

Progress Report on FINRA360

JUNE 2019

A REPORT FROM THE FINANCIAL INDUSTRY REGULATORY AUTHORITY

Message From the CEO

We launched FINRA360 in March 2017 with one overarching objective: to ensure that FINRA is operating as the most effective and efficient self-regulatory organization (SRO) we can be.

The time was right for us to begin such a review. In the 10 years since the NASD and NYSE Regulation merged to form FINRA, the industry and financial markets had changed significantly. And in traveling around the country and meeting with a broad range of stakeholders — including many of our members, as well as investors, investor advocates, regulators, trade associations and FINRA employees—I hear a lot about what FINRA is doing well and where there are opportunities for improvement.

FINRA360 provides a framework to address feedback, engage in thoughtful analysis to determine opportunities for improvement, and make changes that will produce a more effective, more efficient organization.

In analyzing the suggestions and comments we receive and deciding which ones to implement, we emphasize changes that benefit investors, promote compliance, address duplicate operations, enhance transparency, foster engagement or improve our day-to-day supervisory interactions with firms. We believe that these priorities provide us with a structure for analysis that ensures any changes we select for implementation have the greatest positive impact on FINRA, investors and the industry.

Our continuing work under FINRA360 also must reflect our unique identity as an SRO that stands at the intersection of regulation and industry. Our mission is investor protection and market integrity, and our task is to work with our members, investors and other stakeholders to cultivate a deep expertise in the securities industry that enables more effective regulation and promotes vibrant capital markets. As an SRO, for example, we are in a position to involve the industry more directly in our deliberations and thus benefit from its expertise on relevant matters, such as the different business models of firms and how they operate in practice, the complex and rapidly evolving securities markets in which they trade, and the concerns of the wide range of investors they serve. We can combine what we learn from the firms we regulate with the input we actively seek from the investing public and others representing them to strengthen our regulatory programs and develop solutions that are more practical, tailored and effective. And we can develop compliance tools and other resources to assist our members with fulfilling their regulatory obligations.

As indicated in the attached Progress Report, FINRA360 is resulting in significant change across the organization. This effort has involved hundreds of stakeholders and FINRA staff in an effort to improve our efficiency and operations. Major actions to date include:

- ▶ Integrating our two Enforcement programs into a single unified structure;
- ▶ Publicly releasing annual [Examinations Findings Reports](#) detailing our observations from the prior year's examinations;
- ▶ Publishing an annual summary of our [budget and of our financial guiding principles](#);
- ▶ Launching a [Small Firm Helpline](#) to address routine questions about FINRA and clarifying our interpretive process to provide clear answers on FINRA rules;
- ▶ Creating an Innovation Outreach Initiative and a new [Office of Financial Innovation](#) to address the growing activity in [FinTech](#);
- ▶ Increasing funding for training of examiners and regulatory coordinators;
- ▶ Updating the activities of our [advisory](#) and [governance](#) committees and enhancing our transparency regarding what they do and how interested parties can [get involved](#); and
- ▶ Transforming our risk monitoring and examination programs to integrate them into a single more effective, efficient and consistent program by, among other things, organizing the program around the business models of the firms we regulate to eliminate duplication and deliver exams that are more tailored to the risks of the firms' businesses.
- ▶ Continuing to conduct retrospective rule reviews to ensure rules remain relevant and narrowly tailored to achieve their regulatory objectives, in light of market, technological, regulatory and other environmental changes.

Even as we implement the ongoing change sparked by FINRA360, our staff remains focused on performing our many operational and oversight responsibilities, including examinations, surveillance and enforcement. And in the normal course of doing this work, we also have made many improvements to our operations that are not discussed in the attached report. To mention just a few examples, we continue to enhance our ability to identify and take action against brokers and firms that present heightened risk of fraud or investor harm. We also published a comprehensive paper providing perspectives on customer recovery of judgments and awards, with a particular focus on the arbitration forum operated by FINRA, while also issuing several rule proposals related to arbitration awards.

We have accomplished a great deal, but we still have much more work ahead of us as we continue this multi-year initiative. Expect more to come..

Robert Cook
President and Chief Executive Officer



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Operations

FINRA360 has yielded a number of organizational and operational changes aimed at making FINRA a more efficient, more effective regulator.

- ▶ [Changes to FINRA’s Enforcement Structure](#)
- ▶ [FINRA Examination Program Improvements](#)
- ▶ [FINRA Annual Budget Summary and Financial Principles](#)
- ▶ [Interim Report on Use of Fine Monies](#)
- ▶ [Data and Analytics](#)
- ▶ [Regulatory Operations Oversight Committee \(ROOC\)](#)
- ▶ [Enhancements to FINRA’s Disclosure Review Process Relating to Public Financial Records](#)
- ▶ [Central Registration Depository \(CRD\) Improvements](#)

Changes to FINRA's Enforcement Structure

Background

Until mid-2017, FINRA maintained two distinct enforcement teams within the organization—one handling disciplinary actions related to trading-based matters found through our market surveillance and trading examination programs, and the other handling cases referred from other regulatory oversight divisions within FINRA, such as sales practice examinations and our Office of Fraud Detection and Market Intelligence. Through FINRA360, we analyzed stated firm concerns that these dual programs sometimes resulted in duplication of effort and inconsistency of results.

In 2018, we combined FINRA's two enforcement teams into one, under the leadership of a new Executive Vice President of Enforcement reporting directly to the CEO, with a seat on FINRA's Management Committee. As part of the merger, FINRA initiated a department-wide restructuring that better aligns roles and responsibilities across the unified department, including new managerial and staff roles and new goals for all department staff that align with Enforcement's priorities.

“We built our integrated department with a focus on resolving cases with consistent, foreseeable outcomes designed to effect change—to incentivize compliance, to fix things that are broken, to make harmed customers whole and to prevent future harm from recurring.”

— Susan Schroeder, Executive Vice President, Enforcement, Speech at SIFMA Anti-Money Laundering & Financial Crimes Conference, February 12, 2018

These changes to FINRA's enforcement program are designed to reinforce this quintessential self-regulatory function. The unified structure improves FINRA's ability to streamline investigations, share information, enhance consistency and predictability and maximize our resources to protect investors and the markets. These changes will result in a more effective and efficient enforcement function that will enable the organization to vigorously and fairly enforce applicable rules.

In addition to taking important steps to complete the merger of the programs, the Executive Vice President of Enforcement has provided clear communication to the industry and general public of FINRA's approach to pursuing and resolving enforcement cases.¹

Summary of Actions

- ▶ Announced a new senior leadership team within Enforcement, consisting of experienced Enforcement professionals with a range of industry experience including management roles at the SEC, securities litigation experience with the Department of Justice and with law firms representing broker-dealers, and management in member firm compliance.
- ▶ Created a new senior management role responsible for reviewing the Enforcement docket holistically and identifying and escalating matters for discussion to ensure a cohesive organization-wide approach to novel or interpretive enforcement issues.
- ▶ Created a new division within Enforcement to support the new role responsible for centrally reviewing Enforcement's recommendations. This staff of experienced senior attorneys reviews certain Enforcement outcomes to ensure consistent escalation and resolution of enforcement issues.
- ▶ Established the Regulatory Actions Committee, a group consisting of the senior leaders of Market Regulation, Member Supervision, Enforcement and General Counsel. This group meets to discuss potentially noteworthy Enforcement outcomes and novel regulatory issues that might affect multiple departments.
- ▶ Clearly communicated to the industry and the public FINRA's approach to pursuing and resolving enforcement cases.
- ▶ Developed a new business process to centralize and enhance reviews of Enforcement's recommendations to achieve greater consistency and transparency in outcomes.
- ▶ Consolidated the Enforcement litigation docket to achieve a unified approach, strategic staffing and shared best practices in all FINRA disciplinary litigations.

FINRA Examination Program Improvements

Background

Examinations are central to FINRA's regulatory operations, and they are one of the principal means by which the organization protects investors and promotes market integrity. FINRA's examinations also aim to provide valuable feedback to firms on areas for improvement and best practices based on insights we have gathered from examining others in the industry.

FINRA has continuously sought to improve the effectiveness and efficiency of its examination programs, an effort that has accelerated under FINRA360. These efforts have focused on a number of objectives, ranging from moving away from a "one-size-fits-all" examination program to a more risk-based program, to identifying certain elements of the examination process that cause unnecessary friction in the day-to-day professional interactions between firms and examiners. After careful analysis and review of input from our member firms, staff, and other stakeholders, FINRA adopted, and continues to evaluate, new measures to enhance its examination programs with the goal of making FINRA a more effective, agile and risk-focused regulator.

Enhancing the Risk-based Examination Framework

FINRA is continuing to implement a risk-based framework designed to better direct and align examination resources to the risk profile and complexity of its member firms. In October 2018, we announced that we will consolidate our Examination and Risk Monitoring Programs ("Exam and Risk Monitoring Transformation Program"), integrating the separate financial, business conduct, and trading examination programs into a single, unified program to drive more effective oversight and greater consistency, eliminate duplication and create a single point of accountability for examinations and risk monitoring for each firm.

After careful consideration, we are moving toward a program structure that is based on the business models of the firms FINRA oversees. Firms will be grouped according to the business(es) in which they are engaged, while FINRA simultaneously groups its resources to engage in targeted examination and risk monitoring efforts. By directing our expertise and resources in a more tailored way, we will drive greater staff expertise and become more effective at examining for compliance. We have begun to implement a "roadmap" that thoughtfully and methodically builds toward this future structure, which is expected to be rolled out in phases beginning in 2020.

