

Attn. Jennifer Piorko Mitchell

I have attached comments regarding the FINRA Engagement Initiative. As the topics were quite lengthy, I made comments in the margins. Not having any extra time for things like this is symptomatic of the problem as a CCO of a dually registered BD and RIA these days - simply a high member of regulations, rule, policies and procedures to address every day and the pressure for perfection and not to let anything fall through the cracks.

HIGHPOINTS

- The Weekly Update email is my primary guide, my “go to” for what I really need to know. VERY important. I’d like to see FINRA add a section to give us a heads up on what other agency and regulators are proposing or rules taking effect that affect broker dealers. Such as news from the DOL, MSRB, State Insurance Agencies on Variable annuities, SEC. I often get word of these from the consultants and its usually much later.
- You do a good job at holding local and regional sessions and though I am finding more helpful than the annual conference.
- Suggestion, if you pay to attend the annual conference, the specialty conferences – Cyber and Senior could be free.
- Work with vendors to enable their products to help us and meet regulations. Example: eMoney is very popular with advisors but allows for documents to be uploaded outside of a company’s monitored email system. It would be helpful if the vendors knew what the rules are and can work to develop systems that are in compliance with SEC and FINRA rules. I realized they need to reach out to SEC and FINRA contact, I’ve already mentioned this to their customer support, so please share this email if needed.
- Rule 3110 Supervision, very frustrating that it does not specify on-site audits for people working out of their home when examiners expect that and write you up for it. State it in the rule if it is required. Otherwise the true interpretation of ‘risk based review’ should be accepted. ... Isn’t it over doing it to require an onsite review in this day of age of good people working remotely from their home, car, vacation home, etc when with Facetime and live webcams OSJs can gain confidence in the environment their reputable agents are working from. (from my conversations with a few FINRA members, guidance on the on-site requirement for situations like this is under review)

Thank you
Jennifer

Special Notice

Engagement Initiative

FINRA Requests Comment on Potential Enhancements to Certain Engagement Programs

Comment Period Expires: May 5, 2017

Executive Summary

FINRA recently announced a new initiative to evaluate various aspects of its operations and programs to identify opportunities to more effectively further its mission. As one of the first steps of this initiative, this *Notice* solicits comment from all interested parties on FINRA's current engagement programs. In connection with separate reviews being conducted under this initiative, FINRA will seek input where appropriate on other aspects of its operations.

FINRA's status as a self-regulatory organization (SRO) requires that, in pursuing its mission of investor protection and market integrity, FINRA engage effectively with its member firms, as well as investors and other stakeholders. FINRA currently expends significant resources on its engagement programs, and many individuals from its member firms and the public also devote time to these programs. This *Notice* provides an overview of these engagement programs, with particular focus on FINRA's committees, rulemaking process and member relations and related programs. FINRA requests comment regarding how it can enhance these programs to promote its mission and its effectiveness as an SRO.

Questions concerning this *Notice* should be directed to:

- ▶ Jennifer Piorko Mitchell, Vice President and Deputy Corporate Secretary, at (202) 728-8949;
- ▶ Patricia Albrecht, Senior Director, Member Relations and Education, at (240) 386-5211; or
- ▶ Victoria Crane, Associate General Counsel, Office of General Counsel, at (202) 728-8104.

Comments provided in margins
Jennifer Baro



Financial Industry Regulatory Authority

March 21, 2017

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Senior Management

Key Topics

- ▶ Engagement

Action Requested

FINRA encourages all interested parties to comment on the proposal. The comment period ends May 5, 2017.

Comments must be submitted through one of the following methods:

- ▶ Emailing comments to pubcom@finra.org; or
- ▶ Mailing comments in hard copy to:
Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

To help FINRA process comments more efficiently, persons should use only one method to comment on the proposal.

Important Notes: All comments received in response to this *Notice* will be made available to the public on the FINRA website.¹

Background and the Importance of Engagement

FINRA is an SRO for the broker-dealer industry and is dedicated to investor protection and market integrity through effective and efficient regulation that facilitates vibrant capital markets.² There are many stakeholders with strong interests in how FINRA pursues this mission, including FINRA's member firms, investors and other regulators and policymakers.

Effective engagement with these stakeholders is vital to FINRA for several reasons. First, as is the case for any regulator, FINRA must understand what it regulates. Active and continuous engagement with its stakeholders helps provide FINRA with expertise regarding the various business models of its member firms, the complex and rapidly evolving securities markets in which they operate and the wide range of retail and institutional investors those firms serve. FINRA can use what it learns from this engagement to enrich its regulatory programs and identify ways to protect investors and promote market integrity that are more practical, tailored and effective. For example, by engaging with member firms and investors, FINRA often learns about emerging issues or concerns, which helps it stay ahead of potential risks to investors and the markets. In addition, through such engagement, FINRA can also receive constructive feedback about the extent to which its rules or programs are achieving their goals and about potential changes that would better serve investors and promote strong capital markets.

A differentiating feature of FINRA's SRO model is that it can (and should) actively engage with its member firms—and those member firms can participate where appropriate in developing FINRA's rules and programs—in ways not available to the government, such as through the committee structure described below. The benefits this model offers, including providing FINRA unique access to information and expertise that facilitates efficient regulation of a highly complex industry, cannot be fully achieved if FINRA is not effectively engaged with its member firms, as well as other stakeholders.

The ongoing benefits to FINRA from its engagement with stakeholders can be reinforced and enriched by providing those stakeholders with appropriate information about what FINRA is doing, and why. Such information can enable stakeholders to develop more informed views and provide more constructive feedback. In addition, appropriate transparency promotes public confidence by providing investors and others with information about the steps FINRA is taking to protect them and promote the integrity of the markets.

As discussed further below, FINRA has significant programs and resources dedicated to member and public engagement that have proven valuable in furthering its mission to protect investors and market integrity. FINRA has frequently updated and modified certain aspects of these programs over time as circumstances have warranted. Now, as part of a broader review of its operations, FINRA is undertaking a comprehensive review of these programs to identify potential enhancements that could make them more effective in supporting FINRA's mission. To inform this assessment, FINRA invites feedback from member firms and the public on the programs described below, including how productive these efforts are today and whether different approaches might help FINRA better achieve its objectives.

In considering FINRA's current engagement with its member firms as part of these programs—as well as any potential changes—it is useful to note the balance that must be struck between achieving the benefits of such engagement and ensuring that FINRA remains an effective regulator. Insufficient member engagement may result in FINRA failing to fully achieve the benefits of its SRO model. For example, it may not be as informed about market practices or may not respond as quickly to market developments that require attention. On the other hand, inappropriate member influence on regulatory programs could result in the failure to adequately proscribe, sanction and deter behavior that may harm investors and markets or undermine public confidence in the regulation of the broker-dealer industry.

Congress, the Securities and Exchange Commission (SEC) and FINRA's members (when they voted to approve FINRA's By-Laws) have established a variety of checks and balances that are intended to enable FINRA to be a membership organization that is also an effective regulator. These checks and balances permit the extensive member engagement necessary to achieve the benefits of the SRO structure while preventing such engagement from compromising FINRA's regulatory mission.

