extend the maximum temporary hold period from 55 business days to 145 business days through three additional 30-business-day increments, conditioned on the member firm having made reasonable follow-up efforts with the relevant government authority, not having received a substantive response, and continuing to hold a reasonable belief of financial exploitation. The Clinic opposes this extension and urges FINRA to retain the current 55-business-day maximum.

Disproportionate Impact on Elderly Investors with Limited Resources

The proposed 145-business-day hold period, approximately seven calendar months, would impose severe and disproportionate financial hardship on elderly investors living on fixed incomes. This concern is not hypothetical. The Clinic's clients are investors with limited resources whose brokerage accounts often represent the entirety of their accessible savings. For these individuals, even the current 55-business-day maximum poses significant risk. Nearly tripling that period dramatically compounds the potential harm.

The average American aged 65 and older spends approximately $60,087 annually, or roughly $5,007 per month.[4] A seven-month asset freeze therefore represents approximately $35,000 in spending needs that a senior investor may be unable to meet. Healthcare expenditures alone account for approximately $6,168 per year in out-of-pocket costs for Medicare recipients,[5] and housing consumes roughly one-third of retirees' budgets. Over 17 million adults aged 65 and older are economically insecure, with incomes below 200% of the federal poverty level.[6] Approximately 80% of older adult households are unable to weather a major financial shock

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[4] Bureau of Lab. Stats., Consumer Expenditure Survey, Table 1300: Age of Reference Person (2023), https://www.bls.gov/cex/tables.htm

[5] Kaiser Fam. Found., *How Much Do Medicare Beneficiaries Spend Out of Pocket on Health Care?* (2019), https://www.kff.org/medicare/issue-brief/how-much-do-medicare-beneficiaries-spend-out-of-pocket-on-health-care/.

[6] Nat'l Council on Aging, *Get the Facts on Economic Security for Seniors*, https://www.ncoa.org/article/get-the-facts-on-economic-security-for-seniors/ (last visited Feb. 4, 2026).

such as serious illness or widowhood.[7] For these investors, a prolonged asset freeze is not merely inconvenient, it is potentially catastrophic.

Wealthier seniors may draw upon alternative resources during a hold, other bank accounts, home equity lines, or family support. Low-income seniors who have most or all of their savings in a single brokerage account have no such alternatives. The rule as proposed would therefore fall hardest on the investors least equipped to endure it, while imposing comparatively little burden on those with diversified resources.

Market Volatility and Lost Opportunity

As this Clinic has previously noted in its November 25, 2020 comment letter responding to Regulatory Notice 20-34, markets can be extremely volatile, and a client may suffer severe impact to their account during a hold. An investor unable to rebalance a portfolio, sell declining positions, or act on time-sensitive opportunities for seven months faces losses entirely beyond their control. Rule 2165 provides no built-in mechanism for customers to recover losses caused by holds, whether those holds are ultimately determined to be legitimate or not. The safe harbor protects the member firm from FINRA discipline; nothing in the rule protects the customer from financial harm caused by the hold itself.

Absence of Judicial Oversight

No comparable asset-freezing mechanism in American law permits a private entity to restrict access to an individual's property for seven months without judicial involvement. Federal temporary restraining orders expire within 14 days and require a full court proceeding. Civil

[7] Nat'l Council on Aging, LeadingAge & Nationwide, *Addressing the Nation's Retirement Crisis: The 80%* (2024), https://www.ncoa.org/article/addressing-the-nations-retirement-crisis-the-80-percent-financially-struggling/.

asset forfeiture requires a warrant and affords the property owner a hearing. Even temporary guardianship, the closest legal analogy to restricting a person's financial autonomy, requires a court petition, notice, evaluation, and a hearing with the right to counsel.

By contrast, Rule 2165 requires only a member firm's internal "reasonable belief" of financial exploitation, a standard this Clinic has previously characterized as a very low bar, particularly because the review of facts and circumstances is conducted internally rather than by an outside regulatory agency. The Clinic's 2020 survey of 28 states with financial exploitation protections found the average total hold period was 24.82 business days[8], a figure the proposed 145-day maximum would exceed by nearly six times. In the majority of those states, an outside court or agency must initiate any extension beyond the initial hold, a safeguard entirely absent from FINRA's current proposal.