In each routine examination cycle, and as part of the Transformation Program, FINRA is evaluating how resources are deployed and ensuring that we direct our attention particularly to firms, branch offices, and registered representatives that pose greater risk. The changes already made and still planned to the examination and risk monitoring program are designed to result in more effective oversight of firms and greater overall integrity in the broader marketplace. They include:

- ▶ The depth and scope of examinations will more closely match the business model, activities and risks of the firm being examined, avoiding a "one-size-fits-all" approach, and aligning FINRA resources to account for a firm's complexity and risk profile.
- ▶ Firms that pose a greater risk because of their size, examination and disciplinary history, or approach to, among other things, business practices, hiring practices, due diligence, suitability, supervision, and financial and operational risks, will be examined more frequently.
- ▶ FINRA will continue to strengthen its risk-monitoring program, which informs FINRA's overall view of a firm, and drives the frequency and approach to examinations, by tailoring the risk assessment methodology and scoring to more closely align with the business models of firms.

- ▶ FINRA also will continue to leverage technology in its examinations to facilitate more work off-site and conduct more efficient, focused examinations while on-site. In particular, FINRA will continue its efforts to analyze specific data from a firm relative to its potential risks before arriving on-site, enabling the on-site portion of an examination to be completed with greater efficiency.

In addition to the above overarching changes and plans, FINRA made the following specific modifications to its examination program in 2019:

- ▶ Timing of exams has been updated to allow, where appropriate, for a reasonable period of time (3-6 months, depending on a firm's risk) between a firm's receipt of the prior year's examination report and the announcement of their next examination. This allows firms more time to evaluate FINRA's examination report and execute changes to address any findings.
- ▶ Examination Recommendations will no longer be included in Examination Reports. Examiners will convey Observations verbally with member firms. Observations, like findings and effective firm controls, represent information shared with Risk Monitoring for purpose of having a more holistic understanding of a firm.
- ▶ The risk assessment process for evaluating registered representatives has been enhanced to determine who will be monitored or examined in the coming year. As a result of this assessment, double the number of registered representatives were put in scope for 2019.
- ▶ The existing three examination programs are being consolidated to eliminate duplication in examinations.

Improving Information Sharing With Member Firms

FINRA recognizes that the information developed during the course of risk monitoring and examinations can be useful for member firms looking to improve their compliance efforts and proactively remediate potential risks. Accordingly, FINRA endeavors to provide information-sharing channels and develop new means for member firms to benefit from our broader regulatory insights that transcend individual examination interaction. These efforts include:

- ▶ Publishing an annual Examination Priorities Letter to provide member firms and other stakeholders with insight into FINRA's upcoming areas of focus.
- ▶ Publishing an annual Examination Findings Report that identifies common findings across recent examinations and provides general observations on effective controls and practices FINRA has observed at member firms.
- ▶ Maintaining a Small Firm Helpline to augment the relationships of small firms with their regulatory coordinators, and to provide clear answers to firms on FINRA rule interpretations.
- ▶ Making the examination management team available to a member firm throughout its examination, clearly identifying the key individual managers prior to the beginning of the examination, and encouraging firms with questions or concerns to reach out to these managers.³
- ▶ Facilitating a dialogue between the examination team and the firm regarding examination findings. Absent ongoing investor harm, this includes providing the firm with transparency about the nature of any preliminary findings and offering the firm a reasonable opportunity to respond before FINRA makes any final decisions on exceptions and disposition of the matter.
- ▶ Holding forums to maintain ongoing communication regarding the examination and risk-monitoring program.

Improving Processes for Information Requests

FINRA also recognizes that the process of collecting and submitting information required for an examination can require a significant investment of time and resources by member firms. Making information requests more focused improves FINRA's communications with firms and results in the production of information more on point for what FINRA is seeking in its examinations and risk monitoring programs. In addition, FINRA is committed to being flexible where it can be with the manner in which information is requested from, and produced by, member firms. It does this by:

- ▶ Reviewing its protocols for setting the scope of information requests and taking steps to appropriately match the time provided for a response to the scope of the request.
- ▶ Using Request Manager⁴ for all information requests made in connection with examinations. FINRA has extended its use of Request Manager to requests from regulatory coordinators with respect to their monitoring responsibilities wherever possible. While FINRA may make information requests of a firm outside of an examination using means other than Request Manager, FINRA will continue to seek to minimize such instances.
- ▶ Enabling firms (as many have requested) to designate a single point of contact for all communications about examinations.
- ▶ Providing firms flexibility as to the data format they use to submit data in response to targeted information requests, and seek wherever practical to accept data in the format (e.g., Excel) in which a firm retains it. FINRA is committed to working with firms to address any practical challenges arising from differences between the data format used by a firm or its vendor and the format requested by examiners.
- ▶ Making information requests that clearly identify the FINRA department or exchange client making the request.⁵

Improving Examiner Expertise in Member Firm Operations and Risks

Effective examinations depend on an examination staff that is conversant in the operations and risks of the firms that are being examined. As firms and markets continuously evolve, so too must the skill set of FINRA examiners. Accordingly, FINRA is expanding its efforts to ensure that the training and support it provides its examiners and other FINRA staff are sufficient for the work demanded in this ever-changing environment. These efforts include:

- ▶ Designing a uniform training program for new examiners, and enhancing examiner training broadly to improve understanding of different business models and risks.
- ▶ Providing opportunities for its staff to take the licensing tests it administers for industry participants, including the Securities Industry Essentials Exam that was implemented on October 1, 2018.
- ▶ Exploring new ways to leverage the expertise of firms, fellow regulators and other market participants to help better train staff.
- ▶ Developing additional examiner "specialization" to ensure staff are able to effectively assess risks inherent to certain business models and activities.

Summary of Our Key Actions and Plans

Tailoring of Examination and Risk Monitoring Programs to the Business Models of Member Firms

- ▶ Designed and began implementing a “roadmap” that thoughtfully and methodically builds toward an integrated examination program for 2020 and beyond.
- ▶ Strengthened, and will continue to enhance, FINRA’s risk-monitoring program to support the enhanced examination framework.
- ▶ Align FINRA Examination and Risk Monitoring staff to new firm groupings to further develop expertise in the business models of those firms.

2019 Examination Program Changes

- ▶ Established longer window between end of prior, and start of new, examinations to allow time for remediation and improvement in a firm’s controls.
- ▶ Eliminated written Recommendations in examination reports. Verbal Observations will be provided, giving firms information about effective practices to improve controls.
- ▶ Improved coordination across three existing examination programs to eliminate duplication.

More Focus and Flexibility in Examination Information Requests

- ▶ Enhance Request Manager by (1) using it for all information requests in connection with examinations, (2) including requests from regulatory coordinators with respect to their monitoring responsibilities, wherever possible, and (3) enabling firms to designate a single point of contact for all communications about examinations.
- ▶ Review protocols for setting the scope of information requests.
- ▶ Provide firms flexibility as to the data format they use to submit data in response to targeted information requests, and seek wherever practical to accept data in the format (e.g., Excel) in which a firm retains it.

Staff Development to Foster more in-depth Knowledge and Subject Matter Expertise

- ▶ Build a uniform training program for new examiners and enhance examiner training broadly to improve understanding of different business models and risks.
- ▶ Provide opportunities for examiners to take the licensing tests FINRA administers for industry participants, including the Securities Industry Essentials Exam.
- ▶ Explore new ways to leverage the expertise of firms, fellow regulators and other market participants to help better train staff.

Improved Communications with Member Firms

- ▶ Published [Examination Findings Report](#) and [Cybersecurity Report](#), and streamlined our [Examination Priorities Letter](#) to highlight new/critical areas of focus.
- ▶ Implemented a [Small Firm Helpline](#) to further facilitate small firms’ ability to obtain information from FINRA about their questions and issues of concern, and clarified FINRA’s interpretive process to provide clear answers to firms and the public on FINRA rules.

FINRA Annual Budget Summary and Financial Principles

Background

Input from our stakeholders indicated that they would welcome greater transparency regarding FINRA's budget, especially its financial projections and potential use of fines. FINRA for many years has published an Annual Financial Report that is prepared and audited in accordance with GAAP6 that describes the prior year's finances and operations. In the interest of promoting greater transparency regarding our operations, and following FINRA360 review, FINRA in January 2018 began publishing an annual summary of its budget, (see Annual Budget Summaries). In addition, FINRA also published an overview of its supporting [Financial Guiding Principles](#).

Budget Summary

The Annual Budget Summary discusses FINRA's anticipated revenue and expenses each year. The Summary provides information on the sources and uses of revenue and illustrates budget trends over the past few years. It provides a forward-looking approach to budget information that corresponds with the lookback approach of the Annual Financial Report.

Financial Guiding Principles

FINRA also published a discussion of the financial principles that guide its financial planning and that are used to construct the budget. The Principles include an emphasis on:

- ▶ funding FINRA's mission to protect investors and promote market integrity;
- ▶ promoting financial transparency, building on FINRA's audited annual financial report by adding a forward-looking annual budget summary;
- ▶ managing expenses responsibly, including employee compensation and capital initiatives;
- ▶ maintaining reasonable member fees, increasing them only after evaluating other potential sources of funding (such as drawing down on excess reserves) and determining that expenses are appropriate to meet regulatory responsibilities;
- ▶ using fines to promote compliance and improve markets, as well as introducing enhanced governance procedures that account separately for fine monies, limit their use to specified purposes approved by the Board of Governors or its Finance Committee, and require that they be itemized and disclosed on an annual basis; and
- ▶ sustaining appropriate financial reserves, with a goal of maintaining reserves equal to at least one year of expenditures.

Publication of the Financial Guiding Principles and an Annual Budget Summary provides more transparency about how FINRA manages its financial resources in order to fulfill its regulatory responsibilities and further its mission.