For example, to promote member engagement, as described more fully below, FINRA's committees have substantial representation from elected or appointed industry personnel who routinely make important contributions to the FINRA rulemaking and adjudicatory processes. In addition, industry personnel are elected or appointed to the FINRA Board. At the same time, a number of procedural safeguards ensure that FINRA remains a vigilant regulator that acts in the public interest. For example, the majority of FINRA's Board members are required to be non-industry representatives.³

Furthermore, FINRA is subject to comprehensive SEC oversight to ensure that FINRA is acting in the public interest even as it has extensive engagement with the firms it regulates. As more fully described below, FINRA is required (with limited exceptions) to obtain SEC approval for all of its rules that apply to its operations and its member firms, must comply with applicable SEC regulations and is subject to numerous SEC oversight investigations and examinations each year. The SEC also has broad authority to add, delete or amend FINRA rules; suspend or revoke FINRA's registration; censure or impose limitations on FINRA's activities, functions and operations; and remove from office or censure any FINRA officer or director. In addition, to provide procedural safeguards for its members, FINRA does not have certain authorities provided to other enforcement agencies—such as subpoena power—and its disciplinary actions may be appealed to the SEC.

Because they are established by statute, regulation and FINRA's By-Laws, the checks and balances described above—FINRA's Board composition, the comprehensive SEC oversight of FINRA and the limitations on FINRA's powers—operate as effective constraints on FINRA's Board and management and cannot be changed by them. However, FINRA's Board and management can adjust many aspects of FINRA's committee structure and other elements of its engagement programs described below. In reviewing comments on these engagement programs, FINRA intends to evaluate any potential changes in light of this framework of checks and balances governing FINRA, the policy objectives it reflects and the extent to which such changes would enable FINRA to more effectively protect investors and promote market integrity while helping to support vibrant capital markets.

FINRA's Programs for Industry and Public Engagement

FINRA summarizes below its industry and public engagement programs and asks questions regarding potential enhancements to those programs.

1. Engagement Through Advisory, *Ad Hoc* and District Committees

FINRA's use of various committees facilitates engagement with its member firms and representatives of the public on regulatory and policy initiatives related to FINRA's mission of promoting market integrity and investor protection.

Advisory Committees

FINRA has 16 advisory committees that provide feedback on rule proposals, regulatory initiatives and industry issues. More than 160 industry members and 35 non-industry members serve on these committees. Non-industry members primarily serve on committees such as the Economic Advisory Committee, Investor Issues Committee, Market Regulation Committee and National Arbitration and Mediation Committee. Committee members generally are appointed by the Board. However, as noted below, some of the Small Firm Advisory Board members are elected.

The advisory committees meet in-person or via teleconference typically between two and five times a year. In 2016, FINRA held approximately 57 advisory committee meetings.

The following committees routinely provide comment on rule proposals and regulatory initiatives that will be brought to the Board.

- ▶ **Compliance Advisory Committee (CAC)**—composed of 10 to 15 senior compliance officers of FINRA’s large member firms. The CAC provides input regarding the effect of current and proposed securities rules and regulations—including FINRA rules—on members engaged in retail and institutional brokerage and investment banking activities. The committee also assists FINRA in identifying and promoting best practices regarding broker-dealer compliance activities.
- ▶ **Investor Issues Committee**—composed of 12 subject matter experts, including academics, consumer advocates, former securities regulators, institutional investors and individuals affiliated with non-broker-dealer asset management firms. The committee advises, in large part, on proposed rulemaking and policy initiatives that significantly affect individual and institutional investors.
- ▶ **Regulatory Advisory Committee (RAC)**—composed of one representative from each of FINRA’s 11 District Committees (described below). The RAC’s primary purpose is to review and provide comment on all major regulatory initiatives and rule proposals before they are brought before the Board. ✓
- ▶ **Small Firm Advisory Board (SFAB)**—composed of 10 senior persons of FINRA’s small member firms.⁴ The members include five at-large members appointed by the Board and five members elected by the small firms. The Board’s three elected small firm governors serve as *ex officio* members of the SFAB. The SFAB was established to ensure that issues of particular interest and concern to small firms are effectively communicated to and considered by the Board. ✓

Never knew these existed.

Heard of this.

Twelve advisory committees provide feedback on issues related to specific subject matters and also provide comment on regulatory initiatives and rule proposals being brought to the Board that are related to their expertise.⁵

- ▶ **Corporate Financing Committee**—composed of five member firm representatives and five non-industry persons. The committee advises on regulatory and public policy issues arising from firms' capital-raising activities.
- ▶ **Economic Advisory Committee**—composed of 10 economic and finance experts with a wide range of expertise, including banking, credit markets, market structure, international finance and behavioral economics. The committee, with support from FINRA's Office of the Chief Economist and Office of Emerging Regulatory Issues, provides input regarding the effects of current and proposed rules and regulations, market trends and activities that may deserve FINRA's attention and the methods to measure and assess the associated impacts.
- ▶ **Financial Responsibility Committee**—composed of 14 member firm representatives. The committee advises primarily on rules related to financial responsibility (*e.g.*, SEA Rules 15c3-1 and 15c3-3) and the clearance and settlement of securities transactions, and how these rules affect the financial and operational activities of firms.
- ▶ **Fixed Income Committee**—composed of 13 member firm representatives. The committee advises on regulatory initiatives, rules and policies involving debt securities, including municipal securities.
- ▶ **Independent Dealer/Insurance Affiliate Committee**—composed of 10 member firm representatives. The committee advises on matters relating to the operation and regulation of independent contractor firms, as well as insurance company-affiliated broker-dealer firms that provide comprehensive financial services typically involving non-proprietary products.
- ▶ **Market Regulation Committee**—composed of five member firm representatives and five non-industry persons. The committee advises on market regulation and trading issues and the administration of various FINRA market regulation and trade reporting systems, such as the Trade Reporting Facilities, the Order Audit Trail System (OATS) and the Alternative Display Facility.
- ▶ **Membership Committee**—composed of 14 to 16 senior persons⁶ of member firms of varying sizes and business models. The committee advises on a wide range of matters of interest and concern to firms including, but not limited to, providing feedback on the impact of current and proposed regulatory requirements and insight on industry trends, issues and needs regarding regulatory compliance.
- ▶ **National Arbitration and Mediation Committee (NAMC)**—composed of six member firm representatives and seven non-industry persons. The committee makes recommendations to FINRA regarding recruitment, qualification, training and evaluation of arbitrators and mediators, as well as recommendations on rules, regulations and procedures that govern the conduct of arbitration, mediation and other dispute resolution matters before FINRA.

- ▶ **Operations Advisory Committee**—composed of 15 member firm representatives. The committee advises on securities industry operational trends and their potential impact on controls and regulation, as well as global clearance, settlement, data standards and other back office issues that impact firms and the securities industry.
- ▶ **Public Communications Committee**—composed of 12 member firm representatives. The committee advises on matters regarding proposed changes and interpretations to FINRA rules governing member communications with the public, as well as the administration of such rules, and advises FINRA staff regarding emerging communications technologies.
- ▶ **Technology Advisory Committee**—composed of 17 member firm representatives. The committee advises on technology issues in the financial services industry that affect clearance, settlement, data standards, compliance monitoring, security and disaster recovery.
- ▶ **Uniform Practice Code (UPC) Committee**—composed of eight member firm representatives. The committee advises on issues relating to the UPC and over-the-counter (OTC) market trading, processing and operations.