FINRA's own reasoning underscores this concern. In proposing Rule 2166's five-business-day "speed bump" for all customers, FINRA expressly acknowledged that the potential cost to investment opportunities increases as the length of the hold extends and cited concerns about impacts on customer autonomy. If five days warranted such caution for general fraud holds, the same reasoning applies with significantly greater force to a 145-day hold imposed on Specified Adults.

The Extension Rewards Government Dysfunction Rather Than Protecting Investors

The proposed extension's most troubling structural feature is that it conditions each 30-day increment on the member firm not having received a response from government authorities.

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[8] Letter from Alice L. Stewart & Rachael T. Shaw, Univ. of Pittsburgh Sec. Arb. Clinic, to Jennifer Piorko Mitchell, Off. of the Corp. Sec'y, FINRA (Nov. 25, 2020), https://www.finra.org/rules-guidance/notices/20-34 (follow "Comments" tab).

This creates a perverse incentive: the worse Adult Protective Services ("APS") agencies and other government authorities perform, the longer member firms can hold customer assets.

APS agencies across the country face well-documented resource constraints. In New York City, a 2025 Comptroller audit found caseworkers dropped 30% from 2019 to 2022, with some handling up to 90 active cases against a recommended target of 25–30. NYC APS rejected approximately 95% of referrals in early 2025 due to severe staffing shortages.[9] Nationally, federal funding for APS comes through Social Services Block Grants with no dedicated appropriation, leaving programs historically underfunded.[10]

FINRA's own 2020 survey data demonstrate that only approximately 28% of member firms reported matters taking more than 50 days to resolve, meaning the majority of matters resolve within the current 55-business-day maximum.[11] An APS non-response may indicate that the referral was screened out, deprioritized, or that the agency simply lacks the capacity to respond, not that ongoing exploitation demands continued asset restriction. The Clinic submits that the appropriate response to slow government action is to improve the speed and quality of government engagement with member firm referrals, not to extend the period during which a private, financially interested party may restrict an elderly investor's access to their own assets.

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[9] Press Release, N.Y. State Comptroller, DiNapoli: Help for Vulnerable Adults in NYC Falls Short (Oct. 2025), https://www.osc.ny.gov/press/releases/2025/10/dinapoli-help-vulnerable-adults-nyc-falls-short; David Brand, *NYC Agency Meant to Help Vulnerable Adults Rejected 95% of People Referred for Aid*, Gothamist (2025), https://gothamist.com/news/nyc-agency-meant-to-help-vulnerable-adults-rejected-95-of-people-referred-for-aid.

[10] Letter from Nat'l Adult Protective Servs. Ass'n to Jennifer Piorko Mitchell, Off. of the Corp. Sec'y, FINRA (Dec. 3, 2020), https://www.finra.org/rules-guidance/notices/20-34/comment/national-adult-protective-services-association-comment.

[11] FINRA, Regulatory Notice 20-34, Proposed Amendments to FINRA Rule 2165 and Retrospective Rule Review Report (Oct. 5, 2020), https://www.finra.org/rules-guidance/notices/20-34; *see also* FINRA, Regulatory Notice 26-02 (Jan. 8, 2026), https://www.finra.org/rules-guidance/notices/26-02.

Conflicts of Interest and Absence of Enforcement

The entity deciding whether to impose and extend a hold is the same entity that benefits financially from retaining assets under management. Member firms earn advisory fees, maintenance fees, and other revenue from assets in customer accounts. They also avoid the costs associated with account transfers to competitors. As this Clinic has previously argued, neither the current Rule 2165 nor the proposed amendments provide a safeguard that would prohibit member firms from taking advantage of a client by placing a hold on an account to financially benefit themselves, whether to report higher quarterly earnings, to prevent a customer from leaving their firm, or to continue earning maintenance fees.