“As a not-for-profit, self-regulatory organization whose operations are funded by industry fees—without the support of any taxpayer dollars—we must prudently manage our finances to ensure we can fund our mission to protect investors and promote market integrity in a manner that facilitates vibrant capital markets.”

— FINRA Chairman Bill Heyman and FINRA CEO Robert Cook, letter accompanying FINRA 2018 Annual Budget Summary and Financial Guiding Principles

Summary of Actions

- ▶ Publication of the Annual Budget Summary.
- ▶ Publication of FINRA's Financial Guiding Principles that guide the development of FINRA's budget.

Interim Report on Use of Fine Monies

Background

FINRA's highest priority when it identifies misconduct is to seek restitution for harmed investors. However, like many other self-regulatory organizations in the securities industry, FINRA also imposes fines on its members to discourage further misconduct. Fine amounts are based on public, pre-established guidelines and the facts and circumstances of the individual case. FINRA does not target any minimum amount of fines to be collected. FINRA does not budget for fines in its operating budget, and fine monies are not considered in determining employee compensation and benefits.

FINRA policy has long required that fine monies be allocated to capital and strategic initiatives. In January 2018, we updated and enhanced this policy as part of a broad review of FINRA's financial resources that we undertook under the FINRA360 organizational improvement initiative. The Financial Guiding Principles and summary of our budget, which we release annually, provide more transparency about how we manage our financial resources to ensure we fulfill our regulatory responsibilities and further our mission. With respect to fine monies, these Principles also adopted enhanced governance procedures, usage restrictions and transparency requirements.

Beginning with the 2018 fiscal year, fine monies are now accounted for separately and any use of fine monies must be approved, separately from other expenditures, by FINRA's Board or its Finance, Operations and Technology Committee (Finance Committee). The Board or Committee may authorize the use of fine monies only for one of four enumerated purposes:

- ▶ capital/initiatives or nonrecurring strategic expenditures that promote more effective and efficient regulatory oversight by FINRA (including leveraging technology and data in a secure manner) or that enable improved compliance by member firms;
- ▶ activities to educate investors, promote compliance by member firms through education, compliance resources or similar projects, or ensure our employees are highly trained in the markets, products and businesses we regulate;
- ▶ capital/initiatives required by new legal, regulatory or audit requirements; and
- ▶ replenishing reserves in years where such reserves drop below levels reasonably appropriate to preserve FINRA's long-term ability to fund its regulatory obligations.

The Financial Guiding Principles state that we will itemize and disclose our use of fine monies on an annual basis. Following an interim report (<https://www.finra.org/about/interim-report-use-2017-fine-monies>) in June 2018 describing how we used fine monies collected in 2017, we published a complete report in 2019 addressing how we used fine monies that were collected in 2018.

Summary of Actions

- ▶ Published annual report on the use of fine monies.

Data and Analytics

Background

Advanced data analytics is a critical function within FINRA and an important component of our efforts to be a risk-based and data-driven organization.⁷ This work, which supports our examination, surveillance and enforcement functions among others, is conducted in a number of areas throughout FINRA, but primarily within Market Regulation Surveillance, Research, Methodology, and Governance (SRMG), the Regulation Operations Advanced Analytics Team (AAT), the Office of the Chief Economist (OCE), and Technology.

Given the importance of this function, as part of FINRA360, we reviewed our current structure and decided to enhance the communication between the business and technology elements engaged in this activity. Going forward, the teams engaged in advanced data analytics will form an integrated community to maximize the benefits of the investment FINRA has made, and continues to make, in this area.

“Trading activity in the stock, bond and options markets creates a variety of electronic records that we monitor for regulatory purposes. To do our job of protecting investors and ensuring market integrity, it’s important that we are on top of each day’s activity, applying our automated surveillance patterns to help our analysts look for potentially suspicious activity—instead of running to catch up.”

— Steven J. Randich, Executive Vice President and Chief Information Officer, FINRA Blog Post, March 17, 2018

Governance for data analytics is based on a “hub and spoke” structure that includes business stakeholders, all advanced analytics groups and applicable technology support groups. The different groups act in many respects as a single team, sharing information and collaborating across the underlying business units to leverage their expertise for the entire organization. This new model strengthens FINRA’s advanced data analytics function by ensuring and promoting:

- ▶ increased coordination, communication and transparency across advanced data analytic groups;
- ▶ partnership for introducing newer technologies, tools and techniques and sharing best practices;
- ▶ better alignment of domain specific knowledge and business priorities across the advanced data analytic groups;
- ▶ consistent technology support for all advanced analytic groups;
- ▶ thought leadership empowerment through better coordination; and
- ▶ the ability for the “spokes” and Technology to continue to produce cutting edge analytical tools and programs to enable FINRA to better protect investors and promote market integrity.

Our ultimate goal is to have an integrated approach to data analytics that avoids duplication, translates data into real results and supports coordinated contributions from all the various groups engaged in this activity.

The second part of the Analytics Program is to gather innovative ideas related to analytics and analytical tools from across the organization and provide resources for further development through preliminary funding and support from business and technology teams committed to quickly exploring their potential. The overall goal of the program is to help us speed up the process to develop ideas from concept to prototype—increasing our ability to innovate. This program is already being used to demonstrate the viability and fund initial development of projects identified through FINRA's annual technology Createathon.

Summary of Actions

- ▶ Established a governance structure to formalize and improve the communication and collaboration across the existing teams to form an integrated community. The governance structure includes business stakeholders, all advanced analytics groups and applicable technology support groups.
- ▶ Provide initial funding and development support for innovative ideas related to analytics.

Regulatory Operations Oversight Committee (ROOC)

Background

In March 2017, FINRA's Board of Governors established a new standing committee, the Regulatory Operations Oversight Committee (ROOC), to advise and assist the Board in providing oversight on FINRA's regulatory operations, and supplementing FINRA's broader self-evaluation through FINRA360. This includes providing guidance on the full breadth of FINRA's regulatory operations, including Member Supervision, Market Regulation and Enforcement, among others. The ROOC does not engage in discussions regarding individual enforcement matters.

Summary of Actions

- ▶ Established a new standing committee, the Regulatory Operations Oversight Committee (ROOC), to advise and assist the Board.

Enhancements to FINRA's Disclosure Review Process Relating to Public Financial Records

Background

A critical part of the registration process in the securities industry is the background investigation of applicants for registration and the timely and accurate reporting of information to the Central Registration Depository (CRD) system via the Form U4 (Uniform Application for Securities Industry Registration or Transfer).

When a firm wants to hire a registered representative, it must fill out and submit a Form U4, the uniform registration application, to the CRD, the database for the registrations of firms and individuals in the brokerage industry. Form U4 includes a variety of information on a representative, including financial disclosures, and is used by FINRA and federal and state regulators for licensing and other purposes. The information is also made available to investors through BrokerCheck.

Individual brokers are responsible for providing the necessary information to complete Form U4. In addition, as part of their supervisory obligations, firms must currently validate that the disclosure questions are answered correctly, including financial disclosures regarding bankruptcies, judgments and liens. This requirement has resulted in firms hiring vendors to perform public record checks with respect to those financial disclosures. Separately, several years ago, FINRA adopted a practice of checking public financial records itself to ensure accuracy with the financial disclosure questions, essentially performing the same review as firms, but on an annual basis.

As of July 2018, FINRA now conducts its public records review at the time that a Form U4 is submitted and contacts the applicant's firm within 15 calendar days of the application if that review indicates that information on the Form U4 may be missing or contains discrepancies. If notified by FINRA of a potential deficiency, the firm must then investigate, and if the information is reportable, submit an amended Form U4.

With this new process, FINRA aims to ensure that firms can more readily accomplish its reporting obligations and that the data collected in CRD and made available to investors through BrokerCheck is more current and reliable. FINRA estimates that firms will save a combined \$1.5 million to \$3 million per year by avoiding search fees charged by vendors and fees assessed by FINRA for late filings.

To date, these enhancements: (1) reduced the costs to firms associated with conducting these public records checks; (2) resulted in more timely reporting of disclosure information to the benefit of regulators, investors and firms, with financial disclosure being provided to BrokerCheck 62% faster than the previous year; and (3) resulted in a significant reduction (45%) of late disclosure fees related to judgments and liens.

While firms can rely on the financial public record reviews performed by FINRA to satisfy the applicable part of FINRA Rule 3110(e) (Responsibility of Member to Investigate Applicants for Registration), FINRA's review does not relieve firms or registered representatives of their duty to keep their records up to date. Firms should review FINRA's May 18, 2018, [Information Notice - Enhancements to FINRA's Disclosure Review Process Relating to Public Financial Records](#), for additional information.

Summary of Actions

- ▶ Published [*Information Notice 5/18/18*](#), detailing enhancements to FINRA's disclosure review process.
- ▶ Enhanced the disclosure review process to enable FINRA to conduct a public records search of information relating to bankruptcies, judgments and liens within 15 calendar days from the date of an applicant's initial or transfer Form U4.
- ▶ Implemented process to notify member firms if FINRA's search reveals information different from what was reported in an applicant's Form U4.

Central Registration Depository (CRD) Improvements

FINRA has initiated a multi-phased effort to overhaul its registration and disclosure programs, including the Central Registration Depository (CRD) — the central licensing and registration system that FINRA operates for the U.S. securities industry and its regulators, and that provides the backbone of BrokerCheck. In June 2018, we implemented the first phase of the transformation through a new WebCRD interface that highlights important information or activities requiring the immediate attention of firms, branches and individuals.

The transformation aims to increase the utility and efficiency of the registration and disclosure process for firms, investors and regulators, as well as reduce compliance costs for firms. The redeveloped registration systems will facilitate more efficient interaction for users and leverage information from other FINRA regulatory programs, resulting in a more accurate and complete set of information about registered individuals, branches and firms, thereby enhancing firm compliance programs and reducing compliance costs. The transformation also allows FINRA to leverage the information security benefits of cloud-based technology for the programs.