The purpose and role of the advisory committees are reviewed periodically and updated as needed to reflect changes in the industry. The Board has the flexibility to establish new committees and discontinue committees, as appropriate.⁷ Advisory committee membership is reviewed annually by management and the Board to ensure appropriate composition and representation. Except for the SFAB, there are no term limits for advisory committees. Each SFAB member serves one three-year term after which he or she is not eligible for re-election or re-appointment to the SFAB for another three years.

Ad Hoc Committees

FINRA departments also create specific subject-matter committees as needed to consult on various issues. Unless otherwise noted below, the committees do not have term limits, although FINRA does review membership occasionally. The composition of the committees and their meeting frequency depends upon FINRA's consultation needs related to the subject matter.

For example, in 2014, FINRA staff formed the Dispute Resolution Task Force (Task Force), which included both industry and non-industry members. The Task Force was established to suggest strategies to enhance the transparency, impartiality and efficiency of FINRA's securities dispute resolution forum for all participants. The Task Force and its subcommittees met 57 times over a period of 14 months to discuss these issues. The Task Force issued a report on its findings in December 2015, after which it was disbanded.⁸

never know about this. How would members participate.

Suggestion - members could provide names and experience of employees who would be willing to participate on a committee.

Current active *ad hoc* committees include the following:

- ▶ **Complaints Initiatives Committee (CIC)**—composed of 23 individuals representing large firm members that file much of the information collected pursuant to Rule 4530 (Reporting Requirements), especially information regarding written customer complaints required by Rule 4530(d). The CIC advises FINRA’s Office of Fraud Detection and Market Integrity (OFDMI) regarding issues and trends relating to the rule’s requirement to report quarterly statistical and summary information regarding written customer complaints. FINRA staff consults with the CIC on changes to Rule 4530, related technology application issues and *Regulatory Notices* and frequently asked questions (FAQs) that are published regarding Rule 4530.
- ▶ **Firm Element Training Committee**—composed of seven to 10 member firm representatives. The committee advises FINRA’s E-Learning Program—which maintains a suite of training courses on a range of compliance topics—regarding the development of e-learning courses and their content.
- ▶ **Licensing and Registration Council (LRC)**—composed of 10 industry members, five North American Securities Administrators Association (NASAA)⁹ members and two SEC observers. LRC members serve three-year terms. The committee advises FINRA’s Registration and Disclosure Department regarding broad issues relating to the licensing and registration of financial services firms and their associated persons. The LRC provides a forum for the open discussion of issues relating to Web CRD¹⁰ and the Investment Adviser Registration Depository (IARDTM),¹¹ and provides recommendations for enhancements of those systems. The LRC also addresses issues regarding FINRA qualification examinations and maintains a Registration and Qualification Sub-Committee consisting solely of industry members to make policy and system recommendations to the larger committee.
- ▶ **Market Surveillance Advisory Group (Advisory Group)**—composed of six experts in fields ranging from physics, data science, machine learning and artificial intelligence, as well as trading and financial market structure. The Advisory Group provides input to help FINRA evaluate the current level of sophistication of its markets surveillance program and to explore innovations in modern financial analysis, quantitative data analysis, data mining, artificial intelligence and machine learning that can be used to enhance FINRA’s surveillance capabilities.
- ▶ **Qualification Examination Content Committees (10 Committees)**—each committee is composed of 12 to 30 members drawn from the industry and SRO staff. SRO members include staff from the Municipal Securities Rulemaking Board (MSRB), Chicago Board Options Exchange (CBOE), NYSE and FINRA. Larger committees meet in smaller groups based on content expertise needed at a meeting. The committees advise FINRA’s Testing and Continuing Education (TCE) Department regarding the content of all qualifications examinations. The current committees are composed as follows:

Qualification Examination Content Committee	Industry Members	SRO Members	Meetings per year
Series 14 – Compliance Officer	12	2	4
Series 16/86/87 – Research & Supervisory Analyst	20	2	4
Series 23/24/26/39 – Principal Examinations	18	3	4
Series 27/28 – FinOp Principal	12	2	3
Series 4/9/10 – Sales Supervisor/Options Principal	22	5	4
Series 57 – Securities Trader	14	2	3
Series 6/7/22/82 – Sales Representative	50	5	4
Series 79 – Investment Banking	16	1	4
Series 99 – Operations Professional	25	1	3
SIE – Securities Industry Essentials	24	4	5

- ▶ **Rule 4210 Committee**—composed of 10 member firms and six representatives from the SEC, Board of Governors of the Federal Reserve System, CBOE and Options Clearing Corporation. The committee advises FINRA’s Risk Oversight and Operational Regulation Department with respect to the industry’s margin and credit practices and issues relating to Rule 4210 (Margin Requirements).

District Committees

FINRA has 11 District Committees composed of seven to 14 elected members¹² representing a cross-section of firms within each of FINRA’s Districts across the country that provide demographic and geographic diversity of input.¹³ District Committee members serve an important role in the self-regulatory process by, among other things:

- ▶ serving on disciplinary panels in accordance with FINRA rules;
- ▶ alerting FINRA to industry trends that could present regulatory concerns; and
- ▶ consulting with FINRA on proposed policy and rule changes.

District Committee members serve three-year terms and meet in person twice a year. There is no limit on the number of terms that a District Committee member may serve, except that he or she may not serve two full terms consecutively.

Request for Comment on Engagement in Advisory, Ad Hoc and District Committees

- ▶ How effective is FINRA's advisory and *ad hoc* committee structure (e.g., the number and type of committees) in providing input to FINRA on industry developments, rule proposals, regulatory initiatives and programs?
- ▶ Do the existing committees enable appropriate engagement by FINRA with its members and other relevant stakeholders? Are there additional steps that FINRA can consider implementing to maximize the potential for obtaining new views and fresh perspectives on existing committees? Do the current committees enable sufficient engagement by FINRA with all of its different types of members, including members with different business models and challenges? Should FINRA re-visit to what extent there is industry versus non-industry participation on the various advisory and *ad hoc* committees?
- ▶ Are there additional areas not addressed by existing committees where FINRA should obtain periodic input? If so, would a new advisory or *ad hoc* committee be an appropriate vehicle for obtaining that advice? Are there any existing advisory or *ad hoc* committees that should be disbanded or consolidated?
- ▶ Of the advisory and *ad hoc* committees, only the SFAB has elected members. Should FINRA consider including elected members on any other of its advisory or *ad hoc* committees? If so, which ones? What would be the advantages and disadvantages of a more formalized selection process for advisory and *ad hoc* committee membership?
- ▶ Of the advisory committees, only the SFAB has term limits. Of the *ad hoc* committees, only the LRC has term limits. Should FINRA consider implementing term limits for its other advisory or *ad hoc* committees? If so, how long should the terms be?
- ▶ Are there other criteria that should apply for service on FINRA's advisory and *ad hoc* committees? *experience, position, type of firm, Disciplinary History.*
- ▶ Do the District Committees continue to serve a useful purpose in light of their evolution over time? Should the scope of their activities be modified? *not sure*
- ▶ Is a three-year term limit for District Committee membership appropriate? Should the total number of terms that a District Committee member may serve also be limited? Are there other changes that FINRA should consider with respect to the composition of the District Committees? *yes*
- ▶ The District Committee, SFAB and NAMC rosters are available on FINRA's website. Should FINRA make publicly available all advisory and *ad hoc* committee rosters? Would the usefulness of this information outweigh concerns regarding inappropriate communication with or public disparagement of committee members? *maybe available upon request.*

Don't know how much input they provide a lot of rules have been implemented. How much is enough? Use existing.