This concern is compounded by the absence of any enforcement history. It does not appear that FINRA has ever brought an enforcement action for Rule 2165 misuse.[12] This enforcement vacuum may reflect either perfect compliance or inadequate oversight, but the absence of any external mechanism for detecting misuse strongly suggests the latter. Extending the hold period to 145 business days without first establishing a meaningful enforcement track record effectively expands a tool that has never been independently verified to be free from abuse.

Alternative Approaches

The Clinic respectfully submits that alternatives exist which would protect vulnerable investors without freezing their assets for the better part of a year. PIABA has consistently advocated requiring firms to report to APS and state regulators within seven business days of

[12] Letter from David P. Meyer, President, Pub. Invs. Arb. Bar Ass'n, to Vanessa A. Countryman, Sec'y, SEC (July 19, 2021), https://piaba.org/comment-letter-finra-proposed-rule-change-amend-rule-2165-financial-exploitation/.

placing any hold, and NASAA's Model Act, now adopted by over 34 jurisdictions, caps holds at approximately 25 business days with extensions available only at the direction of state regulators or courts.[13] This approach shifts the extension decision from a financially conflicted firm to an independent government agency.

Additionally, FINRA's own FAQ guidance already contemplates that holds may be placed on particular suspicious disbursements rather than entire accounts. Requiring member firms to target holds narrowly by restricting only the specific suspicious transaction or disbursement rather than freezing an entire account, would preserve an elderly investor's access to funds needed for living expenses, medical care, and regular bills.

The Clinic recommends that FINRA retain the current 55-business-day maximum, require mandatory APS or regulator reporting within a shorter timeframe, and mandate that any extensions beyond 55 days be directed by an outside government authority or court—not by the member firm itself. This approach would preserve the protective framework while ensuring that the burden of government dysfunction does not fall on the investors the rule is designed to protect.

New "Speed Bump" for Suspected Fraud

The Clinic supports FINRA's proposal to adopt Rule 2166, which would permit a member firm to impose a temporary delay of up to five business days on a transaction or disbursement when the firm reasonably believes a customer is being targeted by fraud. The

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[13] N. Am. Sec. Adm'rs Ass'n, Model Act to Protect Vulnerable Adults from Financial Exploitation (2016), https://www.nasaa.org/industry-resources/senior-issues/model-act-to-protect-vulnerable-adults-from-financial-exploitation/; Letter from David P. Meyer, President, Pub. Invs. Arb. Bar Ass'n, to Vanessa A. Countryman, Sec'y, SEC (July 19, 2021), https://piaba.org/comment-letter-finra-proposed-rule-change-amend-rule-2165-financial-exploitation/.

limited duration of the proposed rule will protect investors while also respecting customer autonomy.

A recurring feature of fraud schemes is a false sense of urgency and isolation.[14] Victims are pressured to act immediately and are discouraged from consulting family members or other trusted individuals. In these situations, the harm stems from the victim's lack of time to think through the situation, away from the perpetrator's influence. Behavioral research indicates that urgency and emotional arousal increase susceptibility to fraud, especially in older adults, and even brief pauses to reassess a transaction outside the influence of a perpetrator can reduce risk.[15] Proposed Rule 2166 directly addresses this issue by allowing a delay in the transaction process.

The Clinic agrees that a five-business-day delay is a sufficient and appropriate intervention window. The purpose is not to facilitate extended investigations, but to function as a cooling off period. The FBI highlighted the importance of this cooling off period in the "Take a Beat" campaign where they urged the public to resist pressure to act quickly, pause, and assess the situation.[16] Rule 2166 would facilitate this by allowing the firm to communicate with the customer, provide education regarding fraud schemes, and confirm the transaction aligns with the customer's informed intent. Even a short delay can change an outcome by spurring customers to reassess the situation once the initial emotional pressure has subsided.

