



May 27, 2025

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

Re: NSCP Comment Letter FINRA Regulatory Notice 25-04

Dear Ms. Piorko Mitchell:

The National Society of Compliance Professionals ("NSCP") submits this letter in response to the request by FINRA in Regulatory Notice 25-04 for comments related to FINRA's efforts to modernize its rules. We appreciate this opportunity to provide feedback as well as FINRA's past efforts to seek stakeholder input to help shape or reshape its rules under which FINRA-member broker-dealers must operate. NSCP also appreciates the opportunities that we have had to meet with FINRA's senior leadership on a regular basis to share our input and perspectives related to the impact of FINRA's rules and processes on our members. We believe that regulatory oversight is most effective when regulators view compliance professionals as partners with the shared objectives of investor protection, market integrity and the promotion of capital formation. Since its founding in 1986, NSCP has been the leading non-profit membership organization dedicated to supporting compliance professionals in the financial services industry focusing primarily on broker-dealers, investment advisers and private funds. Our members are responsible for implementing and maintaining policies and procedures that are reasonably designed to ensure compliance with FINRA's rules along with a large number of laws and rules enacted by a number of federal and state regulators and other Self-Regulatory Organizations. To do so, our broker-dealer members are required to qualify and register with FINRA, the Securities and Exchange Commission ("SEC") and various state regulators. Our members are subject to personal and professional liability resulting from this registration. As discussed below, NSCP has developed and issued a framework to help regulators analyze chief compliance officer ("CCO") liability in a way that provides a real-world perspective regarding the impact of perceived CCO liability on the profession. In addition, and as described in more detail below, NSCP has just completed and issued a BD/IA Regulatory Mapping Tool. One of the primary objectives of NSCP in developing this tool is to provide a comprehensive view of the considerable number of rules and regulations for which our members are responsible.

In this letter, we outline specific themes that we believe will assist regulators assess their rules and guidance to promote effective compliance and help empower compliance professionals to support the shared objectives of investor protection, market integrity and the support of capital formation. We welcome opportunities to work with FINRA and other regulators to provide input, feedback and data to help support these efforts. We appreciate this opportunity to respond, and we look forward to continuing to work with FINRA and other regulators to help support our shared objectives.

Sincerely,

Lisa Crossley
Executive Director and CEO
National Society of Compliance Professionals

1. **Provide opportunities for input from impacted stakeholders, particularly compliance personnel, early in the rulemaking and review process.**
 - Input from industry practitioners including impacted compliance professionals should be considered in the early stages of evaluation. This would provide more information and alternatives for most effectively and efficiently achieving intended outcomes.
 - Incorporating stakeholder input in the early stages could reduce the number of comments later in the process and ultimately shorten the process.
 - Early input could be obtained through a formalized **Compliance Advisory Committee**, concept releases, roundtables and/or other crowd-sourced solutions.
2. **Minimize ambiguity with regard to *requirements* and expectations of the rule(s) while allowing flexibility in terms of *how those rules are implemented*.**
 - Avoid ambiguity and subjectivity regarding *requirements* as much as possible.
 - Provide as much flexibility as possible with regard to *how the rules are implemented* allowing the application and execution of the requirements to be tailored based on business, operations, and risks.
 - Provide more practical guidance and tangible examples in adopting releases and subsequent guidance as possible.
 - Where possible, tier rules in such a way that smaller firms are not disproportionately burdened.
3. **Allow appropriate time for implementation.**
 - Allow sufficient time for new rules to be implemented so that compliance programs can effectively (a) assess their impact on the business; (b) design and implement policies, procedures and controls; (c) develop and deploy necessary supporting operations and technologies; and (d) train staff.
 - Continue the practice of reviewing for “good faith efforts” during early examinations of rule implementation. This approach allows firms to be able to implement initial policies and procedures prior to the effective date while allowing them to evolve and enhance their compliance programs as necessary.
4. **Understand and avoid unintended consequences and overlapping regulations.**
 - Coordinate rule requirements across regulators to align similar requirements (e.g., Reg BI, fiduciary standard of care, DOL PTE 2020-02, anti-money laundering, gifts and gratuities, etc.)
 - Reconcile overlapping, duplicative and competing rules.
 - Strongly consider the use of safe harbors in situations where a regulated entity may be subject to similar requirements across multiple regulators. For example, a broker-dealer complying with Regulation Best Interest could have a safe harbor from the DOL’s PTE 2020-02’s impartial conduct requirements.