District members yes, two or three year limits

maybe available upon request.

- ▶ Other than posting committee rosters, what other information should FINRA make available to create additional transparency around FINRA's committees?
- ▶ In addition to providing a means for FINRA to obtain the views of committee members, FINRA understands that many members find the committees to be a useful way to learn about FINRA initiatives and to speak with FINRA management. Is this a useful purpose for the committees? Are there other steps that FINRA should consider, in addition to or in lieu of specific committees, to make information and FINRA personnel available to its stakeholders?
- ▶ FINRA's committees typically meet between two and five times per year. Is the current number of meetings sufficient? Should some committees meet fewer or more times per year? If so, which ones and why?
- ▶ Is it preferable to hold committee meetings in-person or via teleconference, or a combination of both? Are there particular committee meetings that should be held in-person or via teleconference only?
- ▶ If you have been a member of any of FINRA's committees, what has been your experience serving on that committee? Is appropriate information provided to the committee to facilitate meaningful discussion and input into FINRA's operations and programs? What changes to the operation of that committee might enable it to have more meaningful discussion and input into FINRA's operations and programs?

- topics proposed to committees in weekly updates.

- Publish notes
Both - we are all so busy.

N/A

Request for Comment on the Committee Election Communication Process

Each year, FINRA issues an Annual Election Cycle and Procedures Overview (Annual Election Cycle Notice).¹⁴ The Annual Election Cycle Notice informs firms of the timeline for that year's elections to fill vacancies on the Board, SFAB, NAC and District Committees. Specifically, the Annual Election Cycle Notice provides an overview of the upcoming elections, a description of the Board's, the NAC's, the District Committees' and the SFAB's responsibilities; terms of service; and a summary of how eligible individuals can become candidates in each election. FINRA has a dedicated web page interested persons can view to obtain detailed information on upcoming elections and how to get involved.¹⁵

- ▶ Should FINRA provide additional ways, other than those specified in the Annual Election Cycle Notice, for persons to seek consideration for nomination to an elected seat or appointment to an appointed seat on the Board, advisory committees or District Committees? Should FINRA provide a means for election candidates to communicate with members, such as conference calls or webcasts?
- ▶ Is there additional information that FINRA could provide in its Annual Election Cycle Notice or on its dedicated web page that would be helpful for understanding the election cycle, how to become a candidate in an election, or how to get involved?

This is fine very simple. no changes
no comment.

2. Engagement in Connection With FINRA Rulemaking

FINRA's Rulemaking Process

One of FINRA's most important and thorough means of engagement is its rulemaking process.¹⁶ Because FINRA publishes its significant rule proposals for one or more rounds of comment before they are published for comment by the SEC, there are often more opportunities for public comment on FINRA rules than rules issued by government agencies.

Changes to FINRA's rules are generated from a number of sources, including, but not limited to:

- ▶ FINRA staff initiatives;
- ▶ recommendations from the SEC or other regulatory bodies;
- ▶ recommendations from FINRA advisory committees or the NAC;
- ▶ FINRA member firms, investors or other interested parties; and
- ▶ market participant responses to market developments.

Once FINRA identifies a possible rule change, FINRA legal and supervisory staff develops the rule proposal, working closely with the Office of the Chief Economist to assess the economic impact of the proposal.¹⁷ FINRA staff also consults with the relevant advisory committees on rule changes. As noted above, four of these advisory committees—the SFAB, CAC, RAC and the Investor Issues Committee—routinely comment on rule proposals, and other committees may comment on specific rule proposals relevant to their areas of expertise.

After discussing a rule change with the advisory committees, the proposal is submitted to the Board for its consideration, along with a summary of the views expressed by those committees. If the Board supports the rule change, it typically authorizes the publication of a *Regulatory Notice* soliciting comment on the proposal. FINRA uses *Regulatory Notices* to formally solicit opinion, information and data regarding the need for regulatory action and the potential impacts of different alternatives. *Regulatory Notices* are shared with member firms and posted on FINRA's website. FINRA carefully reviews comments it receives in response to a *Regulatory Notice* and posts copies on its website.¹⁸

The *Regulatory Notice* process has proven a useful way for FINRA to obtain valuable input from member firms and the public on its rule proposals. For instance, comments received on *Regulatory Notices* have included additional information relevant to FINRA's preliminary economic impact assessment. Review of the public comments received often results in revisions to a rule proposal. If the changes are significant, FINRA staff returns to the relevant advisory committees with the revised proposal and submits the revised proposal to the Board along with the committees' views. The Board determines the next steps, which could include issuing another *Regulatory Notice* requesting comment on the revised proposal or filing the proposal with the SEC for notice and comment.

Every proposed FINRA rule change, regardless of significance, is filed with the SEC pursuant to SEA Section 19. The filing discusses the comments FINRA received in response to the *Regulatory Notice* (if applicable) and FINRA's responses to these comments. The SEC publishes all of FINRA's proposed rule changes on its website¹⁹ and in the *Federal Register* with a request for public comment. FINRA considers the comments the SEC receives during this process and often amends rule filings in response to such comments. The SEC's approval of FINRA rules is subject to the Administrative Procedure Act, among other requirements, and is published in the *Federal Register* and in a *Regulatory Notice* on FINRA's website. The SEC's approval can be challenged in the federal courts.

To further facilitate engagement regarding its rulemaking, FINRA publishes a rule filing status report that provides a searchable comprehensive list of FINRA rule filings currently pending with the SEC as well as FINRA rule filings approved by the SEC, filed with the SEC for immediate effectiveness or withdrawn within the last six months.²⁰ In addition, all approved rule changes are updated in the electronic copy of the FINRA Rulebook on FINRA's website within two business days of SEC approval.

Request for Comment on Engagement in FINRA's Rulemaking Process

- ▶ What additional information, if any, could FINRA provide to make the FINRA rulemaking process more transparent? Are there additional steps FINRA could take to allow for further engagement with the public and members in the rulemaking process?
- ▶ Although FINRA responses to comments on a *Regulatory Notice* are included in its subsequent SEC rule filing and thus are publicly available, some commenters may be unaware of the process by which FINRA responds to comments and where to locate the responses. Would it be helpful for FINRA to subsequently post a link on the *Regulatory Notice's* request for comment web page to the FINRA rule filing(s) containing the responses to those comments? How else might FINRA consider enhancing the transparency of how it has responded to comments on a *Regulatory Notice*?
- ▶ FINRA is also considering including in the *Regulatory Notice* announcing SEC approval of a rule change a link to FINRA's response to comments received by the SEC after publication of the proposed rule change in the *Federal Register* so individuals can understand why comments were or were not incorporated into the final rule. Would this be useful? How else might FINRA consider enhancing the transparency of how it has responded to comments in a final rule change?
- ▶ What other steps should FINRA consider taking to encourage comment on its proposed rules when they are published by FINRA in a *Regulatory Notice* or when they are published by the SEC upon filing?

Process is fine
weekly update
is best way to
see what
is coming.

It is provided if
you want to
find it.

No too much
to read already

I don't respond because
I simply don't have
the time.
I would love to
talk w/ someone
though. That
may help.