The changes are being made in response to feedback FINRA received through various channels, including via recommendations from firms in response to FINRA's 2017 Special Notice on Engagement. FINRA is working closely with member firms throughout the multi-year project, and will continue to solicit their input and feedback to ensure the enhanced systems are effective.

Summary of Actions

- ▶ Released first set of enhanced features, including Activities, Reports and Quick Links.
- ▶ Introduced enhancements and presentation changes in the Central Registration Depository (CRD) system that relate to the implementation of FINRA's restructured qualification examination program and the adoption of consolidated FINRA registration rules. These changes principally affect the Examination Requests and SRO Registrations sections.

Regulatory Policy

FINRA has made a number of changes in the area of regulatory policy to improve the policy development process and better ensure that our rules reflect current industry dynamics.

- ▶ [Retrospective Rule Review](#)
- ▶ [Qualification Exam Restructuring](#)
- ▶ [Capital Raising](#)

Retrospective Rule Review

Background

FINRA believes that it is appropriate, after a reasonable period of time, to look back at its significant rulemakings to determine whether a FINRA rule or rule set is meeting its intended investor protection objectives by reasonably efficient means. These retrospective reviews look at the substance and application of a rule or rule set, including any unintended consequences, as well as FINRA's processes to administer the rules. The goals of our retrospective rule review program are fully aligned with the overall objectives of FINRA360, and thus advancing and accelerating this program have become key components of the organizational review.

“There’s a discipline to asking certain kinds of questions when you are going to do a regulatory intervention...Getting in the practice of asking those questions makes us a better regulator.”

— Jonathan Sokobin, FINRA Chief Economist, Remarks from FINRA Unscripted Podcast, November 6, 2017

The following rules are being reviewed as part of our retrospective review program.

Business Continuity Plans

FINRA is conducting a retrospective review of Rule 4370 (Business Continuity Plans and Emergency Contact Information), FINRA's emergency preparedness rule. Rule 4370 requires a member firm to create, maintain, annually review and update upon any material change a written business continuity plan identifying procedures relating to an emergency or significant business disruption. The rule was adopted after the events of September 11, 2001, to help ensure that member firms would be able to continue their business operations in the event of such disruptions. FINRA began the assessment by seeking public comment in [Regulatory Notice 19-06](#) on the effectiveness and efficiency of the rule.

Annual Compliance Meeting

FINRA initiated a retrospective review of Rule 3110 (Supervision) to assess its effectiveness and efficiency. Rule 3110 governs annual compliance meetings and requires each registered representative and registered principal to participate, at least once each year, in an interview or meeting at which compliance matters relevant to the particular representative or principal are discussed. FINRA began the assessment by seeking public comment in [Regulatory Notice 18-14](#) on the effectiveness and efficiency of the rule and is in the process of evaluating the input received during the assessment from a broad range of stakeholders.

Outside Activities

In May 2017, FINRA launched a retrospective review of its outside business activities and private securities transactions rules to assess their effectiveness and efficiency. These rules serve important goals: They seek to protect the investing public when a member's registered or associated persons engage in potentially problematic activities that may be unknown to the member but could be perceived by the investing public as part of the member's business. An ancillary benefit is that the rules protect the member from resulting reputational and litigation risks.

The retrospective rule review confirmed the continuing importance of rules relating to outside activities, but also indicated that the current rules, as well as related guidance, could benefit from changes to better align their investor protection goals with the current regulatory landscape and business practices. In particular, FINRA received significant feedback on members' obligations with respect to the investment advisory activities of their registered persons.

Consistent with a number of recommendations by stakeholders during the retrospective review, FINRA issued [Regulatory Notice 18-08](#) proposing a single streamlined rule to address the outside activities of registered persons. The proposed rule would clarify the obligations in this area and reduce unnecessary burdens while strengthening protections relating to activities that may pose a greater risk to the investing public.

Member Application Program (MAP) Rules

FINRA closely reviews applications to become a new member of FINRA, and to make material changes to an existing member's operations, through our Membership Application Program (MAP). The purpose of this review is to screen out firms that may present a serious threat to investors and to impose conditions on members to help protect their customers. The review also seeks to assure that new firms or firms making material changes to their operations are prepared to comply with our rules and the federal securities laws before they begin these operations.

Dedicated staff (MAP Group) reviews the applications and either approves or rejects each application to become a new member or change business operations. These MAP group determinations are subject to review and the firm may appeal adverse determinations to the National Adjudicatory Council (NAC), the SEC and the courts. While the membership application function represents a key self-regulatory function that provides important investor protections, it has generated a number of questions, which prompted our retrospective review of the MAP rules.

During the assessment phase of the retrospective review, commenters supported the core MAP function, while suggesting important changes to clarify the MAP rules and streamline the administrative process. These suggestions were consistent with enhancements to the MAP process that we have been implementing in recent years, including establishing a "fast track" review process, improved applicant outreach and better transparency between applicants and FINRA. In response to the latest comments, FINRA is considering additional changes to the MAP rules and processes.

In response to the issues raised by stakeholders during the assessment phase, FINRA's Board of Governors approved a proposal that would, among other changes:

- ▶ restructure and streamline the MAP rules;
- ▶ codify current MAP practices to reduce the overall application review period from 180 days to 150 days; and
- ▶ modify the MAP process by, among other things:
 - ▶ clarifying the events that would require a continuing membership application (e.g., change in ownership or control);
 - ▶ clarifying the ability of the MAP Group to lapse and reject applications; and
 - ▶ eliminating the ability of the MAP Group to impose interim restrictions pending review.

Carrying Agreements

FINRA has launched a retrospective review of FINRA Rule 4311 (Carrying Agreements). Rule 4311 governs requirements applicable to members when entering into agreements for the carrying of customer accounts. The rule in its current form was approved by the SEC in 2011 and is the consolidated successor to former NASD and NYSE rules that had governed this area. Broadly, Rule 4311 prohibits a member, unless otherwise permitted by FINRA, from entering into an agreement for the carrying of any customer account in which securities transactions can be effected unless the agreement is with a carrying firm that is a FINRA member. Firms are permitted to allocate between themselves responsibility for functions as enumerated in the rule. For example, a smaller firm can maintain relationships with its customers and take responsibility for opening accounts and accepting orders from its customers, while the carrying firm takes responsibility for the extension of credit, the receipt and delivery of funds and securities and safeguarding funds and securities. [Regulatory Notice 18-10](#) asks a series of questions regarding the implementation and impact of Rule 4311. This retrospective rule review may be of particular interest to smaller firms, most of which rely on carrying agreements to discharge core operational and compliance obligations.

Communications with the Public

FINRA engaged in a retrospective review of its communications with the public rules to assess their effectiveness and efficiency. The retrospective review led to significant changes to the advertising review program:

- ▶ In 2015, FINRA issued [Regulatory Notice 15-17](#) that provided guidance to members on the communications with the public rules. Much of the guidance is derived from questions received in the retrospective review.
- ▶ In 2016, FINRA amended our communications with the public rules to eliminate filing requirements for various types of communications, including investment company shareholder reports, backup material for investment company rankings and comparisons, and generic investment company communications. As a result of these changes, the volume of filings with the Advertising Regulation Department has declined significantly.
- ▶ In October 2017, FINRA upgraded its Advertising Regulation Electronic Files (AREF) System, a web-based application available through the FINRA Firm Gateway that enables firms to electronically submit communications with the public for review by FINRA. The upgrade allows firms to file webpage and website communications in their native format (e.g., html).
- ▶ In April 2017, FINRA published [Regulatory Notice 17-18](#), our third notice that provides guidance to members on their use of social media. FINRA continues to be in the forefront among regulators in providing guidance to firms on this increasingly important form of communication.
- ▶ In February 2017, FINRA published [Regulatory Notice 17-06](#), seeking comment on a proposal to permit firms to distribute customized hypothetical planning illustrations that include projected performance of an asset allocation or other investment strategy, subject to specified conditions. FINRA staff continues to pursue the proposal, taking into consideration the comments received.

Payments for Market Making

FINRA has initiated a review of Rule 5250 (Payments for Market Making), which generally prohibits members or their associated persons from accepting any payment or other consideration from an issuer for engaging in market making and related activities. FINRA began the assessment by seeking public comment in [Regulatory Notice 17-20](#) on the effectiveness and efficiency of the rule and is in the process of evaluating the input received from a broad range of stakeholders.

Capital Raising

FINRA also carefully examined its rules regarding capital raising. There have been significant developments recently in the mechanisms companies use to raise capital through securities offerings. FINRA believes it is essential that its oversight also evolve where appropriate to ensure that important investor protections are preserved without impeding capital formation. The results of FINRA's review of its capital raising regulations are discussed in greater detail in the broader "Capital Raising" section of this report below.

Remote Branch Office Inspections

Another issue we are studying through the lens of FINRA360 is branch office inspections. Over the last few years, and in comments we have recently received, firms have raised questions about the manner in which they must conduct internal inspections, particularly for those offices or locations with a limited number of associated persons or where only operational or limited supervisory functions take place. FINRA requested comment on a proposal in [Regulatory Notice 17-38](#) that would give firms the option to fulfill their obligations under Rule 3110(c) by conducting a remote inspection of a "qualifying office," in lieu of a physical, on-site inspection of such office. FINRA staff is revising the proposal based on comments received and discussions with SEC staff.