5. **Ensure that the analysis of the costs and benefits fully and realistically capture costs associated with compliance with the proposed rule.**

- The analysis of the cost of a new rule should incorporate early input from impacted industry practitioners including compliance professionals to ensure that it captures all of the costs associated with complying with the rule.
- When considering the cost of complying with a proposed rule, consideration should be given to the fact that the proposed rule comes on top of a considerable number of requirements that are already in place. Costs should be assessed both in the context of the rule itself and in the context of the overall ruleset for which the compliance program is responsible.¹
- After new rules are implemented, regulators should seek feedback from the industry on the actual costs incurred to identify opportunities to enhance the cost analysis process and assess how accurate cost estimates were. **This information could be compiled by industry groups such as NSCP.**
- In considering the benefits of a proposed rule, strong consideration should be given to whether current rules and/or practices may already be addressing the identified objectives. For example, on December 21, 2022, NSCP provided comments to the SEC’s proposal related to “Outsourcing by Investment Advisers” noting that an NSCP survey found only rare service provider failure and no material impact on investors, suggesting that the existing obligations were likely sufficient to address the noted concerns.

6. **Ensure liability is assigned appropriately.**

- Where possible, design rules in a way that assigns responsibility, accountability, and liability to the appropriate business line parties.
- Where possible, design rules so that it is clear that any liability for compliance professionals follows the framework outlined in the NSCP’s Firm and CCO Liability Framework.
- Consider identifying opportunities to encourage a greater partnership with industry compliance professionals. Fear of personal and professional liability could discourage compliance professionals from openly partnering and sharing information with regulators.

¹ NSCP has developed a **Broker-Dealer/Investment Advisor Mapping Tool** that provides a comprehensive listing of rules and requirements that compliance professionals at broker-dealers and investment advisors are required to oversee.

SEC-IA

- (IA) ESG requirements
- (IA) Exemption of investment advisers registered as broker-dealers in connection with the provision of certain investment advisory services
- (IA) Prohibition on discouraging whistleblowing
- (IA) Reg AB
- (IA) Money market fund rules
- (IA) Cross border rules
- (IA) Volcker Rule
- (IA) Adviser Registration
- (IA) Adviser-led secondaries
- (IA) Agency cross transactions for advisory clients
- (IA) Amendments to Form ADV
- (IA) Annual review
- (IA) Anti-money laundering responsibilities (OFAC)
- (IA) Beneficial Ownership Reporting
- (IA) Books and records to be maintained by investment advisers
- (IA) Compliance procedures and practices
- (IA) Custody/Safeguarding Assets;
- (IA) Custody of funds or securities of clients by investment advisers
- (IA) Cybersecurity
- (IA) Delivery of brochures and brochure supplements
- (IA) Delivery of Form CRS
- (IA) Exemption from the compensation prohibition of section 205(a)(1) for investment advisers
- (IA) False or misleading statements to private fund investors
- (IA) Family office exemption
- (IA) Form N-PX
- (IA) Form PF
- (IC) Fund Names
- (IA) Fund offering exemptions (Accredited investors)
- (IA) General Prohibitions
- (IA) Institutional Asset Manager Rule 13f-1 under Securities Exchange Act of 1934
- (IA) Investment Adviser Code of Ethics
- (IA) Marketing Rule
- (IA) Pay-to-play rule
- (IA) Investment Advisory Contracts
- (IC) Liquidity/Swing Pricing
- (IA) Order Memoranda Rule
- (IA) Outsourcing (Proposal)
- (IA) Prevention of misuse of non-public information
- (IA) Private fund adviser audits
- (IA) Digital Assets
- (IA) Proxy Voting by Investment Advisers (compensation rules, adviser fiduciary obligation)
- (IA) Regulation D for Private Fund Offerings
- (IA) Regulation M
- (IA) Regulation S-P
- (IA) Reporting by exempt reporting advisers

