



March 9, 2026

By email to pubcom@finra.org

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

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

Dear Ms. Mitchell:

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

I. **The Trusted Contact Requirement**

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

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

² [Regulatory Notice 26-02](#).

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

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

A. Use of “Emergency Contact” as an Alternative Term

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

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

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

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

⁵ *Notice* at 2.

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

⁷ *See* NASAA, *supra* note 4.

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

B. Maintaining Accurate and Intentional Trusted Contact Designations

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

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

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

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

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

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

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

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

C. Additional Considerations: Verification and Review

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

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

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

¹¹ FINRA, *supra* note 8.

II. Temporary Holds Under Rule 2165

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

A. Extending the Temporary Hold Period

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

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

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

B. Clarification of the “Reasonable Belief” Standard

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

C. Notification Requirements and Method of Delivery

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

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

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

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

¹⁵ [Notice](#) at 10.

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

D. Expansion of Authorized Firm Personnel

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

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

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

III. New Speed Bump for Suspected Fraud

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

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

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

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

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

A. Effective Notification Provisions

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

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

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

¹⁸ [Notice](#) at 12.

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

Jennifer Piorko Mitchell

March 9, 2026

Page 9 of 9

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

IV. Conclusion

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

Sincerely,

A handwritten signature in cursive script that reads "Marni Rock Gibson". The signature is written in black ink and includes a horizontal flourish at the end.

Marni Rock Gibson
NASAA President