The Clinic also supports the notice and documentation requirements included in the proposed rule. This promotes transparency and helps confirm that temporary delays are only

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[14] Press Release, FBI, FBI Announces Nationwide "Take A Beat" Campaign to Increase Awareness of Frauds and Scams (Aug. 19, 2024), https://www.fbi.gov/news/press-releases/fbi-announces-nationwide-take-a-beat-campaign-to-increase-awareness-of-frauds-and-scams.
[15] Katharina Kircanski et al., *Emotional Arousal May Increase Susceptibility to Fraud in Older and Younger Adults*, 33 Psych. & Aging 325 (2018), https://pmc.ncbi.nlm.nih.gov/articles/PMC6005691/.
[16] Press Release, FBI, *supra* note 14.

imposed when appropriate. Given that this rule will apply to customers of all ages, requiring firms to provide notice and documentation will help ensure that the rule is a narrow fraud prevention technique rather than an overbroad risk management tool.

For these reasons, the Clinic supports the adoption of the proposed Rule 2166 and agrees with FINRA's judgment that a five-business-day delay is an appropriate response to curtail urgency-based fraud schemes.

Conclusion

Thank you for this opportunity to comment on Regulatory Notice 26-02 - proposed fraud protection changes to further assist member firms in protecting customers from fraud and financial exploitation. The commentary above highlights the potential benefits and risks that our Clinic at the University of Pittsburgh School of Law foresees for our current and prospective clients, as well as for small investors in general.

Respectfully Submitted,

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January 14, 2026

Via Electronic Submission

Financial Industry Regulatory Authority (FINRA)
Office of the Corporate Secretary
Attention: Jennifer Piorko Mitchell
1735 K Street, NW
Washington, DC 20006-1506

Comment on FINRA Regulatory Notice 26-02: Rule Revisions to Help Member Firms Protect Senior Investors From Financial Exploitation and All Investors From Fraud

Dear Ms. Mitchell,

I submit this comment as an individual industry professional. I am a FINRA-licensed principal and the owner of the broker-dealer in the letterhead. But I am not writing on behalf of my firm. I am writing as a person who, despite decades in this industry, watched the system fail a vulnerable senior in real time.

The senior is my 91 year old mother.

In the spring of 2020, my brother co-opted my mother's investments as he removed her from her family home of 45 years and moved her into a senior living center. At this time, through the spring of 2022, and continuing until the spring of 2025, my brother emptied my mother's accounts at her local brokerage in Oklahoma and took control of her finances. He was the chosen power of attorney for my mother, but he had a history of criminal activity and alcohol abuse. I contacted that broker several times and warned him, telling him that I was concerned that my brother may financially exploit my mother. I raised red flags based on patterns of behavior, neglect of my mother's home, conversations with my brother, family dynamics, history of addiction and a family system built on coercion and emotional abuse. I was not speculating. I was observing a familiar and escalating pattern, even if I had no hard facts related to my mother's specific accounts.

The broker told me there was "nothing he could do" and that I had no standing because I was not my mother's power of attorney. Based on my understanding, the broker did not freeze account withdrawals nor account closures. I most certainly believe that the broker did not escalate this matter within his firm nor to his regulator. I don't know if he documented the events, but I have recently submitted a complaint so that FINRA can investigate the documentation. I am quite certain that the broker did not contact Adult Protective Services. Most importantly, he did not engage me in a meaningful inquiry — despite knowing that I was a licensed FINRA professional raising a senior-abuse concern. In fact, when I described my standing to him, he turned his back on me even more.

My brother ultimately depleted my mother's financial accounts and ended his life on May 5, 2025, after running out of money – hers and his.

Over the past eight months, I have administrated my brother's estate and have uncovered financial, tax and identity theft crimes and fraud, well beyond the exploitation of my mother. I have recovered some of my mother's financial assets, but not all.

This did not happen because FINRA lacked a rule. It happened because the rule did not create sufficient obligation to listen, to document, nor to act when the warning did not come from a "trusted contact" but from a family member and a person who knew the exploiter.

Family systems can involve addiction, coercion, emotional abuse and long-standing scapegoating dynamics that are not neutral. These systems can be hostile environments for vulnerable seniors. Abusers are often charming to outsiders and violent inside the family. The abuser presents as "the responsible child." They isolate the senior. They discredit the person who speaks up, even if she is a licensed broker, an owner of a broker-dealer… and the eldest child of the senior.