SEC-IA continued

- (IA) Reports by Advisers
- (IA) Senior Safe Act (Protection of senior investors)
- (IA) State laws on Protection of Vulnerable Adults from Financial Exploitation
- (IA) State Regulation of Investment Advisers
- (IA) Shortening the Securities Transaction Settlement Cycle (T+1)
- (IA) Identity Theft Red Flags Rule (Regulation S-ID)
- (IA) Investment advisers of private funds/CPOs and CPAs rules
- (IA) Investment advisers performance based comp
- (IA) Large Trader Reporting
- (IA) Reg SCI
- (IA) Robo-adviser rule
- (IA) Reporting of short positions and securities lending
- (BD affecting IA) margin rules for security futures
- (IA) Reg SCI (proposal)
- (IA/IC) Cybersecurity (proposal)
- (IA) Reporting of Security-Based Swaps (proposal)
- (IA) Reg S-P amendments
- (IA) ESG (proposal)
- (IC) Fund of Funds Rule
- (IC) Short Position and Short Activity Reporting by Institutional Investment Managers
- (IC) Reporting of Securities Loans
- (IC) Beneficial Ownership Reporting
- (IC) Money Market Fund Rules
- (IC) Shortening the Securities Transaction Settlement Cycle (T+1)
- (IC) Insider Trading Arrangements and Related Disclosures
- (IC) Enhanced Reporting of Proxy Votes
- (IC) Tailored Shareholder Reports for Mutual Funds and Exchange-Traded Funds; Fee Information in Investment Company Advertisements
- (IC) Good Faith Determinations of Fair Value
- (IC) Use of Derivatives by Registered Investment Companies
- (IC/IA) Reporting of Executive Compensation Votes by Institutional Investment Managers
- (IC/IA) Disclosure (proposal)

SEC/FINRA-BD

- Retail Foreign Exchange Transactions
- Swap and SB swap regime (e.g., beneficial ownership reporting)
- Broker-dealer audits subject to PCAOB standards
- Conflict mineral disclosure
- Market Access
- Municipal advisor
- No NRSRO reference
- Reg AB
- Lost/missing security holder
- 3110 & 3120 Review regulatory updates and determine impact

SEC/FINRA-BD continued

- 1250 (now 1240) Review continuing education requirements
- 1010 Timely filing of Form U5
- 4530 Investigate regulatory proceedings and review reporting requirements
- 3110 Review of sampling of customer accounts, trade reports, statements
- 3110, 6700, & 7400 Municipal trades reporting; TRACE Report cards; CAT Order Events data
- SEA 15c3-1 FOCUS report filing
- 3050 (superseded by 3210) Review of trading practices
- 2264 & 4210 Reg T
- SEA 15g-1 Penny stock rule exemptions
- 4530 Review of Form BD
- 4517 FINRA Contact system
- 3110 & 3120 Inspections, Review & Amend Audit Program
- 1022, 4150, 4522, 4253 Legal & regulatory updates related to FinOp, GL accounts, liabilities
- 1250 (now 1240) Training plan, covered persons list
- 3120 Firms's WSP compliance
- 3120 WSP Manual distribution
- 3310 Firm Element CE Plan
- 4360 Renewal by anniversary date of issuance
- 4360 New Fidelity Bond Rider receipt
- 4311, 6700 Series Clearing agreement
- 2140, 11870 ACATS/Non-ACATS reports
- 3110, 2210, 2216 CMOs, Corporate Bonds, ML CDs, Munis
- 5310 Order Flow Report
- 3120 Review of changes of address and investment objectives
- Best Practice: Review of Cancel/Rebill Reports
- Reg SHO: Short sale transactions
- 3110 Review Structured products, suitability, employee training
- 2122 Fee Schedule
- 3110 FINRA, SEC, States, SIPC
- 2111 Review account documentation
- 2320, 2330 Review WSPs, selling agreement with VLP
- SEA 17a-3, 17a-4 Firm's Books & Records map
- 2268 Pre-dispute arbitration clauses in the customer agreements
- Reg S-P: Policy and Privacy Notice
- 2266, 2267, 3160 Annual distribution of Customer notices and other required notices
- SEA Rule 144 Review of a sample of all 144 sales
- SEA 17a-3, 17a-4 Review third party service providers, Email retention service
- 3110 Review of OSJ activities & supervising branch registration office
- 3110 Review of non-supervising branch offices activities
- 3110 Review of non-branch office activities
- 4370 BCP
- 3220 Gifts and Gratuities
- 3110 Review of all complex products
- 3310 Firms AML Compliance Program
- 3310 Independent audit of the AML
- 3240 Open lending agreements modifications