- ▶ Although the period for commenting on proposed rules published by the SEC is controlled by the SEC, FINRA can change the comment period applicable to its *Regulatory Notices*, which is typically 45 days. Is this a sufficient period of time to allow for comment? Should FINRA provide for a shorter or longer time period for comment on its *Regulatory Notices*? yes 45 is enough
- ▶ What additional steps could FINRA take to encourage meaningful input on proposed rules by advisory committee members? If you have served on one of the advisory committees that reviews proposed rules, what has been your experience on the committee? Were there measures that would have enhanced your ability to provide input to FINRA on proposed rules? no

FINRA's Retrospective Rule Reviews

In April 2014, FINRA launched an ongoing initiative to periodically look back at significant rules to ensure they remain relevant and appropriately designed to achieve their objectives, particularly in light of industry and market changes. The review process consists of two phases: assessment and action. During the assessment phase, FINRA evaluates the efficacy and efficiency of the rule or rule set as currently implemented, including FINRA's internal administrative processes. As part of its assessment, FINRA seeks input from affected parties and experts, including its advisory committees, subject matter experts inside and outside of the organization and other stakeholders, including industry members, investors, interested groups and the public. FINRA staff assesses issues including the existence of duplicative, inconsistent or ineffective regulatory obligations; whether market or other conditions have changed in ways that suggest there are opportunities to improve the efficiency or effectiveness of a regulatory obligation without loss of investor protections; whether improvements in implementation can advance the effectiveness of rules; and potential gaps in the regulatory framework.

Upon completion of this assessment, FINRA staff reports its findings to the Board and makes a general staff recommendation regarding whether the rule or rule set should be maintained as is, modified or deleted. If the assessment recommends modification of rules, FINRA separately engages in the rulemaking process described above to propose amendments to the rules based on the findings. The staff may also recommend other initiatives, such as the need for updated or additional guidance or the need for additional research or information gathering.²¹

Request for Comment on Engagement in Retrospective Rule Reviews

- ▶ Is the process by which FINRA engages in the retrospective review of its rules effective and transparent? Should FINRA make any changes to this process to facilitate greater public input and feedback? Should FINRA consider streamlining or expanding this process in any way?

Needs to be done more. For new rules implemented, outdated rules should be revised.

- ▶ FINRA issued a formal survey to the membership and other representative stakeholders to corroborate, negate or refine the issues defined during the retrospective review process, including whether the costs and benefits of a rule set have been in line with the expectations described in the rulemaking. FINRA staff understands that some members were not aware of the issuance of the survey. How can FINRA help ensure that members and other stakeholders are alerted when FINRA is requesting participation in a survey regarding a retrospective review process? *I didn't see it.*
- ▶ If you have participated in responding to a survey as part of the retrospective review process, what was your experience with the survey, including the content of the survey and time allowed to respond? Are there ways in which FINRA could improve how it surveys the public and members as part of its retrospective rule review process? *N/A*
- ▶ If you were consulted by FINRA staff in connection with the retrospective review on one of FINRA's rule sets, what was your experience with the process? *N/A*

FINRA's Regulatory Guidance

Providing regulatory guidance promotes both engagement and transparency. In addition to publishing FAQs or issuing guidance via *Regulatory Notices*, FINRA's Office of General Counsel (OGC) staff provides interpretive guidance relating to FINRA's rules upon request from member firms and the public. Member firms may contact OGC staff by telephone or email to discuss their questions. OGC staff often can resolve uncomplicated questions over the telephone.²²

In addition, member firms with interpretive issues too complex for an oral response can raise them through OGC's written interpretive guidance process. The process requires requesters to submit a written interpretive request. If FINRA provides a written response to the interpretive request, FINRA may publish the response on its website.²³

Request for Comment on Engagement in Regulatory Guidance

- ▶ Should FINRA seek to provide more interpretive guidance regarding its rules, and, if so, what form should that take? Under what circumstances should FINRA consider obtaining comment or feedback on proposed guidance? *- examples would be helpful*
- ▶ Should FINRA consider any changes to the process or mechanisms through which it provides guidance? Should FINRA make greater use of FAQs? *yes FAQs.*
- ▶ What has been your experience in obtaining interpretive guidance from FINRA? Do you believe you are able to obtain guidance from FINRA when you need it? Do you believe you have the same access to guidance from FINRA as other firms? *- From examiners*

3. Engagement Through Member Relations, Education and Compliance Resources

FINRA also engages with its member firms through member outreach and by providing educational offerings and compliance tools and resources. FINRA relies on its Member Relations and Education Department (MRE) to maintain an open and effective dialogue with member firms to assist FINRA's understanding of firm issues and the impact of regulatory requirements on firms. In addition, MRE identifies areas where firms need assistance and guidance and works with other FINRA departments to create and promote a range of compliance resources. For example, MRE staff surveyed small firms in December 2016 to identify the FINRA-created compliance tools and resources they find most valuable, ask firms to identify additional compliance areas where they require more guidance and ask for the types of tools and resources that would be most useful to them. MRE also operates the following programs:

- ▶ **Member Firm Outreach**—organizing and managing regularly scheduled meetings with firms of various sizes in a variety of forums to enhance two-way communication, gauge the understanding of regulatory policies and initiatives and identify opportunities for guidance. The forums include:
 - ▶ **Member Meetings**—an opportunity for a relatively large gathering of invited member firm representatives (approximately 150 participants) to speak to FINRA senior staff about issues of concern;
 - ▶ **Small Firm Roundtables**—an opportunity for a smaller gathering of invited small member firm representatives (10-15 participants) to have in-depth dialogue with FINRA senior staff; and ✓
 - ▶ **District Compliance Meetings**—an opportunity for member firm representatives to meet with FINRA district and other staff to learn about updates on current regulatory changes and discuss topics of interest provided by attendees. Attendance is via open registration and generally limited to 50-100 participants. ✓
- ▶ **In-person and On-demand Education**—organizing and managing the development and delivery of industry educational offerings. The offerings include:
 - ▶ **FINRA Conferences**—organizing FINRA's regulatory conferences, including the:
 - Annual Conference;
 - Annual Small Firm Conference;
 - Senior Investor Protection Conference;
 - Cybersecurity Conference;
 - Advertising Regulation Conference;
 - Fixed Income Conference;
 - South Region Compliance Seminar; and
 - Regional Compliance Outreach Seminars (co-hosted with the SEC);

*I ~~go~~
attend when
local*

*prefer the
small gatherings
more specific.*

- ▶ **FINRA Institute at Wharton Certified Regulatory Compliance Professional™ (CRCP™) Program**—a two-week certificate program delivered through the Wharton School of the University of Pennsylvania providing industry professionals with an in-depth understanding of the foundation, theory and practical application of securities laws and regulation;²⁴
- ▶ **Half-Day Compliance Boot Camps**—classroom-style forums for newer compliance professionals focusing on basic regulatory requirements and compliance responsibilities; and
- ▶ **Webinars and A Few Minutes with FINRA Series**—free online video programs covering a variety of regulatory topics and including panel discussions with FINRA staff and industry experts.
- ▶ **FINRA Contact System (FCS)**—MRE manages the system through which member firms provide key contacts to FINRA, which is a requirement of FINRA rules and By-Laws. Designated firm contacts are used to facilitate voting in FINRA elections and compliance with various rules and By-Laws, and to improve FINRA's communication with its member firms.
- ▶ **Firm Gateway**—MRE manages this secure, centralized system that assists firms to comply with rules, gather information and interact with FINRA. Specifically, Firm Gateway provides consolidated access to regulatory applications and filings and FINRA's electronic billing system; one-click quick access to common tasks, useful resources and key firm information; an at-a-glance view of important filing dates, tasks and events; and centralized information requests.
- ▶ **Tools and Resources**—MRE oversees FINRA's firm-facing systems that enhance technology usability and creates and promotes FINRA compliance tools.²⁵ MRE also monitors and updates, as necessary, FINRA's dedicated web page listing compliance tools for firms' use.²⁶ In addition, MRE is developing a "compliance calendar" and a directory of compliance service providers, both of which FINRA intends to introduce later this year.

great!

good
Have 4 participated

fine

fine

fine

In addition to the programs operated by MRE, FINRA provides other resources to promote compliance.