Summary of Actions

- ▶ Published [*Regulatory Notice 19-06*](#) reviewing Rule 4370 (Business Continuity Plans and Emergency Contact Information), FINRA's emergency preparedness rule, to assess its effectiveness and efficiency.
- ▶ Published [*Regulatory Notice 18-14*](#) reviewing Rule 3110 (Supervision), governing annual compliance meetings to assess its effectiveness and efficiency.
- ▶ Published [*Regulatory Notice 18-08*](#) proposing a single streamlined rule to address the outside business activities of registered persons.
- ▶ Published [*Regulatory Notice 18-10*](#) requesting comment on the effectiveness and efficiency of FINRA Rule 4311 (Carrying Agreements).
- ▶ Upgraded the AREF System to accept the submission of website or web page communications in their native format to FINRA for review.
- ▶ Published [*Regulatory Notice 17-18*](#) to provide guidance regarding the application of FINRA's communications with the public rules to digital communications, in light of emerging technologies and communications innovations.
- ▶ Published [*Regulatory Notice 17-06*](#) seeking comment on a proposal to permit a firm to distribute customized hypothetical planning illustrations that include the projected performance of an asset allocation or other investment strategy, subject to specified conditions.
- ▶ Published [*Regulatory Notice 17-41*](#) seeking comment on the effectiveness and efficiency of Rule 5250 (Payments for Market Making).
- ▶ Published [*Regulatory Notice 17-14*](#) requesting comment on the effectiveness and efficiency of the rules, operations and administrative processes governing broker-dealer activities related to the capital-raising process and their impact on capital formation.
- ▶ Issued [*Regulatory Notice 17-38*](#) requesting comment on a proposal that would give firms the option to conduct a remote inspection of a «qualifying office.»

Qualification Exam Restructuring

Background

FINRA administers [qualification examinations](#) that are designed to establish that persons associated with broker-dealers have attained specified levels of competence and knowledge pertinent to their function. Over time, the qualification examination program has increased in complexity to address new products and functions, and related regulatory concerns and requirements.

To improve its representative-level examination program, FINRA launched a new [Securities Industry Essentials \(SIE\) exam](#) and revised the representative-level qualification exams. The [restructured program](#), which aligns with our goal of creating efficiencies through [FINRA360](#), is designed to eliminate duplicative testing of general securities knowledge on the representative-level exams by moving such content into the SIE. The SIE tests fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level exams will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives. The restructured program also eliminates several representative-level registration categories and related exams that have become outdated or have limited utility.

Effective October 1, 2018, new applicants seeking to register as representatives must pass the SIE and a revised representative-level exam, such as the revised [General Securities Representative \(Series 7\) exam](#), appropriate to their job functions at the firm with which they are associating before their registration can become effective.

Under the restructured program, individuals are not required to be associated with a member firm to be eligible to take the SIE exam. Further, a passing result on the SIE is valid for four years. Thus, the new exam structure enables prospective securities industry professionals to demonstrate to potential employers a basic level of knowledge prior to a job application. Individuals can also use the SIE to assess their readiness to enter the securities industry. However, passing the SIE alone does not qualify an individual for registration with FINRA. To be eligible for registration, an individual must also be associated with a firm, pass an appropriate qualification exam for representative or principal status and satisfy the other requirements relating to the registration process.

Summary of Actions

- ▶ Restructured the current representative-level qualification examination program into a more efficient format.
- ▶ Beginning October 1, 2018, all potential representative-level registrants take a general knowledge exam (the SIE) and a tailored, specialized knowledge exam (a revised representative-level exam) for their particular registered role.
- ▶ Individuals who are not associated persons of firms, such as members of the public, are also eligible to take the SIE.
- ▶ FINRA retired exams that were outdated or had limited utility.

Capital Raising

Background

FINRA promotes the capital-raising process through appropriately tailored rules that are designed to promote transparency and to establish important standards of conduct for the benefit of all market participants, including investors and issuers participating in offerings.

There have been significant developments recently in the mechanisms companies use to raise capital through securities offerings. FINRA believes it is essential that its oversight also evolve where appropriate to ensure that important investor protections are preserved without interfering with capital formation. In response, and as part of FINRA360, we have taken a number of steps to modernize FINRA's regulation of broker-dealers' participation in capital-raising activities, including creating the Capital Acquisition Broker (CAB) rule set for firms engaged in a limited range of corporate-financing activities, and the Funding Portal Rules, a set of streamlined rules that are tailored to the limited scope of activities in which funding portals are permitted to engage under the JOBS Act and the SEC's Regulation Crowdfunding.

While these changes increase efficiency and reduce unnecessary burdens on the capital-raising process without compromising important protections for issuers and investors, FINRA is exploring whether additional changes to these or other FINRA rules, operations or administrative processes would further enhance the capital-raising process while ensuring investor protections.

In April 2017, FINRA issued two Regulatory Notices requesting comment on ways to increase efficiency and reduce unnecessary burdens on the capital raising process without compromising important protections for investors and issuers.

Capital Acquisition and Placement Broker Committee

In December 2017, FINRA formed the Capital Acquisition and Placement Broker Committee on a two-year trial basis. The committee will advise FINRA on regulatory and public policy issues arising from the activities of member firms that have elected or are considering electing to be CABs, as well as member firms that have not elected CAB status but have similar business models.

Summary Actions

- ▶ Published [Regulatory Notice 17-14](#) requesting comment on the effectiveness and efficiency of the rules, operations and administrative processes governing broker-dealer activities related to the capital-raising process and their impact on capital formation. Based in part on feedback FINRA received in response to this Notice and response to companion [Regulatory Notice 17-15](#), FINRA is proposing amendments to FINRA Rules 5110 (Corporate Financing Rule – Underwriting Terms and Arrangements), 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and 5131 (New Issue Allocations and Distributions), discussed below.
- ▶ In April 2019, FINRA filed with the SEC proposed amendments to modernize, simplify and clarify FINRA Rule 5110, which applies to underwriting terms and arrangements regarding the public offering of securities.
- ▶ Preparing to file with the SEC amendments to FINRA Rules 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and 5131 (New Issue Allocations and Distributions) that would remove certain impediments to capital formation that are unnecessary to protect investors, including to exempt additional persons and types of transactions from the scope of the rules, modify current exemptions to enhance regulatory consistency, and address unintended operational issues.
- ▶ Formed the Capital Acquisition and Placement Broker Committee on a two-year trial basis to advise FINRA on CAB-related issues.

Engagement

FINRA has enhanced its engagement with key stakeholders to provide greater transparency and foster dialogue that helps us better understand the industry and markets we regulate.

- ▶ [Examination Findings](#)
- ▶ [Changes to FINRA Advisory Committees](#)
- ▶ [Small Firm Helpline](#)
- ▶ [Small Firm Report](#)
- ▶ [Additional Small Firm Initiatives](#)
- ▶ [Changes to FINRA Rulemaking Process](#)
- ▶ [Changes to Engagement with Member Firms: Compliance Tools and Resources](#)
- ▶ [Innovation Outreach Initiative](#)
- ▶ [Industry Continuing Education \(CE\)](#)
- ▶ [Enhancements to the Securities Industry Continuing Education Program \(CE Program\)](#)
- ▶ [FINRA Governance and Transparency](#)
- ▶ [Annual Industry Snapshot](#)

Examination Findings

Background

FINRA examines broker-dealers on a regular cycle basis, with firms posing greater risk receiving an examination more frequently. In connection with each of these examinations, FINRA prepares a report—which is available only to the relevant firm—addressing certain aspects of the firm’s compliance with securities rules and regulations.

In response to our request for comments through FINRA360, firms have requested to learn more about what FINRA sees through its examination programs more broadly as a supplement to the individual reports they currently receive following any FINRA exam.

In response, FINRA now publishes an annual [Report on FINRA Examination Findings](#) to educate firms and facilitate compliance. The annual report summarizes key examination findings from across FINRA’s programs, enabling firms to use this information to strengthen their own control environment and address any potential deficiencies before their next exam. The report also describes certain practices that FINRA has observed to be effective in appropriate circumstances, which other firms may be able to use as a resource in tailoring their compliance and supervisory programs to their business.

Summary Actions

- ▶ FINRA publishes an annual Report on Examination Findings, summarizing the key examination findings for the year from across FINRA’s programs.

Changes to FINRA Advisory Committees

Background

In March 2017, FINRA issued a *Special Notice* on its engagement programs as part of FINRA360. Based on comments and suggestions regarding the usefulness of some advisory committees, their membership and their effectiveness as a vehicle for dialogue between FINRA and member firms, FINRA is making several changes.

Operational Impact of Rule Changes

Rather than establishing a new committee for the specific purpose of providing insight on operational and technology implications of rule changes—as proposed by several commenters—FINRA broadened the authority and membership of the existing Operations Advisory Committee (OAC) specifically to provide such feedback. Existing OAC members are senior operational and compliance staff from a broad spectrum of firms, and can provide substantive input on the impact of FINRA proposals on the middle and back office functions of firms.

“These enhancements to the advisory committees and the introduction of the Engagement Portal will ensure that FINRA continues to benefit from industry, investor, and other stakeholder expertise and perspectives on critical issues.”

— Marcia E. Asquith, FINRA Executive Vice President of Board and External Relations, FINRA News Release, February 1, 2018

Addressing Issues of Interest to Firms

FINRA received recommendations to establish new committees to address specific topics, including annuity products, private placements and municipal advisor issues. To address this feedback, FINRA has updated the enabling resolutions and public descriptions of certain advisory committees on its website to clarify which committees are available as forums to discuss these issues.

FINRA also established two additional advisory committees. The Clearing Firm Advisory Committee serves as a forum for clearing firms to advise and make recommendations on issues arising from member firm activities relating to the clearance, carrying and settlement of securities, including issues, practices and activities affecting or relating to small member firms, such as their access to clearing services. The Capital Acquisition and Placement Broker Committee advises FINRA on regulatory and public policy issues arising from the activities of member firms that have elected or are considering electing to be capital acquisition brokers (CABs), as well as member firms that have not elected CAB status but have similar business models.

