



## Securities Industry Continuing Education Program Firm Element Advisory – Q3 2021

### Introduction

The Securities Industry/Regulatory Council on Continuing Education (Council) publishes the Firm Element Advisory (FEA) to highlight current regulatory and sales practice topics for possible inclusion in Firm Element training plans. The Council has identified the topics from a review of industry, regulatory and self-regulatory organization (SRO) announcements, and publications of significant events.

The Council suggests that firms use the FEA as an aid in evaluating and prioritizing their Firm Element needs and developing written training plans. However, firms are reminded to not rely on the FEA as a comprehensive list of all areas they should consider.

New material in the FEA is marked as “(New)” and as appropriate, material that has been updated is marked as “(Updated).”

Firms that engage in multiple businesses may not want to adopt a one-size-fits-all approach to Firm Element Training, opting instead to provide training that is appropriate to an individual’s job functions.

In response to requests from firms for more resources to help them with Firm Element planning, the Council suggests the following tools in addition to the FEA:

- [Guide to Firm Element Needs Analysis and Training Plan Development](#): Suggestions for effectively performing the needs analysis and developing written training plans.
- [2021 Report on FINRA’s Examination and Risk Monitoring Program](#): Designed to inform member firms’ compliance programs, this annual Report is intended to provide insights from FINRA’s ongoing regulatory operations, identifying applicable rules and related key considerations, summarizing recent noteworthy examination findings, outlining effective practices observed by FINRA during oversight, and providing additional resources member firms may find helpful. This Report replaces both the Report on Examination Findings and Observations, and the Examination Priorities Letter.
- [SEC Examination Priorities Memorandum](#): A memorandum issued annually by the SEC’s Division of Examinations (formerly, the Office of Compliance Inspections and Examinations or OCIE) to communicate with investors and



registrants about areas that are perceived by the SEC staff to have heightened risk, and to support the SEC’s mission to protect investors.

- [FINRA Investor Alerts](#): Periodic alerts that highlight products and sales practices of particular concern, which firms may use to supplement training materials.
- [FINRA Events and Training](#): A collection of courses, webinars, podcasts and other content addressing a range of topics for compliance personnel, registered persons, administrative staff, operations staff and those with supervisory responsibilities. Some content may be suitable for Firm Element Continuing Education.
- [MSRB Education Center](#): A multimedia library of information that explains how the municipal securities market works and how participants can make informed decisions.
- [NASAA 2020 Enforcement Report Based on 2019 Data](#): Enforcement Actions Against Licensed Broker Sales Agents : Enforcement Actions Against Licensed Broker Sales Agents.
- [FINRA Topic Page – Small Firms](#): FINRA has created this page to provide information for the small firm community—those firms with 150 or fewer registered representatives. This page contains current and past communications, links of interest to small firms, and other information.

The Council recommends using all available tools to make Firm Element planning as efficient and effective as possible.

Questions?

For more information, contact [cecounciladmin@finra.org](mailto:cecounciladmin@finra.org)



## COVID-19 Related Resources

The COVID-19 pandemic significantly affected firms' day-to-day operations across the securities industry, including requiring firms to transition most or all their staff to remote work environments and implement remote supervisory practices. FINRA is committed to providing guidance, updates and other information to help firms and stakeholders stay informed about the latest regulatory developments relating to COVID-19, which can be found on [FINRA's COVID-19/Coronavirus Topic Page](#) as well as in recent Notices issued to address COVID-19-related fraud, cybersecurity threats and other emerging issues.

[FINRA Regulatory Notice 20-16 \(May 28, 2020\)](#): FINRA Shares Practices Implemented by Firms to Transition to, and Supervise in, a Remote Work Environment During the COVID-19 Pandemic

The [SEC Coronavirus Response](#) website gathers information on operational initiatives, market-focused actions, guidance and targeted assistance and relief related to the COVID-19 pandemic

[MSRB COVID-19 Resource Pages](#)

## ALTERNATIVE INVESTMENTS

### Digital Assets

#### **(NEW) Digital Assets**

For the past several years, FINRA has encouraged firms to keep their risk monitoring analyst informed if the firm, or its associated persons or affiliates, engaged, or intended to engage, in activities related to digital assets, including digital assets that are non-securities. FINRA appreciates members' cooperation with this request and is encouraging firms to continue to keep their risk monitoring analyst abreast of their activities related to digital assets on an ongoing basis

- [FINRA Regulatory Notice 21-25 \(July 8, 2021\)](#): FINRA Continues to Encourage Firms to Notify FINRA if They Engage in Activities Related to Digital Assets

### **(NEW) Special Purpose Acquisition Companies (SPACS)**

#### **SEC Division of Corporate Finance Disclosure Guidance: Topic No. 11 (December 22, 2020): Special Purpose Acquisition Companies**

This guidance provides the Division of Corporation Finance's views about certain disclosure considerations for special purpose acquisition companies, commonly



referred to as SPACs, in connection with their initial public offerings and subsequent business combination transactions.