The broker in this case aligned himself with the aggressor because the aggressor was affable, loud and profitable. The person raising concerns - me - was inconvenient.

I respectfully suggest the following additions and clarifications to FINRA's framework:

1. Mandatory escalation when a licensed industry professional raises a senior-exploitation concern.
2. Required documentation when a broker declines to act under Rule 2165.
3. Broader definition of "source of suspicion."
4. Safe harbor for brokers who act on third-party warnings.
5. Training on family-based financial abuse.

I raised the alarm. I was ignored. The system let the wrong voice win.

Respectfully submitted,

Justine Tobin
Executive Representative and Founder

TOBIN
& COMPANY
SECURITIES

Subject: FW: [Redirected] Comments on Regulatory Notice 26-02 (Proposed Rule Revisions)

From: Alexander Yon **[REDACTED]**
Sent: Monday, March 09, 2026 11:45 AM
To: Comments, Public <Public.Comments@finra.org>
Subject: [Redirected] Comments on Regulatory Notice 26-02 (Proposed Rule Revisions)

WARNING: External Sender! Exercise caution with links, attachments and requests for login information.

To whom it may concern,

I am writing to submit my comments on **Regulatory Notice 26-02**. As an individual investor, I support efforts to protect investors from fraud, but I have serious concerns regarding the potential for these rules to be used as a means of "unjustified interference" under the guise of protection.

Specifically, regarding **proposed Rule 2166 (Temporary Delays)**:

1. **Transparency is Essential:** Any authority to delay transactions must be governed by clear and transparent standards. We have seen how lack of transparency in regulatory actions, such as the **U3 halt of MMTLP**, can cause devastating financial harm to retail investors, including many seniors.
2. **Prevention of Abuse:** Rules intended to "protect" investors should never be used to restrict legitimate access to their own assets or to shield market irregularities. The MMTLP situation remains a prime example of why more accountability, not just more restrictive authority, is needed from FINRA.
3. **Protection from Systemic Fraud:** While focusing on individual account fraud, FINRA must also prioritize protecting all investors from systemic fraud and market manipulation, which were core issues in the MMTLP/Next Bridge Hydrocarbons matter.

I urge FINRA to ensure that these new rules include strict oversight mechanisms to prevent the kind of investor distress seen in the MMTLP case.

Sincerely,

Alexander yon

MMTLP Investor / Individual Investor

EXHIBIT 5

Below is the text of the proposed rule changes. Proposed new language is underlined; proposed deletions are in brackets.

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0100. GENERAL STANDARDS

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0150. Application of Rules to Exempted Securities Except Municipal Securities

(a) through (b) No Change.

(c) Unless otherwise indicated within a particular Rule, the following rules are applicable to transactions in, and business activities relating to, exempted securities, except municipal securities, conducted by members and associated persons: Rules 0110, 0120, 0130, 0140, 0160, 0170, 0190, 1010, 1011, IM-1011-1, IM-1011-2, IM-1011-3, 1012, 1013, IM-1013-1, IM-1013-2, 1014, 1015, 1016, 1017, 1019, 1020, 1021, 1122, 1200 Series (other than Rules 1220(a)(5), (a)(6), (a)(7), (b)(4), (b)(5) and (b)(6)), 2010, 2020, 2030, 2040, 2060, 2070, 2080, 2081, 2090, 2111, 2122, 2130, 2140, 2150, 2165, 2166, 2210, 2211, 2212, 2213, 2214, 2216, 2220, 2231, 2232, 2261, 2263, 2264, 2266, 2267, 2268, 2269, 2270, 2272, 2273, 2320(g), 2360, 3100 Series, 3200 Series, 3300 Series, 4100 Series, 4210, 4220, 4230, 4310 Series, 4330, 4340, 4360, 4370, 4380, 4510 Series, 4520 Series, 4530, 4540, 4570, 4580, 4590, 5160, 5210, 5220, 5230, 5310, 5340, 6700 Series, 7730, 8100 Series, 8210, 8211, 8300 Series, 9000 Series, 12000 Series, 13000 Series, and 14000 Series.