Committee Transparency

FINRA has published the name and affiliation of each advisory committee member on its website. Interested parties also may contact the individual staff committee liaisons via the contact information provided.

Committee Participation

FINRA maintains an [Engagement Portal](#) on finra.org to provide an avenue for individuals to inquire about serving on advisory and ad hoc committees, the National Adjudicatory Council, the Board of Governors of FINRA, or the Board of Directors of the FINRA Investor Education Foundation (Foundation). We also enhanced the information currently provided on the [Get Involved](#) and [FINRA Committee](#) pages on finra.org to include more information on the selection process for appointed seats on various committees and issue an annual [Involvement and Election Process Overview](#) notice on the selection process for interested individuals to be considered for vacancies. In addition, we are widening the distribution list for election-related Notices to include each firm's Chief Executive Officer, Chief Compliance Officer and Chief Operating Officer. Finally, we reorganized District Committees into Regional Committees that mirror the regions in which FINRA's 11 Districts are administratively grouped as an additional way of enhancing engagement.

FINRA received several comments indicating that FINRA should seek input from member firms' registered representatives, either via a standalone advisory committee or by inviting registered persons of all levels of seniority to existing committees. In response, FINRA created a working group of 10 to 12 registered representatives who work directly with the investing public (RR Working Group). The group's members are selected from FINRA firms of varying sizes and business models to provide geographic and compositional diversity and provide feedback from the individual registered representative perspective on FINRA initiatives, policies and programs and issues relevant to the registered representative population. The RR Working Group meets in person twice a year in Washington, D.C.

Summary of Actions

- ▶ Expanded the charter of the Operations Advisory Committee to provide a venue to obtain important insights regarding rule implementation from a people, process, and technology perspective.
- ▶ Amended the enabling resolutions of several other advisory committees to clarify, among other things, the scope of the subject matter reviewed by the committees.
- ▶ Updated the public descriptions of certain advisory committees on FINRA's website to clarify which committees are available as forums for discussion of specific issues.
- ▶ Published rosters of each advisory committee, listing the name and affiliation of each advisory committee member on the new Governance page on finra.org.
- ▶ Published the descriptions and staff liaison contacts for ad hoc committees.
- ▶ Emailing *Election Notices* to a broader distribution group, including each firm's Chief Executive Officer, Chief Compliance Officer and Chief Operating Officer.
- ▶ Published a [*Special Notice*](#) informing firms and other interested parties about the process for filling vacancies on various FINRA advisory and ad hoc committees, as well as the National Adjudicatory Council, Regional Committees, the FINRA Board of Governors and the FINRA Investor Education Foundation Board of Directors.
- ▶ Established two additional committees, the Capital Acquisition and Placement Broker Committee and the Clearing Firm Advisory Committee, focused on the specialized issues surrounding capital acquisition brokers and clearing firms.
- ▶ Created a working group of registered representatives (RR Working Group) who work directly with the investing public to provide feedback on FINRA initiatives, policies and programs and issues relevant to the registered representative population.
- ▶ Introduced an [Engagement Portal](#), an online portal that provides interested parties a more streamlined way to express interest in FINRA service.
- ▶ Reorganized District Committees into Regional Committees that mirror the regions in which FINRA's 11 Districts are administratively grouped.

Small Firm Helpline

Background

Since we introduced our [FINRA360](#) initiative, FINRA has taken a series of actions to enhance support for [small firms](#), including providing small firms with tools and resources to help them comply with regulations.

A consistent comment that FINRA has heard is a desire on the part of small firms for a tool to allow them to get answers to general questions that did not rise to a level that required involvement by their Regulatory Coordinator.

“A common request from the listening tour and other interactions with our members—especially smaller firms—is that we provide more tools to assist firms in achieving compliance. We are stepping up our efforts in this area.”

— FINRA CEO Robert Cook, Remarks at 2017 FINRA Annual Conference

In January 2018, FINRA launched a [Small Firm Helpline](#) to provide direct assistance with answers to general and routine questions, and direct callers to the proper regulatory staff and other departments. The Helpline complements the work of FINRA’s Regulatory Coordinators, who are the primary points of contact for firms seeking technical assistance or regulatory information. The Helpline serves as a clearinghouse for routine calls and general information, which makes it faster and easier for small firms to get answers. The Helpline also frees up other critical FINRA resources to help firms with more substantive matters such as examinations, financial questions, the implementation of rules and licensing requirements.

FINRA employees answer the toll-free Helpline—(833) 26-FINRA or (833)-263-4672—which operates 9 a.m. to 5 p.m. (EST) Monday through Friday.

Summary of Actions

- ▶ Launched a Small Firm Helpline where small firms can get help navigating FINRA’s systems and resources.

Small Firm Report

Background

Small firms represent a critical portion of FINRA's membership and often face regulatory challenges that are unique from their large firm counterparts. In an effort to provide additional compliance education and consistent with the FINRA360 goal of being a more effective regulator, FINRA launched The Small Firm Report in April 2018. The Small Firm Report is a free conference call series hosted by senior FINRA leaders who discuss trending topics, new rules and regulatory guidance and best practices, as well as answer questions from participants.

By mid-2019, FINRA had hosted several calls with participation ranging from 600 to 800 individuals per call. The quarterly 45-minute conference calls have focused on a number of topics, including the changes underway to enhance and streamline FINRA's exam program, proposed rule changes on outside business activities, the introduction of the Securities Industry Essential Exam, digital communications and survey results regarding millennial attitudes on investing.

Summary of Actions

- ▶ Held regular conference calls on regulatory topics of interest to small firms, and published recordings of the calls on finra.org.

Additional Small Firm Initiatives

In addition to the Small Firm Helpline, FINRA has implemented other programs for small firms:

Benefits Specific to Small Firms

- ▶ Increased the number of Certified Registered Compliance Professional small firm scholarships.
- ▶ Significantly reduced the small firm registration fee for FINRA conferences.
- ▶ Initiated a retrospective review of FINRA Rule 4311 (Carrying Agreements), especially important to smaller firms, as they often rely on carrying agreements.
- ▶ Created the Capital Acquisition Broker (CAB) rule set for firms engaged in a limited range of corporate-financing activities.

General Benefits that also aid Small Firms

- ▶ Host Small Firm Conference focused on small firms' practices and tips for complying with FINRA rules.
- ▶ Filed with the SEC proposed rule amendments to permit the use of electronic signatures for discretionary accounts. The amendments, which were approved by the SEC in March 2019, increase flexibility and reduce costs and administrative inefficiency in compliance without diminishing investor protection.
- ▶ Added a FINRA contact name or department, along with an email address or phone number, to FINRA.org Key Topic pages so firms have an expert to contact on any given topic/rule.
- ▶ Published a 2018 Report on Selected Cybersecurity Practices
- ▶ Report includes an appendix listing core controls that are likely to be relevant to many small firms' cybersecurity programs
- ▶ Created a Peer-to-Peer (P2P) Compliance Library, including a Third Party Vendor Due Diligence Checklist and Outside Business Activities Template.
- ▶ Enhanced the annual renewal statements to provide renewal fee details by individual representative.
- ▶ Published Examination Priorities Letters, annual Examination Findings Report, and the Risk Control Assessment summary report.
- ▶ Improving information request processes.
- ▶ Signed a services agreement with SIPC to ease reporting burdens and compliance costs.
- ▶ FINRA provided a template as an optional guide to small introducing firms to assist them in fulfilling their need to create and maintain business continuity plans (BCPs) and emergency contact person lists under FINRA Rule 4370.
- ▶ [Retrospective review of the outside business activities, MAP, communications with the public, payment for market making, and capital raising rule sets.](#)
- ▶ [Ongoing outreach to firms to identify and address FinTech developments and issues.](#)
- ▶ Providing CFP CE credit to nearly 60 FINRA e-learning courses.
- ▶ Offering events on more specialized topics of interest to firms.
- ▶ Making the FINRA Weekly Updates Archive searchable.
- ▶ Introduced an Engagement Portal, an online portal that provides interested parties a more streamlined way to express interest in FINRA service.

Changes to FINRA Rulemaking Process

Background

In response to the March 2017 *Special Notice on Engagement* issued as part of FINRA360, FINRA received a number of comments and suggestions regarding engagement in connection with FINRA's rulemaking process. After carefully reviewing and analyzing the comments, FINRA is taking a number of actions to address the comments and suggestions that it received.

Rulemaking Process

Comments regarding the rulemaking process included suggestions to make the process more transparent, encourage engagement with the public and member firms, and improve accessibility to FINRA's responses to comments.

Increased Transparency

FINRA is committed to increasing transparency around its rulemaking process. For example, FINRA staff is previewing with its advisory committees upcoming proposed rulemakings, including anticipated timeframes for when the staff envisions discussing the proposed rulemakings with the committees and the FINRA Board.

FINRA also has broadened the responsibilities and membership of its Operations Advisory Committee (OAC) to increase the focus on operational and technical issues that arise with respect to rule implementation. Since OAC members are senior operational and compliance staff from a broad spectrum of firms, they provide FINRA with substantive input on the impact of rule proposals on the middle and back office functions of firms.

FINRA uses its [Rule Filing Status Report page](#) to provide comprehensive information regarding the status of proposed rule changes filed with the SEC. In addition, FINRA has added new "Rule Filings" and "Regulatory Notices" categories on its Compliance Calendar, and is providing comments due dates as well as rule implementation dates on the Calendar.