- ▶ **Podcasts**—FINRA makes a number of podcasts available on its website that highlight news, regulatory updates and other compliance topics.²⁷ FINRA created the podcasts as a convenient way to provide compliance-related information to compliance professionals. Any interested individuals may subscribe to FINRA's podcasts.
- ▶ **FINRA Report Center**—FINRA provides firms secure access to data and reports through the FINRA Report Center, to help firms detect potential compliance problems early. The FINRA Report Center also provides report cards that cover a variety of topics and rule sets (e.g., late trade reporting and statistics on late corporate finance filings).²⁸

don't use

use
not as helpful

Request for Comment on Engagement Through Member Relations, Education and Compliance Resources

- ▶ How useful are FINRA's current methods of communication with and education of firms? Are there ways in which FINRA could improve upon these current methods to better engage with its member firms? Are there additional ways FINRA can facilitate dialogue with member firms or otherwise provide opportunities for interaction with FINRA, such as providing phone-in workshops?
- ▶ The Annual Conference provides the opportunity for attendees to visit with individual FINRA district and operating department staff during scheduled "Office Hours." Should this practice be expanded to include other conferences or events? If so, which ones?
- ▶ Are there enhancements FINRA can make to Firm Gateway that would make it more useful?
- ▶ Are the existing tools and tutorials listed on FINRA's compliance tools web page useful? Are there additional tools and tutorials that would be useful?
- ▶ Are there other types of tools or resources FINRA could provide that would help reduce any burdens from and facilitate compliance with new or existing rules (e.g., the BrokerCheck® logo and link tools)?²⁹ Are there additional tools or resources that would be helpful to small firms in particular?
- ▶ How useful is the data provided by the FINRA Report Center as a means of detecting potential compliance problems? What, if any, additional data could the FINRA Report Center provide that would help firms' compliance efforts?

don't use.
I need insurance
CB too
always good to have
yes
yes
new site
compliance
alerts.
not all- attached
once published

Handwritten mark

4. Engagement Through Investor Education

FINRA also engages with the public through a wide array of retail investor education initiatives to assist investors in understanding the financial services industry and products and how to protect themselves against financial misconduct. These initiatives include:

- ▶ **Investor Tools**—FINRA develops and maintains interactive tools and calculators like the Fund Analyzer and Required Minimum Distribution Calculator;³⁰ publishing alerts, articles and newsletters through the Investors section of FINRA's website³¹ and The Alert Investor, a digital magazine providing relevant information on topics of interest for investors; and creating and disseminating podcasts, infographics and videos on personal finance and investing topics.
- ▶ **Investor Education Forums**—FINRA participates in dozens of investor education forums each year, reaching thousands of retail investors. These events include question and answer sessions during which FINRA staff have an opportunity to hear directly from the public about points of confusion or troubling trends. This type of ongoing feedback mechanism not only informs the output of FINRA's Office of Investor Education (e.g., surfacing potential topics for alerts or gaps in existing content), but also allows FINRA to better respond to investor needs.

Key area!
educate investors
is best way
to help them.
so many scams
by 3rd parties, email
phone + charities
that dilute
savings.

- ▶ **Additional Investor Outreach**—FINRA staff has facilitated several other outreach events in communities, holding events at shopping malls to raise awareness of FINRA and provide investors with an alternative method to connect with staff. FINRA has also created the Securities Helpline for Seniors®—a dedicated, toll-free number designed to provide senior investors with a supportive place to raise issues and obtain assistance from knowledgeable FINRA staff members relating to concerns they have with their brokerage accounts and investments.
- ▶ **Investor Testing**—FINRA staff periodically engages investors in quantitative and qualitative research aimed at identifying retail investor attitudes and behaviors. For example, in collaboration with MSRB staff, FINRA staff conducted investor testing to understand the impact of changes to bond pricing disclosures.
- ▶ **FINRA Investor Education Foundation (the FINRA Foundation)**—FINRA engages with investors through the work of the FINRA Foundation.³² Established in 2003, the FINRA Foundation supports research and financial education initiatives throughout the country. The FINRA Foundation’s National Financial Capability Study,³³ for example, benchmarks and tracks over time key indicators of financial capability and evaluates how these indicators vary with underlying demographic, behavioral, attitudinal and financial literacy characteristics. Separately, the FINRA Foundation supports the work of academics and other researchers who explore investor behavior.

Too many disclosures that are required who can read all that paper work? what does it mean?

The FINRA Foundation also collaborates with a wide network of dedicated grantees and project partners committed to connecting communities with financial education resources. The FINRA Foundation’s projects range from helping investors spot, avoid and handle the aftermath of financial fraud to fostering the financial readiness of military families to advancing workplace financial capability programs. The FINRA Foundation also trains financial educators, including a nationwide network of reference librarians, to expand the capacity of the field at the grass-roots level.

Request for Comment on Engagement Through Investor Education

- ▶ Which of FINRA’s existing investor tools and resources do investors find most engaging and helpful? Are there additional tools and resources FINRA should consider providing to better engage investors in understanding the financial services industry and products and how to protect themselves against financial misconduct?
- ▶ Do members direct customers to FINRA’s existing investor tools or resources? If so, how and to which ones? Do members direct their registered representatives to FINRA’s investor tools and resources for training or other purposes? If so, to which ones? Have registered representatives found the tools and resources helpful?

general misconduct by charities, + other parties.

FINRA could start directing referrals to states.

- ▶ FINRA uses various formats for investor education purposes, such as articles, alerts, podcasts and infographics. Which of these formats are the most engaging and helpful?
- ▶ If you have attended a FINRA investor education forum or other investor outreach program by FINRA, what was your experience? Are there ways in which FINRA could improve upon these forums or outreach programs?
- ▶ What has been your experience with the Securities Helpline for Seniors? Are there ways in which FINRA could improve the services it offers through the helpline? If you have used other FINRA communication channels to submit investor inquiries or complaints, what has been your experience with those communication channels? As an investor, what form of communication with FINRA do you find most helpful?
- ▶ How can FINRA's methods of gathering insights from investors and understanding investor needs be strengthened?

5. Reporting on FINRA Operations

Information on FINRA Board Activities

Since 2010, FINRA has significantly increased transparency around its Board's operations. For example, prior to each Board meeting, FINRA publishes on its website a list of rulemaking items that the Board will consider. After each Board meeting, FINRA sends a Board update by email to firms and publishes the same email on FINRA.org. The Board update email notifies firms of the Board's decision with respect to the rulemaking items considered at the Board meeting and provides a link to a video report featuring the CEO and Chairman, and sometimes other Board members, providing more detailed meeting highlights.