(d) No Change.

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2000. DUTIES AND CONFLICTS

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2100. TRANSACTIONS WITH CUSTOMERS

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2165. Financial Exploitation of Specified Adults

(a) No Change.

(b) Temporary Hold on Disbursements or Transactions

(1) No Change.

(2) The temporary hold authorized by this Rule will expire not later than 15 business days after the date that the member first placed the temporary hold on the disbursement of funds<u>,</u> [or]securities<u>, or other assets</u> or the transaction in securities, unless otherwise terminated or extended by a <u>federal or </u>state regulator or agency of competent jurisdiction or a court of competent jurisdiction, or extended pursuant to paragraph (b)(3) of this Rule.

(3) Provided that the member's internal review of the facts and circumstances under paragraph (b)(1)(C) of this Rule supports the member's reasonable belief that the financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted, the temporary hold authorized by this Rule may be extended by the member for no longer than 10 business days following the date authorized by paragraph (b)(2) of this Rule, unless otherwise terminated or extended by a <u>federal or</u> state regulator or agency of competent jurisdiction or a court of competent jurisdiction, or extended pursuant to paragraph (b)(4) of this Rule.

(4) Provided that the member's internal review of the facts and circumstances under paragraph (b)(1)(C) of this Rule supports the member's reasonable belief that the financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted and the member has reported or provided notification of the member's reasonable belief to a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction, the temporary hold authorized by this Rule may be extended by the member for no longer than 30 business days following the date authorized by paragraph (b)(3) of this Rule, unless otherwise terminated or extended by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction, or extended pursuant to paragraph (b)(5) of this Rule.

(5) At the expiration of the temporary hold period authorized under paragraph (b)(4) of this Rule, a member may implement up to three additional extensions of 30 business days each, unless otherwise terminated or extended by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction, subject to the conditions below.

(A) A member may initiate each 30-business day extension under this paragraph (b)(5) only if:

(i) the member has made reasonable efforts to follow up with the relevant regulator or agency of competent jurisdiction or court of competent jurisdiction regarding the status of the reported matter;

(ii) the member has not received a response from the relevant regulator or agency of competent jurisdiction or court of competent jurisdiction requesting the member to extend or terminate the hold; and

(iii) the member continues to have a reasonable belief that financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted.

(B) The first extension under this paragraph (b)(5) requires the member to provide notification of the extension of the temporary hold, the reason for the extension, and the potential for the extension to last 90 business days (absent further extension by federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction) to:

(i) all parties authorized to transact business on the Account, unless a party is unavailable or the member reasonably believes that the party has engaged, is engaged, or will engage in the financial exploitation of the Specified Adult; and

(ii) the Trusted Contact Person, unless the Trusted Contact Person is unavailable or the member reasonably believes that the Trusted Contact Person has engaged, is engaged, or will engage in the financial exploitation of the Specified Adult.

(c) Supervision

(1) No Change.

(2) A member's written supervisory procedures also shall identify the title of each person authorized to place, terminate or extend a temporary hold on behalf of the member pursuant to this Rule. Any such person shall be an associated person of the member who serves in:

(A) a supervisory, compliance or legal capacity for the member; or

(B) a specialized senior investor protection or fraud prevention role with responsibilities that include, as appropriate, investigating, evaluating, escalating, and reporting potential financial exploitation of Specified Adults.

(d) Record Retention

Members shall retain records related to compliance with this Rule, which shall be readily available to FINRA, upon request. The retained records shall include records of: (1) request(s) for disbursement(s) or transaction(s) that may constitute financial exploitation of a Specified Adult and the resulting temporary hold; (2) the finding of a reasonable belief that financial exploitation has occurred, is occurring, has been attempted, or will be attempted underlying the decision to place a temporary hold on a disbursement or transaction; (3) the name and title of the associated person who[that] authorized the temporary hold on a disbursement or transaction; (4) notification(s) to the relevant parties pursuant to paragraphs (b)(1)(B) and (b)(5)(B) of this Rule; (5) the internal review of the facts and circumstances pursuant to paragraph (b)(1)(C) of this Rule; [and] (6) the reason and support for any extension of a temporary hold, including information regarding any communications with or by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction; and (7) for any extension under paragraph (b)(5) of this Rule, documentation of follow-up efforts, the lack of response from the relevant regulator or agency of competent jurisdiction or court of competent jurisdiction, and the member's continuing belief that financial exploitation of the Specified Adult has occurred, is occurring, has been attempted, or will be attempted.