Encouraging Engagement

FINRA actively seeks out and welcomes a dialogue with interested stakeholders on its rule proposals. Whether through informal processes or the more formal comment letter process, FINRA encourages those with views on its rule proposals to submit comments or discuss their feedback with the relevant FINRA staff. In order to elicit meaningful comment from interested stakeholders on its rule proposals, FINRA asks questions in its Regulatory Notices, and encourages interested stakeholders to respond to those questions, some of which result from discussions with FINRA's committees. These questions seek feedback on a wide range of issues related to the proposed rule, typically including its scope and substance, seeking feedback on regulatory options and potential impacts.

In addition, to provide interested stakeholders with sufficient time to comment on its rule proposals, FINRA has extended the default comment period from 45 to 60 days, while at the same time retaining flexibility to provide shorter or longer comment periods, if warranted.

Some commenters requested that FINRA provide a second round of comments on its rule proposals prior to filing a proposal with the SEC. Today, if there are significant changes to a rule proposal, FINRA often will seek comment on those amendments in a subsequent Regulatory Notice. In addition, if FINRA has made changes to a rule proposal in response to input from interested stakeholders, FINRA discusses those changes in the rule proposal, and any subsequent amendments, in filings with the SEC.

FINRA also is developing enhancements to its website to permit the submission of public comments through a web portal. When active, this portal should simplify the submission of comments.

Regulatory Guidance

FINRA is clarifying its process for examiners, firms, and the public to obtain interpretive guidance on its Rules. In recognition of the value that Frequently Asked Questions (FAQs), interpretations and other forms of guidance have in helping member firms comply with FINRA rules, FINRA is committed to publishing such guidance where appropriate. When developing new FAQs or interpretive guidance, FINRA staff may vet the FAQs and interpretive guidance with FINRA's committees and interested stakeholders, as well as other regulators as applicable, prior to publication. In addition, FINRA communicates the publication of new and updated FAQs and interpretive guidance in its weekly update email to member firms.

FINRA is also considering ways to improve the accessibility on FINRA's website to its rules and related FAQs and interpretive guidance. In addition, as described in more detail in the "Retrospective Rule Review" section above, we continue to review whether FINRA rules or rule sets meet their intended investor-protection objectives.

Summary of Actions

- ▶ Extending the default comment period for Regulatory Notices requesting comment on a proposed rule change from 45 to 60 days, while retaining flexibility to provide a longer or shorter comment period if warranted.
- ▶ Previewing for the appropriate advisory committees upcoming proposed rulemakings.
- ▶ Providing on the [Rule Filing Status Report page](#) comprehensive information regarding the status of proposed rule changes filed with the SEC.
- ▶ Adding new "Rule Filings" and "Regulatory Notices" categories to the Compliance Calendar
- ▶ Developing enhancements to FINRA.org to permit the submission of public comments through a web portal.
- ▶ Committed to publishing FAQs and interpretive guidance that have general applicability.

Changes to Engagement with Member Firms: Compliance Tools and Resources

Background

In response to the March 2017 [Special Notice on Engagement](#) issued as part of FINRA360, FINRA received a number of comments and suggestions regarding ways in which FINRA could help facilitate compliance among its member firms. One of FINRA's defining characteristics as a self-regulatory organization (SRO) is the ability to develop compliance tools and other resources to assist our members with fulfilling their compliance obligations. After careful review of the comments and suggestions received, FINRA has taken a number of actions.

Providing Compliance Tools and Resources

FINRA introduced a compliance calendar to help firms keep track of not just upcoming filing requirements and other significant deadlines, but also educational opportunities. Based on feedback heard from the industry and from the Special Notice, FINRA added a number of enhancements to the compliance calendar, including the ability to add an event to a personal calendar, email an event and export a month's events. We also launched a calendar that contains events specific to a firm, such as reporting deadlines, on the Firm Gateway in May 2018.

FINRA also introduced the [FINRA Compliance Vendor Directory](#), a convenient option for firms searching for vendors that offer compliance-related products and services, such as compliance consultants, cybersecurity experts and exam prep resources. Firms can compare multiple vendors side by side.

“Meeting with FINRA members across the country and during committee meetings are some of the opportunities FINRA has to have a dialogue with members and to better understand the impact of regulation. The tools and resources, such as the new Small Firm Helpline, the Compliance Vendor Directory and the Compliance Calendar, as well as the recent Regional Networking Forums, were developed based on firm feedback and we welcome the ideas.”

— Chip Jones, FINRA Senior Vice President, Member Relations and Education

In addition, FINRA has begun holding Regional Member Networking Forums (Forums). The Forums, created in response to feedback received on FINRA's Special Notice on Engagement, are designed to provide individuals associated with FINRA member firms opportunities to engage in key discussions with FINRA senior and regional staff and connect with industry leaders and peers.

Education

In response to feedback received through the Special Notice on Engagement, FINRA has continued to host and expand its menu of educational resources. A complete list of FINRA hosted conferences and events can be found at www.finra.org/industry/conferences-events. Since launching the FINRA360 initiative, FINRA has hosted a Blockchain Symposium, a Cybersecurity Conference, a RegTech Conference, a Disclosure Reporting, Monitoring and Registration Conference, and introduced Anti-Money Laundering (AML) Half-Day Seminars.

In 2017, FINRA began offering Certified Financial Planner (CFP) continuing education credits for all of its conferences and the Certified Registered Compliance Professional program. In addition, more than 60 e-learning courses have become eligible for CFP continuing education credits.

FINRA lowered the small firm registration fee for all conferences in 2018. In addition, FINRA increased the number of small firm scholarships to its Certified Regulatory and Compliance Professional (CRCP) program from three to five in 2018.

Surveillance Report Cards

Although firms generally surveil and review trades for manipulation, bad actors can conceal their activity by trading across multiple firms, markets and products. This activity can be very hard for any individual firm to detect, so we now alert members when our sophisticated surveillance programs flag a suspicious trading pattern. These report cards do not reflect conclusions that violations have occurred. Rather, they indicate potential problems that a firm needs to review. Firms can use this information to upgrade their internal controls and to address any problematic activity long before FINRA can complete a formal investigation.

FINRA's Report Center supports member firms' compliance activities by providing online access to over 40 different reports on a broad scope of compliance data, ranging from trading activity across products to risk monitoring to disclosure.

We also have introduced several new report cards covering a variety of regulatory areas, including report cards on potential ATS cross manipulation, potential auto execution manipulation, treasury trade reporting and the large option position report cards.

SIPC Agreement to Ease Reporting Burdens and Compliance Costs

Streamlining a regulatory filing requirement in a manner that reduces burdens on firms while preserving important investor protections is consistent with the goals of FINRA360. In August 2017, FINRA and the Securities Investor Protection Corporation (SIPC) announced a services agreement designed to ease reporting burdens and compliance costs for member firms. The simplified filing process also reduces inconsistent or incomplete filing of annual audited financial statements and supplementary reports.

Under the agreement, firms that currently file annual reports separately with SIPC and FINRA will file just once, using FINRA's existing reporting portal. The portal will provide both agencies with the information, enabling the firms to meet the two agencies' respective reporting requirements with a single filing.

Identifying and Reporting Hedge Transactions in U.S. Treasury Securities

Member firms have raised concerns about operational difficulties in trade-day reporting of U.S. Treasury security transactions that are executed to hedge a primary-market transaction in a new-issue, TRACE-eligible security, particularly when that issuance occurs late in the day. In response, FINRA filed a proposal with the SEC which has since been approved to provide firms additional time to report to FINRA's Trade Reporting and Compliance Engine their transactions in U.S. Treasury securities to hedge primary-market transactions and also adopt a new modifier to identify such transactions. The proposal is designed to improve compliance and ease operational concerns while not diminishing transparency.

Summary of Actions

- ▶ Launched FINRA Unscripted, a new podcast series featuring senior FINRA executives discussing issues pertinent to member firms.
- ▶ Released a three-part video series that addresses common deficiencies seen during examination of firms' cybersecurity programs.
- ▶ Held a RegTech conference to provide a forum for regulators, thought leaders and industry practitioners to learn more about the use of RegTech tools, and related opportunities and challenges.
- ▶ Held a Disclosure Reporting, Monitoring and Registration Conference with experts discussing regulatory reporting requirements and industry practices related to firm registrations.
- ▶ Held a cybersecurity conference with experts and regulators to focus on key ways the industry can maintain cybersecurity.
- ▶ Created a [Compliance Calendar](#) to help firms keep track of significant deadlines and educational opportunities.
- ▶ Based on member feedback, implemented a number of enhancements to the Calendar, including the ability to add an event to a personal calendar and email an event, as well as adding a new "Rule Filings" category to the calendar to provide new rules' effectiveness and implementation dates.
- ▶ Created a FINRA [Compliance Vendor Directory](#) for firms searching for vendors that offer compliance-related products and services, such as compliance consultants, cybersecurity experts and exam prep resources.
- ▶ Launched new monthly report designed to help brokerage firms supervise pricing of corporate and agency bond transactions. The report was issued to help firms comply with a rule that went into effect in May 2018 requiring that firms disclose on confirmations for retail customers the markup or markdown for certain bond transactions.
- ▶ Began holding Regional Member Networking Forums.
- ▶ Revamping finra.org to better highlight Report Center tutorials.
- ▶ Evaluating the eFOCUS system to determine what, if any, changes may be made to streamline the financial filing process for firms.
- ▶ Promoting availability of FINRA email subscription lists.
- ▶ Provide immediate notification through RSS feeds when new information is posted on certain FINRA webpages.

