Modernizing FINRA's Governance Structure to Better Support Its Mission

November 2, 2026

On November 2, 2026, FINRA filed with the U.S. Securities and Exchange Commission (SEC) amendments to its corporate By-Laws regarding the operation of its Board of Governors (Board). The amendments were approved by FINRA's current majority-public Board and supported by FINRA's member firms in a vote that concluded on October 9, 2026. The amendments, together with related changes to FINRA's other governing documents approved by the Board, will be published by the SEC for public comment and must be approved by the SEC in order to become effective.

BACKGROUND

FINRA is a private not-for-profit membership corporation organized under the laws of the State of Delaware, where it was originally incorporated as a nonstock corporation in 1936. It is also registered with the SEC as a "national securities association" under the Securities Exchange Act of 1934. In that capacity, FINRA is one of more than thirty self-regulatory organizations (SROs) responsible under federal law for regulating the conduct of their member firms under the supervision of the SEC. FINRA is not part of the government, and its operations are funded principally by its member firms, without taxpayer dollars.

FINRA's mission is to protect investors and safeguard the integrity of our vibrant capital markets so everyone can invest with confidence. All of its activities are overseen by its Board of Governors, which includes representatives from member firms of various sizes and business models, as well as public leaders with expertise in markets, technology, regulatory oversight, business, and law. The structure and operations of the Board are governed by FINRA's corporate By-Laws and related documents.

The SRO model for regulating broker-dealers has a long history in the United States, reaching back more than two centuries, and was incorporated into the federal securities laws by Congress about 90 years ago. Recognizing that complex, dynamic capital markets require informed, pragmatic oversight, the model combines the expertise and experience of member firms with robust federal supervision to create more responsive and effective front-line regulation for the benefit of the investing public. It draws on continuous engagement with investors, members, and other market participants to achieve greater visibility into emerging trends and risks. Ultimately, this model enables FINRA to develop better regulatory approaches, tools, and resources in service of our mission.

MODERNIZING GOVERNANCE

FINRA's By-Laws were last modified two decades ago when the National Association of Securities Dealers (NASD) and New York Stock Exchange Regulation combined to form FINRA. Since that time, there have been dramatic changes in markets, products and services, investor preferences and behaviors, member firm business models, technology, and other aspects of the environment in which the Board operates, warranting a fresh review of FINRA's Board composition and operations.

Following thorough deliberation, the Board voted to approve amendments to FINRA's By-Laws, and these amendments were subsequently approved by a vote of FINRA's members. The Board further approved related amendments to FINRA's other governing documents.

Collectively, these changes strengthen FINRA's SRO model by modernizing the Board's governance structure and operations, including its size and composition, term limits, and committees. They also provide greater flexibility to ensure the Board maintains the experience and expertise necessary for rapidly evolving markets. The changes include:

Reducing the size of the Board, which currently may have up to 25 Governors, to no more than 20. This more closely reflects governance practices for private organizations of comparable size and complexity and facilitates more meaningful deliberations.

Opening up member firm representation on the Board by converting three appointed, segment-specific member firm seats to three appointed, at-large member seats. This gives the Board greater discretion to add member representatives to fill gaps in experience or expertise not represented by sitting governors. It also increases opportunities for member firms of all sizes to serve on the Board.

Modernizing Board operations, such as by updating term limits and providing more flexibility to manage committees based on current needs, subject to minimum industry and public representation requirements.

Updating Board composition requirements to ensure the FINRA of today can fully realize the benefits of the SRO model, including by returning to a majority-member Board while preserving substantial public governor representation, with the number of member firm governors never exceeding the number of public governors by more than two.

As noted above, these changes are intended to enable FINRA to function more effectively as an SRO and thereby better serve its mission of investor protection and market integrity. The strength of the SRO model depends on its capacity to effectively leverage member firms' knowledge, experience, and insights. Doing so supports more thoughtful, informed, and effective front-line oversight of member firms for the benefit of investors, markets, and the wider industry.

Among other things, these changes will provide the Board with greater opportunities to incorporate into its deliberations practical member firm experience regarding emerging business practices and risks, including in new products and markets, while continuing to benefit from substantial public expertise and perspectives. More options to add member firm governors representing different business models will help the Board adapt to changes in a fast-moving industry. And a smaller Board and greater flexibility in its operations will also support more effective deliberation and decision-making.

PRESERVING SAFEGUARDS AND OVERSIGHT

The environment in which FINRA operates now is significantly different from when FINRA's predecessor, the NASD, adopted a majority-public Board. For example, NASD subsequently divested Nasdaq, eliminating certain market-related conflicts that existed at the time.

FINRA also now operates under more established safeguards designed to support the independence and integrity of its regulatory responsibilities. These include, in addition to substantial public Board representation, organizational guardrails, procedural rules and requirements, and other checks and balances to provide for robust and fair regulatory and disciplinary functions. In contrast to earlier NASD practices, today professional staff handle enforcement determinations under independent adjudicatory processes, without member involvement. They also handle membership eligibility decisions under established standards and procedures approved by the SEC.

Other safeguards include greater transparency into FINRA's regulatory operations, rulemaking, and finances that facilitates public feedback and accountability. Further, FINRA will continue to have an Audit and Risk Committee that is majority-public and chaired by a public governor. Among other duties, the committee is charged with overseeing independent audit and ombuds functions and can investigate issues of concern.

FINRA also operates under comprehensive SEC oversight that has expanded over the years to ensure FINRA acts in the public interest. FINRA must comply with applicable SEC rules, the Exchange Act, and other legal requirements. FINRA's own rule proposals or amendments generally must be filed with and approved by the SEC following publication by the SEC for public comment. FINRA's adjudicatory decisions are subject to de novo SEC review, and the SEC can affirm or modify FINRA actions, including sanctions. The SEC has the authority to write rules specifically governing FINRA, modify FINRA's rules, access FINRA's records, revoke FINRA's registration, bring enforcement actions against FINRA, and remove or censure FINRA governors and officers.

The SEC also now operates a dedicated team and program to continuously examine all of FINRA's functions and operations. And every three years, the Government Accountability Office evaluates the SEC's oversight of FINRA and reports its findings to Congress.

SUPPORTING FINRA'S MISSION

The amendments filed with the SEC will strengthen the important governance role of the Board and—consistent with the expectations of the SRO model—enable FINRA to draw more effectively on member firm expertise to support strong, agile, and effective front-line regulation that keeps pace with constantly evolving markets. With the implementation of these changes, FINRA's Board remains committed to ensuring that FINRA fulfills its mission of protecting investors and maintaining market integrity in a manner that facilitates vibrant capital markets.