SEC/FINRA-BD continued

- 3110, 3210 Annual Compliance Questionnaire
- 1210, 1230, 3110 Designation of Principals
- 3110 Completeness and accuracy of Firm's roster
- 3130 Completeness and accuracy of Individual registered roster
- 3110, 3040, 3050, 3270 Meetings to discuss compliance matters
- 1010, 4517 Designation of Principals
- 2310, 5310, 6130 Cash/Non-cash compensation arrangements log
- 3270 Outside business activity
- FINRA Notice 10-06 Use of undisclosed social media platform
- SEA 17a-5 Schedule I Filing
- SEA 15c3-3 Exemption or Custody Report
- SEA 17a-5(f)(2) Notification of accountant
- SEC Letter 07112023: Expense Sharing Agreement Review
- SEA Sec. 31: Accounting Support Fee
- MSRB A-12: Annual Fee
- SEA Sec. 31: PCAPB Annual Assessment
- SEA 17a-3(a)(17), 3110(c)(2) Inactive Account Review
- USA Patriot Act Sec. 314 314(b): Renewal
- SEA 17a-3 & 17a-4, 4500 Series Records Management
- SEA 17a-3(a)(17), 3110(c)(2) 36-month update of customer account
- 3170 Taping rule compliance
- 2342 Breakpoint analysis, Mutual Funds, UITs
- 6820 CAT Clock synchronization certification
- SEA 15c3-5 Market access annual certification
- SEA 13h-1 Form filings
- SEA 15c3-1 Supplemental Statement of Income
- Article V, Sec. 2(c) of FINRA By-Laws: Review U4s for updates
- 2030 Political contributions
- 3310 Money movement
- 2111 Customer Account Review and Suitability
- 4512 Review of Customer Account files
- SEA 17h Risk Assessment Filings
- 3110(d) Insider Trading Surveillance
- SEA 15c3-1 Net capital computation
- SEA 17a-5 Customer protection rule exemption
- 3280 Private securities transactions review
- 3270 Outside activities review
- 3310 High risk account review/SAL log
- 3310 PEP/SFPF
- USA Patriot Act Sec. 312-313: Correspondent Accounts
- USA Patriot Act Sec. 312: Private banking
- 4311 Monthly exception reports
- 3230 Do Not Call list
- NTM 05-26: New product committee
- NTM 99-92 Risk management committee
- 4311 Weekly exception reports
- 9285 Heightened supervision - compliance issues
- SEA 28(e) Soft dollar review
- 5310 Deal file review
- 2210, 2212-2216 Advertising/sales literature approval
- 2210, 2212-2216 Customer complaints
- 4530 Disclosures

SEC/FINRA-BD continued

- 4530.01, 4530(b) Internal conclusion disclosure of significant violations
- 4530(a)(1) Non-compliance escalation to senior management
- 3210 Employee brokerage account notices
- 1210, 1220 State registration
- 3110(e) New employee checklist
- 1010(c), 2263 Prepare form U4
- SEC 613 Consolidated audit trade review
- SEA 17a-3 & 17a-4 Equity trade blotter
- SEA 17a-3 & 17a-4 Purchase/sales blotter
- SEA 17a-3 & 17a-4 Correspondence
- SEA 17a-3 & 17a-4 Money movement analysis
- SEA 17a-3 & 17a-4 Actimize
- SEA 17a-3 & 17a-4 Securities received and delivered blotter
- 4311 exception report review
- 3120 producing manager review
- 2360(b)(3) Position limits
- SEA 17a-3 & 17a-4, 4511 Order ticket review
- 6000-7000 Series TRS/ORF trade reporting reviews
- 4515.01 Trade allocations verification
- 2232 Sample of confirmation review
- 2231 Customer statements confirmation
- SEA 15a-6 Confirm cross border logs
- 2040(c), 2040(b) Annual reviews & inspections of foreign finders
- 2262, 3110 Review of deal files
- 22341, 22342 Review research reports
- Prohibition on discouraging whistleblowing
- Large trader
- Money market rules
- Exemption of investment advisers registered as broker-dealers in connection with the provision of certain investment advisory services
- SEA Section 15(b)(4)(E) Supervision including off-channel communications
- SEA 17a-5 FINRA Rule 4524 15c3-1 Supplemental Statement of Income
- Reg AC research certification
- 1035 Exchanges Regulation Best Interest
- Regulation Best Interest - 4 obligations
- Form CRS - filing and delivery
- SEC Rule 15c6-1 and 15c6-2 T+1 requirements

CFTC/NFA

- Commodity Pool Operators and Commodity Trading Advisors
- Reportable Trader Rule
- Form 40 Requirement
- Registration of Futures Entities
- Position Limits
- CFTC Whistleblower Rules
- Customer Protection Rule
- NFA Membership Requirement
- Prohibition against trade manipulation
- Just and Equitable Principles of Trade
- Branch Office Manager Requirements
- Supervision
- Bunched Orders
- Communications with the Public and Promotional Material