A list of the current FINRA governors is posted on FINRA's website.³⁴ Biographical information for governors is included in press releases announcing their appointment or election, and in FINRA's Annual Meeting Notice and Proxy. FINRA's organizational documents (*e.g.*, FINRA's Certificate of Incorporation and the By-Laws) are available in the FINRA Rulebook on FINRA's website.³⁵

FINRA is considering providing additional information on its website surrounding its Board governance. While some of the proposals will require Board approval, FINRA solicits feedback on whether the additional information outlined below would be helpful with respect to increasing transparency surrounding Board operations and governance.

Request for Comment on Transparency Regarding Board Activities

- ▶ Should FINRA provide additional information on its website about its Board membership, such as Board member biographical information and term limits?

*Not
Concerned
with*

- ▶ Should FINRA post the Board’s committee charters on its website? How would this information be useful?
- ▶ Should FINRA make other governing documents, such as FINRA’s corporate governance guidelines and Board member code of conduct, publicly available? How would this information be useful?
- ▶ Are the pre and post-Board meeting notifications and Board video updates informative and useful? What additional or different information would be helpful?
- ▶ The pre-Board meeting notification is posted on FINRA’s website, and the post-Board meeting notification is posted on the website and emailed to each firm’s executive representative. Should FINRA email the pre-Board meeting notification to firms? How else might FINRA broaden dissemination of its pre- and post-Board meeting notifications? Should FINRA allow any interested individual to sign up for the pre and post-Board meeting notifications?

Information on Examination and Enforcement Programs

FINRA provides a range of information regarding its ongoing examination and enforcement programs. For example, FINRA’s Annual Regulatory and Examination Priorities Letter (Annual Priorities Letter) provides information about areas FINRA plans to review in its annual exams based on observations from its regulatory programs as well as input from various stakeholders, including member firms, other regulators and investor advocates.³⁶ Firms have stated that they find the Annual Priorities Letter useful in reviewing their compliance and supervisory programs and framing issues to address in their internal training and communications.

FINRA also publishes statistics on its examination and enforcement programs on its website. For example, with respect to its enforcement program, FINRA publishes data on the number of cases brought, amount of fines levied, amount of restitution ordered, number of member firms expelled and suspended, and the number of registered individuals barred.³⁷ Member Regulation provides statistics on the number of cycle, branch and cause examinations conducted annually.³⁸ The Market Regulation Department publishes data on the number of matters it referred to the SEC and the number of equity and options quotes, orders and trades processed each day.³⁹ OFDMI provides statistics on the number of referrals it makes to the SEC and other regulators or law enforcement agencies.⁴⁰

FINRA maintains a publicly accessible database with FINRA disciplinary complaints and disciplinary decisions, including any disciplinary decision issued by the Office of Hearing Officers or NAC, orders accepting an offer of settlement, and Letters of Acceptance, Waiver and Consent. Interested parties may search for these disciplinary actions through FINRA’s Disciplinary Actions Online database, which includes actions issued during 2005 or later that meet the standards of FINRA Rule 8313 (Release of Disciplinary Complaints, Decisions and Other Information).⁴¹ Summaries of such actions are published monthly on FINRA’s website.⁴²

Publishing of unwarranted complaints is harmful to advisors and can misrepresent their business. A better way to expunge irrelevant history would be made accurate.

In addition, FINRA posts on its website decisions issued after the opportunity for a hearing under FINRA's expedited proceedings rules, statutory disqualification decisions and decisions issued by the NAC or the FINRA Board in a membership proceeding or concerning an application for approval of change in ownership, control or business operations.⁴³

Request for Comment on Transparency Regarding Examination and Enforcement Programs

- ▶ Are there changes to the Annual Priorities Letter in terms of substance or the timing of its issuance that would be useful? In addition to the letter and podcast, are there other ways in which FINRA should consider communicating the substance of the Annual Priorities Letter to members?
- ▶ To what extent do you find the Annual Priorities Letter helpful in reviewing your compliance and supervisory programs and framing issues to address in your internal training and communications?
- ▶ Is there additional data FINRA should consider providing in connection with its examination and enforcement programs to provide additional transparency into these programs?
- ▶ Do you find the disciplinary and decision information, and the frequency of that information, posted on FINRA.org helpful? Is there additional or other information that you would find helpful?

Information Regarding Dispute Resolution Programs

Through its Office of Dispute Resolution (ODR), FINRA administers a dispute resolution forum for investors and brokerage firms, and their registered employees, with hearing locations in all 50 states, as well as Puerto Rico and London. FINRA maintains a roster of more than 7,100 arbitrators and 200 mediators. FINRA's dispute resolution process is subject to oversight by the SEC, and any rule changes related to dispute resolution are subject to the rulemaking process described above.⁴⁴

FINRA's dispute resolution web page provides various resources for parties and neutrals regarding FINRA's arbitration and mediation processes.⁴⁵ Through the web page users can obtain, among other things: an overview of arbitration and mediation; information on how to file a claim; forms that parties and arbitrators need in the arbitration process; arbitrator and mediator application and certification information; the Codes of Arbitration Procedure; and rule filing information. The web page also contains a "What's New" section, where users can access case statistics and information on recent initiatives and announcements. In 2016, FINRA expanded greatly the amount and type of information made available about its dispute resolution program.⁴⁶ For example, ODR publishes monthly charts displaying case filing volume for the 15 most popular controversy and security types over a five-year period.⁴⁷ The information is further separated by customer cases and intra-industry case filings. FINRA also added a new interactive map that displays the number of pending cases and the number of arbitrators by type (*i.e.*, public or non-public) in each hearing location.

In addition, FINRA makes arbitration awards available on its website through an Arbitration Awards Online database.⁴⁸ The database provides users with access to awards and the ability to search for awards by using multiple criteria, such as by case number, keywords within awards, arbitrator names, date ranges set by the user and any combination of these features.

Request for Comment on Transparency Regarding Dispute Resolution Programs

- ▶ How helpful are the tools and resources currently available on FINRA’s dispute resolution web page? What additional tools and resources regarding FINRA’s arbitration and mediation processes would be helpful?
- ▶ If you have accessed the Awards Online database, how user-friendly did you find the database? Should FINRA consider making any changes to the accessibility of the database, or the information available through the database?
- ▶ How else might FINRA enhance its dispute resolution forum’s operational transparency?

NOT interested!

FINRA’s Financial Reporting

As a not-for-profit organization, FINRA files an annual Form 990 (Return of Organization Exempt From Income Tax) with the Internal Revenue Service. FINRA provides copies of its annual Form 990 upon request and also voluntarily publishes a substantial amount of financial information that not-for-profit entities are not required to disclose. For example, FINRA prepares and publishes on its website an Annual Financial Report (AFR), which includes audited financial statements prepared under generally accepted accounting principles (GAAP) applicable to public companies.⁴⁹

The AFR provides a discussion of FINRA’s activities during the year as well as a Management Report on Financial Operations, a Report on Internal Control Over Financial Reporting, an Audit Committee Report, an Investment Committee Report, a Management Compensation Committee Report and FINRA’s consolidated financial statements. An executive compensation disclosure is included in the AFR as part of the Management Compensation Committee Report. This disclosure describes FINRA’s compensation philosophy and benchmarking practices and includes a summary compensation table for FINRA’s top 10 highest paid executives, similar to public company disclosures in annual proxy statements and 10-K forms.