• • • Supplementary Material: --------------

.01 through **.03** No Change.

.04 Relevant Authority Requests for Extension. A member may extend a temporary hold beyond the periods specified in this Rule upon the request of a federal or state regulator or agency of competent jurisdiction or court of competent jurisdiction. Such request need not be in the form of a formal order and need not be in writing. The member shall maintain a record of the relevant authority's request.

.05 Extensions Under Paragraph (b)(5). For purposes of paragraph (d)(7) of this Rule, documentation of follow-up efforts with the relevant regulator or agency of competent jurisdiction or court of competent jurisdiction shall include dates of communication attempts, methods used, and any communications received. The member shall maintain records demonstrating that it made reasonable efforts to determine the status of the referred matter.

.06 Notice to Relevant Parties. The notifications required under paragraphs (b)(1)(B) and (b)(5)(B) of this Rule shall include information about how the member can be contacted with questions or concerns about the hold.

.07 Account-Level Restrictions. To the extent a member places restrictions on an entire account when they have a reasonable belief of financial exploitation regarding a transaction or disbursement from the account, the member shall: (i) permit legitimate transactions or disbursements from the account in these circumstances (e.g., regular bill payments); and (ii) have procedures reasonably designed to permit such legitimate transactions and disbursements. A member may not avail itself of the Rule 2165 safe harbor if it blocks transactions or disbursements where there is not a reasonable belief of financial exploitation regarding such transactions or disbursements.

2166. Temporary Delays for Suspected Fraud

(a) Definitions

(1) For purposes of this Rule, the term "Account" shall mean any account of a member for which a customer has the authority to transact business.

(2) For purposes of this Rule, the term "customer" shall mean a natural person age 18 and older.

(3) For purposes of this Rule, the term "Trusted Contact Person" shall mean the person who may be contacted about the customer's Account in accordance with Rule 4512.

(4) For purposes of this Rule, the term "fraud" means a deceptive scheme perpetrated by a third party that targets a customer and results in a request for a disbursement of funds, securities, or other assets or a transaction in securities based on false or misleading information.

(b) Temporary Delay on Disbursements or Transactions

(1) A member may place a temporary delay on a disbursement of funds, securities, or other assets from the Account of a customer or a transaction in securities in the Account of a customer if:

(A) The member reasonably believes that fraud has occurred, is occurring, has been attempted, or will be attempted; and

(B) The member, not later than two business days after placing the temporary delay, provides notification, which may be oral, of the temporary delay and the reason for the delay to the customer. Members may choose to also notify other authorized parties and Trusted Contact Persons.

(2) The temporary delay authorized by this Rule will expire not later than 10 business days after the date that the member first placed the temporary delay, unless otherwise terminated or extended by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction.

(c) Supervision

(1) In addition to the general supervisory and recordkeeping requirements of Rules 3110, 3120, 3130, 3150, and Rule 4510 Series, a member relying on this Rule shall establish and maintain written supervisory procedures reasonably designed to achieve compliance with this Rule, including, but not limited to, procedures related to the identification and escalation of suspected fraud.

(2) A member's written supervisory procedures also shall identify the title of each person authorized to place or terminate a temporary delay on behalf of the member pursuant to this Rule. Any such person shall be an associated person of the member who serves in:

(A) a supervisory, compliance or legal capacity for the member; or

(B) a specialized customer protection or fraud prevention role with responsibilities that include, as appropriate, investigating, evaluating, escalating, and reporting suspected fraud targeting customers.