- ▶ Added a new RSS feed for the Disciplinary Actions, allowing interested persons to be notified when the monthly Disciplinary Actions are released.
- ▶ Enhanced the FINRA Weekly Updates Archive to allow the content to be searchable.
- ▶ Introduced several new report cards, including report cards on potential ATS cross manipulation, potential auto execution manipulation and the large option position report cards.
- ▶ Signed a services agreement with SIPC to ease reporting burdens and compliance costs for member firms by implementing an automated process to provide SIPC with electronic copies of the annual audits FINRA receives from firms that are also SIPC members.
- ▶ Increased the number of small firm scholarships to the CRCP program in 2018.
- ▶ Significantly reduced the registration cost of FINRA conferences for small firms.
- ▶ Offering events on more specialized topics of interest to firms, including new AML Half-Day Seminars, a Blockchain Symposium, a Cybersecurity Conference, and a Registration and Disclosure Conference.
- ▶ Produced a video on the criteria FINRA uses to identify high-risk activity, and tools and resources that are available to help firms perform their own reviews.
- ▶ Produced a video on the nine risks that inform FINRA's Examination and Surveillance Program.

Innovation Outreach Initiative

Background

FINRA has been actively monitoring financial technology-related (FinTech) developments in the securities industry. A growing number of FinTech firms have been embracing new technologies, pioneering innovative products and developing new client-oriented financial services business models. Many traditional financial service providers are also rethinking their business models, incorporating these technologies and services. As part of the FINRA360 process, FINRA determined that it needed to enhance resources dedicated to this rapidly developing area of the industry.

“We look at the landscape of the securities industry and try to figure out what issues with securities are likely to crop up and what they are likely to affect.”

— Haimera Workie, FINRA’s Senior Director for Emerging Regulatory Issues, Remarks from FINRA’s A Few Minutes With FINRA Video Series, February 7, 2017

FinTech has the potential to transform various broker-dealers’ business lines, including investment banking, wealth management, trading and research. Broker-dealers are also exploring and leveraging new technologies such as cloud storage, artificial intelligence, machine learning, and blockchain to enhance their overall operational infrastructure and compliance functions. All of these FinTech-related changes are contributing to an evolving landscape for broker-dealers’ operations.

To foster an ongoing dialogue with the securities industry and to better understand FinTech innovations and their impact on the industry, FINRA established an Innovation Outreach Initiative in June 2017. FINRA created a cross-departmental team that is responsible for carrying out the initiative and working closely with industry participants to gain real-time intelligence on FinTech issues. The team is tasked with creating and managing a FinTech Industry Committee to facilitate a continuous discussion on FinTech developments and how FINRA’s rules and programs interact with technology innovations.

In 2019, FINRA also formed an Office of Financial Innovation to serve as a central point of coordination for issues related to significant financial innovations by FINRA member firms, particularly new uses of Fintech. The Office collaborates with teams across FINRA to promote engagement with the industry, regulators, investors, and other stakeholders on matters involving significant financial innovation by FINRA member firms. This collaboration will be accomplished through outreach to FINRA stakeholders, training of FINRA staff, research and publications, internal coordination across FINRA, and collaboration with other regulators. The team will also incorporate FINRA’s existing Office of Emerging Regulatory Issues, which focuses on analyzing new and emerging risks and trends related to the securities market.

Summary Actions

- ▶ Launched an Office of Financial Innovation.
- ▶ Launched a new FinTech webpage that highlights emerging FinTech topics and related FINRA materials (www.finra.org/fintech).
- ▶ Published reports on [blockchain technology](#) and [digital investment advice](#).
- ▶ Published Investor Alerts on initial coin offerings (ICOs) and crowdfunding.
- ▶ [Released white paper](#) outlining recent regulatory technology (RegTech) developments within the securities industry and potential opportunities and implications these technologies may have for broker-dealers.
- ▶ Hosted [RegTech Conference](#) in January 2019.
- ▶ Hosted the FINRA Blockchain Symposium in New York in July 2017.
- ▶ Hosted regional FinTech roundtables in San Francisco and Dallas during September 2017 and November 2017, respectively.
- ▶ Established an ad hoc advisory committee, the FinTech Industry Committee, composed of committee members drawn from member firms, academia, and industry participants, plus observers from the SEC and North American Securities Administrators Association (NASAA). Held the inaugural meeting in October 2017.
- ▶ Developed a training program for FINRA staff on FinTech-related matters.
- ▶ Engaged in meetings and discussions with domestic and international regulators to address common regulatory issues related to FinTech.
- ▶ Met with dozens of financial firms and technology vendors involved in the FinTech space to respond to inquiries and to seek greater understanding of developments in the industry, particularly related to regulatory technology (RegTech).

Industry Continuing Education (CE)

Background

A large number of registered representatives are also Certified Financial Planner™ (CFP®) professionals. These professionals must complete a minimum of 30 [continuing education \(CE\)](#) hours every two years as part of the requirements for CFP certification renewal. Through the FINRA360 process, a number of firms expressed a desire for improved opportunities with regard to continuing education credits.

Recognizing the large number of registered representatives who are also CFP professionals, FINRA worked with the CFP Board to enable CFP professionals who are also registered representatives with FINRA to receive CE credits for nearly 60 of FINRA's [e-learning courses](#), including [anti-money laundering](#), [communications with the public](#), [cybersecurity](#), [senior investor issues](#) and insider trading, among others.

FINRA offers e-learning courses that firms may use to satisfy the annual Firm Element requirement, which requires broker-dealers to conduct a needs analysis and establish a formal training program to keep covered registered persons up to date on job- and product-related subjects. These courses can be found at www.finra.org/industry/e-learning.

Summary of Actions

- ▶ Worked with the CFP Board to certify existing and new FINRA e-learning courses for CFP credit.
- ▶ Enabled CFP professionals to receive CE credit for nearly 60 e-learning classes.
- ▶ Transitioned the E-Learning Program from Shared Services – Business Solutions to the RAD Testing and Continuing Education (T&CE) department to leverage expertise of the T&CE department related to CE development, delivery and vendor management, as well as optimize use of internal and external subject matter experts for content development.

Enhancements to the Securities Industry Continuing Education Program (CE Program)

Background

In 2018, FINRA and the Securities Industry/Regulatory Council on Continuing Education (CE Council) launched an initiative to evaluate enhancements to the CE Program. The overall goal of the program review is to reflect advances in technology and learning theory while continuing to ensure that registered persons receive timely education on the securities business and the regulatory requirements applicable to their respective functions.

The enhancements include the transition of the Regulatory Element program to a more focused and shorter learning requirement administered annually. The CE Council is also gathering feedback on the current Firm Element program and supporting resources as well as on the overlap of the Firm Element program with other firm training requirements. In addition, the CE Council is exploring program changes that would allow individuals to maintain their qualification status following the termination of their registrations by completing continuing education in an effort to address the challenges that industry professionals face when attempting to re-enter the industry after an absence.

In September 2018, FINRA published *Regulatory Notice 18-26*, requesting comment on enhancements to the CE Program under consideration by the CE Council. FINRA and the CE Council are reviewing the comments and suggestions received.

Summary of Actions

- ▶ FINRA published *Regulatory Notice 18-26*, requesting comment on enhancements to the CE Program under consideration by the CE Council.

FINRA Governance and Transparency

Background

In response to the March 2017 *Special Notice on Engagement* issued as part of FINRA360, FINRA received a number of comments and suggestions regarding the governance and transparency of the Board of Governors. These comments stated a desire for more public information regarding the Board's composition and activities. After careful review of the comments and suggestions received, FINRA took a number of actions to make more information available on its website.

“Meaningful conversation with member firms to leverage their expertise and hear their perspective on critical issues is a key part of any successful self-regulatory organization.”

— Marcia E. Asquith, FINRA Executive Vice President of Board and External Relations, FINRA News Release, November 15, 2017

Summary of Actions

- ▶ Enhanced the information provided surrounding Board meetings by providing more detailed pre- and post-board meeting notifications.
- ▶ Refreshed the format of the post-meeting video update to include more direct Board participation.
- ▶ Began issuing detailed post-Board meeting press releases to increase transparency.
- ▶ Launched a new Governance page on finra.org, which includes more detailed background information on the FINRA Board, its governors and standing committees, as well as information on the FINRA Board member selection process.
- ▶ Updated the organizational chart on finra.org to better show the reporting structure at the top levels of the organization.

Annual Industry Snapshot

Background

Consistent with the transparency goals of FINRA360, FINRA, for the first time in 2018, published a statistical overview of the broker-dealer industry based on the data it collects in the course of its work. This report, called the [FINRA Industry Snapshot 2018](#), was the first annual statistical report on the brokerage firms, registered individuals and market activity that FINRA regulates.

This now annual publication includes data ranging from the size and geographic distribution of the firms FINRA regulates to the number of individuals in the industry; from trading activity to how firms market their products and services. The Snapshot is designed to increase awareness and understanding about the broad range of firms, individuals and trading activity that FINRA oversees.

Summary of Actions

- ▶ Published the annual FINRA Industry Snapshot

1. www.finra.org/newsroom/speeches/021218-remarks-sifma-am
2. FINRA provided more information about the risks it considers in this monitoring program in a video for member firms, available at: www.finra.org/industry/few-minutes-finra-nine-risks-inform-finras-examination-and-surveillance-program.
3. Firms may also continue to raise any concerns with the Office of the Ombudsman, which reports to the Audit Committee of the FINRA Board of Governors. Information is available at www.finra.org/about/office-ombudsman.
4. Request Manager is a FINRA-built software tool that facilitates the electronic exchange of information between firms and FINRA. With Request Manager, which is available via Firm Gateway, firms are able to securely submit, manage and track information requests.
5. FINRA provides services to certain equities and options exchanges, including market surveillance, examinations, investigations and disciplinary actions. For more information, see www.finra.org/industry/few-minutes-finra-nine-risks-inform-finras-examination-and-surveillance-program.
6. www.finra.org/about/annual-reports-financials
7. Data analytics is the analysis of data used in the decision making process and the methodologies applied to detect actionable patterns, insights and trends through analytic tools and modeling techniques.



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