As part of this financial reporting transparency effort, FINRA elected to voluntarily comply with SEC rules applicable to public companies regarding the monitoring of the independence of compensation consultants and advisers and provides associated disclosures in the AFR.⁵⁰

In addition, FINRA voluntarily complies with public company standards under the Sarbanes-Oxley Act of 2002 (SOX) regarding the testing, auditing and disclosure of the effectiveness of its internal controls over financial reporting. FINRA’s SOX program incorporates detailed descriptions of internal controls and rigorous testing of the controls on a regular basis. FINRA’s external auditors issue an opinion in the AFR on the effectiveness of these controls.

Request for Comment Regarding Transparency of Financial Reporting

- ▶ How might FINRA consider further enhancing its transparency concerning its financial reporting?

6. Other Communications, News and Reporting Information Resources

In addition to the engagement efforts discussed above, FINRA provides the industry and investing public with the communication and information resources listed below. These resources include call centers and other points of contact, a centralized data reporting center, email subscription service, podcasts and other news and information sources.

- ▶ **Public Assistance Communication Channels**—FINRA maintains a series of call centers and communication channels (such as online forms and email boxes) for the industry and investing public to request assistance and report concerns.⁵¹

Securities Helpline for Seniors	(844) 574-3577 (Mon. to Fri. 9 am - 5 pm ET)	A toll-free number that senior investors can call to get assistance from FINRA or raise concerns about issues with brokerage accounts and investments.	In 2016, the Helpline received 18,414 calls. Since its launch on April 20, 2015, the Helpline has opened over 7,790 cases.
Investor Complaint Center	http://www.finra.org/investors/investor-complaint-center FINRA Investor Complaint Center 9509 Key West Avenue Rockville, MD 20850-3329 Phone: (240) 386-HELP (4357) Fax: (866) 397-3290	To file a complaint about fraud or unfair practices.	In 2016, the Investor Complaint Center received 622 calls.
Whistleblower Tip-Line	(866) 96-FINRA or whistleblower@finra.org	To report information about potentially illegal or unethical activity.	In 2016, the Whistleblower Tip-Line received 158 telephone calls and 466 emails.
Office of the Ombudsman	(888) 700-0028 or ombudsman@finra.org	To report a concern about FINRA.	In 2016, the Ombudsman's Office received a total of 756 cases.
File a Regulatory Tip	http://www.finra.org/industry/file-tip FINRA – Regulatory Tips 1735 K Street, NW Washington, DC 20006-1500 Fax: (866) 397-3290	A forum for industry professionals to report an abuse or a fraud in the industry.	In 2016, File a Regulatory Tip received 409 tip filings.
Contact FINRA	(301) 590-6500	The FINRA Call Center routes general inquiries to the appropriate party.	In 2016, the FINRA Call Center handled 267,407 calls.

*Publicize more.
Hold Seminars at elder centers
more one on one in person learning.*

- ▶ **Staff Point of Contact Information**—FINRA lists on its website the names and contact information for each of its District Directors⁵² and the staff liaisons for each of FINRA's 16 advisory committees and the NAC.⁵³ In addition, FINRA's "contact" page⁵⁴ includes points of contact specifically for investors and industry professionals, and also lists arbitration contacts and locations. FINRA also posts biographical profiles for senior executive leaders.⁵⁵
- ▶ **Email Subscription Service**—FINRA offers an email subscription service for the public and industry professionals to sign up to receive updates and notifications, such as the FINRA Weekly Update that provides a summary of news and regulatory information, including *Notices* and requests for comment, as well as information on compliance resources and educational events.⁵⁶ The email subscription service also offers periodic updates pertaining to Web CRD and related policies, programs and systems, notifications regarding tools and services available to firms, including the FINRA Firm Gateway (discussed above), checklists and other new tools and education and training opportunities. In addition, the email subscription service offers subscription lists for market transparency and arbitration and mediation, as well as investor-related subscription lists.⁵⁷
- ▶ **News and Statistical Information**—FINRA regularly posts FINRA-related news stories, transcripts of staff speeches and testimony, and statistical information regarding the organization on its "Newsroom" web page.⁵⁸ The statistical information provided dates back five years and includes data regarding regulatory actions and sanctions, the number of brokers and securities firms FINRA regulates and the number of corporate financing filings, advertisements and sales communications reviewed.⁵⁹ From the Newsroom page, viewers may also access actions resulting from FINRA referrals to federal and state authorities.⁶⁰

Request for Comment on Engagement Through Other Communications, News and Reporting Information Resources

- ▶ How easy is it to find information on FINRA's call centers and communication channels? Are there additional ways that FINRA should consider providing information regarding how to access FINRA's call centers and communication channels?
- ▶ If you have used any of FINRA's call centers and communication channels, what has been your experience? Are there ways in which FINRA can improve upon its existing call centers and communication channels? If so, please explain. Are there additional call centers or communication channels that FINRA should consider?
- ▶ FINRA is considering adding an organizational chart including the contact information for all FINRA Officers. Would you find this information useful? If so, in what ways? Does the usefulness of this information outweigh concerns regarding inappropriate communication with or public disparagement of staff members?

- ▶ Do firms find the Weekly Update email helpful? How could FINRA make the Weekly Update more helpful to subscribers? Should FINRA broaden its email subscription lists to encompass additional topics, and if so, what topics should be added?
- ▶ How should FINRA modify the information presented on its Newsroom web page? Is there additional or different information that would facilitate engagement?

Endnotes

1. FINRA will not edit personal identifying information, such as names or email addresses, from submissions. Persons should submit only information that they wish to make publicly available. See *Notice to Members 03-73* (November 2003) (Online Availability of Comments) for more information.
2. FINRA was created in 2007 through the consolidation of the regulatory programs of the New York Stock Exchange, Inc. (NYSE) and the National Association of Securities Dealers, Inc. (NASD). FINRA is an SRO registered pursuant to Section 19(a) of the Securities Exchange Act of 1934 (SEA or Exchange Act), and its rules must be designed, among other things, “to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest....” SEA Section 15A(b)(6).
3. Pursuant to FINRA’s By-Laws, FINRA’s Board is currently composed of 23 persons, with 10 seats designated for industry members, 12 seats designated for public members and one seat reserved for FINRA’s Chief Executive Officer. Seven of the industry governors are elected by FINRA members entitled to vote for the relevant category of governorship—three small firm governors, one mid-size firm governor and three large firm governors. A small firm employs at least one and no more than 150 registered persons, a mid-size firm employs at least 151 and no more than 499 registered persons and a large firm employs 500 or more registered persons. The public governors and the remaining industry governors are appointed by the Board from candidates nominated by the Board’s Nominating Committee. The number of public governors on the Nominating Committee must equal or exceed the number of industry governors. In addition, at least 20 percent of the Nominating Committee members must be industry governors associated with a FINRA member firm to satisfy the statutory requirement for “fair representation” pursuant to SEA Section 15A(b)(4). A current list of Board members is available on FINRA’s website. See <https://www.finra.org/about/finra-board-governors>.