(d) Record Retention

Members shall retain records related to compliance with this Rule, which shall be readily available to FINRA, upon request. The retained records shall include records of: (1) request(s) for disbursement(s) or transaction(s) that may constitute fraud and the resulting temporary delay; (2) the basis for the reasonable belief of fraud; (3) the name and title of the associated person who authorized the temporary delay on a disbursement or transaction; (4) notification(s) to the relevant parties pursuant to paragraph (b)(1)(B) of this Rule; (5) any information provided to the customer or other parties in connection with the temporary delay; and (6) information regarding any communications with or by a federal or state regulator or agency of competent jurisdiction or a court of competent jurisdiction.

• • • Supplementary Material: --------------

.01 Applicability of Rule. This Rule provides members and their associated persons with a safe harbor from FINRA Rules 2010, 2150 and 11870 when members exercise discretion in placing temporary delays on disbursements of funds, securities, or other assets from or transactions in securities in Accounts consistent with the requirements of this Rule. This Rule does not require members to place temporary delays.

.02 Training. A member relying on this Rule must develop and document training policies or programs reasonably designed to ensure that associated persons comply with the requirements of this Rule.

.03 Relevant Authority Requests for Extension. A member may extend a temporary delay beyond the period specified in this Rule upon the request of a federal or state regulator or agency of competent jurisdiction or court of competent jurisdiction. Such request need not be in the form of a formal order or in writing. The member shall maintain a record of the relevant authority's request.

.04 Notice to Relevant Parties. The notification required under paragraph (b)(1)(B) of this Rule shall include information about how the member can be contacted with questions or concerns about the temporary delay.

.05 Account-Level Restrictions. To the extent a member places restrictions on an entire account when they have a reasonable belief of fraud regarding a transaction or disbursement from the account, the member shall: (i) permit legitimate transactions or disbursements from the account in these circumstances (e.g., regular bill payments); and (ii) have procedures reasonably designed to permit such legitimate transactions and disbursements. A member may not avail itself of the Rule 2166 safe harbor if it blocks transactions or disbursements where there is not a reasonable belief of fraud regarding such transactions or disbursements.

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4500. BOOKS, RECORDS AND REPORTS

4510. Books and Records Requirements

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4512. Customer Account Information

(a) through (c) No Change.

• • • Supplementary Material: --------------

.01 through **.05** No Change.

.06 Trusted Contact Person

(a) With respect to paragraph (a)(1)(F) of this Rule, at the time of account opening a member shall disclose in writing, which may be electronic, to the customer that the member or an associated person of the member is authorized to contact the trusted contact person and disclose information about the customer's account to address possible financial exploitation, to confirm the specifics of the customer's current contact information, health status, or the identity of any legal guardian, executor, trustee or holder of a power of attorney, or as otherwise permitted by Rules 2165 and 2166. Nothing in this Rule shall prevent a member from obtaining more than one trusted contact person from a customer. [With respect to any account that was opened pursuant to a prior FINRA rule, a member shall provide this disclosure in writing, which may be electronic, when updating the information for the account pursuant to paragraph (b) of this Rule either in the course of the member's routine and customary business or as otherwise required by applicable laws or rules.]

(b) through (c) No Change.

(d) When seeking to obtain or update trusted contact person information for a customer's account, a member may request the customer's authorization to apply the trusted contact person information to the customer's other accounts at the member in existence at the time or established subsequently, provided that the customer is offered the choice to assign the trusted contact person on an account-by-account basis rather than to all accounts.

(e) Alternative Terminology for Trusted Contact Person. For purposes of this Rule and Rules 2165 and 2166, a member may use the term "emergency contact" as an alternative to "trusted contact person." For example, "emergency contact" may be used when communicating with customers, in account documentation, forms, disclosures, and other customer-facing materials. Regardless of the terminology used, such contact persons serve the same function and are subject to the same requirements as set forth in this Rule and Rules 2165 and 2166. A member that chooses to use "emergency contact" for purposes of this Rule and Rules 2165 and 2166 shall ensure that its written supervisory procedures and training materials reflect that the terms "emergency contact" and "trusted contact person" have the same meaning and obligations.

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