CFTC/NFA continued

- Customer Information and Risk Disclosure
- Business Continuity and Disaster Recovery Plan
- Prohibition of Loans by Commodity Pools to CPOs and Affiliated Entities
- CPO and CTA Quarterly Reporting Requirements
- CPO Notice Filing Requirements
- Registration of CFTC Registrants
- Registration of Associated Persons
- Listing of Principals
- Series 3 Requirement
- Doing Business with Non-Members
- NFA Required Dues and Fees
- Self-Examination Questionnaires
- NFA Ethics Training Requirements
- Information Systems Security Programs (ISSP)
- Virtual Currency Disclosure Requirements
- CPO Internal Controls System
- Third Party Service Provider Due Diligence

MSRB

- New issue allocations and distributions
- Registration of certain operations professionals
- Know your customer and suitability
- Notice filing of private placements
- Supplemental FOCUS info
- Front running of block transactions
- Disclosure and recordkeeping of securities loans and borrowings
- Permissible use of customers' securities
- Review for self-trades
- Process of allocating callable securities
- ATS reporting obligations
- Require use of unique market participant identifiers
- Additional OTC equity trade reporting and OATS reporting
- Verification of applicant's registration information
- Additional account statement disclosure for unlisted DPP or REIT securities
- Know your customer and suitability
- Amendment to customer confirms
- Clearly erroneous transactions in exchange-listed securities
- Fidelity bond requirement
- Additional TRACE reporting and procedures
- Revised trading halts and market-wide circuit breakers
- Best execution and interpositioning amendment
- Telemarketing requirements
- Minimum quotation size requirements for OTC securities
- Report to OATS certain info barriers
- Martin requirements for CDS
- Additional short selling reporting obligations expansion of OATS to all NMS stocks
- Faster reporting of NMS stock and OTC equity security transactions
- Enhanced market maker quotation requirements
- Alternative display facility updates
- 3120 3110 Firms's WSP compliance and distribution
- 3110 Review Structred products, suitability, employee training
- FINRA Notices 10-57 and 15-33 Funding and Liquidity Risk Management Practices

MSRB continued

- Notice to Members 05-48 and FINRA Notice 21-29 Supervisory Obligations Related to Outsourcing to Third-Party Vendors
- FINRA Report on Selected Cybersecurity Practice 2015 and 2018
- Disclosure and recordkeeping of securities loans and borrowings
- Amendment to customer confirms
- Fidelity bond requirement
- Registration of certain operations professionals
- Verification of applicant's registration information
- 4517 FINRA Contact system
- 3310 1240 Firm Element CE Plan
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- Know your customer and suitability
- 2111 Customer Account Review and Suitability
- Telemarketing requirements
- Margin requirements for CDS
- Permissible use of customers' securities
- FINRA Information Notice 10-02-19
- Cybersecurity Alert- Cloud-Based Email Account Takeovers - Copy
- MSRB G-37 political contributions

DOL

- ERISA
- Fiduciary duty rule
- ESG

OCC

- Volcker Rule
- Reg CRA

FDIC

- Community reinvestment act
- Assessment rates for large/complex deposit inst. Defined

FDIC continued

- Stress test for FDIC insured state nonmember banks
- Market risk capital guidelines
- Permissible investments by saving associations
- Rules related to orderly liquidation
- Conformance period for Volcker Rules
- Treatment of mutual insurance HoldCos
- Resolution plans required
- Living will requirements
- Orderly liquidation authority provisions
- Requirements re foreign currency options/ options
- Risk based capital adequacy standards
- Rules re deposit insurance fund dividends
- Reserve ratio for Deposit Insurance Fund
- Increase in deposit insurance
- Orderly liquidation authority
- Corporate Debt Eligible for Investment
- Stress testing for banks
- Community Reinvestment Act Regs
- Credit Risk Retention
- Loans in areas with floods
- Deposit insurance assessments
- Stress test for nonmembers
- Registration State saving association securities
- Liquidity positions
- Leverage ratio
- Eligible guarantee
- OTS regs of states rescinded
- Income tax allocation
- Enhanced supplementary leverage ratios
- Restriction of assets of a covered financial company
- Risk-based and leverage capital
- Volcker Rule
- Reg CRA

TREASURY/FinCEN

- Corporate Transparency Act
- Large position reporting
- Bank Secrecy Act transmittal of funds
- CIFUS/reverse CIFUS (Outbound Screening)
- BEA reporting
- AML requirements

FSOC

- Supervision/regulation of nonbank financial company
- Authority to designate FMUs
- Changes to nonbank designation process
- SIFI requirements

FRB

- Identity theft red flags
- Volcker Rule
- Reg CRA
- Regulations re mortgage loans

FTC

- Non-compete ban
- Privacy regs