- [SEC CF Disclosure Guidance: Topic No. 11 \(December 22, 2020\)](#): Special Purpose Acquisition Companies

## **General**

### **Securities Offering Reform for Closed-End Investment Companies**

The SEC adopted rules that modify the registration, communications, and offering processes for business development companies (“BDCs”) and other closed-end investment companies under the Securities Act of 1933. As directed by Congress, the SEC adopted rules that allow these investment companies to use the securities offering rules that are already available to operating companies. August 1, 2020 was the effective date for all aspects of the final rule, subject to the exceptions noted in the Release.

- [SEC Release No. 34-88606 \(April 8, 2020\)](#), [85 FR 33290 \(June 1, 2020\)](#): Securities Offering Reform for Closed-End Investment Companies (Final Rule)

## **Supervision**

### **Fund of Funds Arrangements**

The SEC adopted a new rule under the Investment Company Act of 1940 to streamline and enhance the regulatory framework applicable to funds that invest in other funds (“fund of funds” arrangements). In connection with the new rule, the Commission rescinded rule 12d1-2 under the Act and certain exemptive relief that had been granted from sections 12(d)(1)(A), (B), (C), and (G) of the Act permitting certain fund of funds arrangements. Finally, the Commission adopted related amendments to rule 12d1-1 under the Act and to Form N-CEN. The rule became effective on January 19, 2021.

- [SEC Release No. 33-10871 \(October 7, 2020\)](#), [85 FR 73924 \(November 19, 2020\)](#): Fund of Funds Arrangements (Final Rule)
- [SEC Press Release 2020-247 \(October 7, 2020\)](#): SEC Updates Framework for Fund of Funds Arrangements



### **Oil-Linked Exchange-Traded Products**

Exchange-traded products (ETPs) provide different types of exposure to the oil market through several product structures, which some investors or investment professionals might not understand. Moreover, the performance of such products may be linked to unfamiliar indices or reference benchmarks, making them difficult for the average investor to comprehend. In particular, a number of these ETPs are designed to track daily price movements of specified crude oil futures contracts, such as those on West Texas Intermediate (WTI) light, sweet crude oil (referred to herein as “oil-linked ETPs”). Due to recent extraordinary conditions in crude oil markets, combined with the manner in which the products are structured, several oil-linked ETPs have experienced significant volatility and lost a substantial percentage of their value, with at least one ETP liquidating and another forced to halt the issuance of new shares and adjust its investment objective.

These concerns are not limited to oil-linked ETPs: some other commodity-linked products, such as natural gas ETPs, as well as volatility-linked ETPs, may share similar features and have been the subject of prior FINRA guidance and regulatory action. Based on FINRA’s experience with complex products broadly, some investors—as well as investment professionals recommending them—may not understand oil-linked ETPs’ investment objectives, how their performance relates to the “spot” (or cash) price of oil, or how the different product structures can impact their performance and the investor experience.

This Notice reminds firms of their sales practice obligations in connection with oil-linked ETPs, including that recommendations to customers must be based on a full understanding of the terms, features, and risks of the product recommended; communications with the public must be fair and accurate; firms must have reasonably designed supervisory procedures in place to ensure that these obligations are met; and firms that offer oil-linked ETPs must train registered representatives who sell these products about the terms, features and risks of these products.

- [FINRA Regulatory Notice 20-14 \(May 15, 2020\)](#): Sales Practice Obligations with Respect to Oil-Linked Exchange-Traded Products.

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## **ANTI-MONEY LAUNDERING (AML)**

### **Advisory on the Financial Action Task Force-Identified Jurisdictions with Anti-Money Laundering and Combating the Financing of Terrorism and Counter-Proliferation Deficiencies**

The Financial Crimes Enforcement Network (FinCEN) issued an advisory to inform financial institutions of updates to the FATF list of jurisdictions with strategic anti-money laundering and combating the financing of terrorism (AML/CFT) and counter-proliferation financing deficiencies. As part of the FATF's listing and monitoring process to ensure compliance with its international standards, the FATF identifies certain jurisdictions as having strategic deficiencies in their regimes. Financial institutions should consider the FATF's statements when reviewing their obligations and risk-based policies, procedures, and practices with respect to the jurisdictions noted below.

- [FinCEN Advisory, FIN-2021-A003 \(March 11, 2021\)](#)

### **Fraud Prevention**

Low-priced securities tend to be volatile and trade in low volumes. It may be difficult to find accurate information about them. There is a long history of bad actors exploiting these features to engage in fraudulent manipulations of low-priced securities. Frequently, these actors take advantage of trends and major events to perpetrate fraud. FINRA has observed potential misrepresentations about low-priced securities issuers' involvement with COVID-19 related products or services, such as vaccines, test kits, personal protective equipment and hand sanitizers. These misrepresentations appear to have been part of potential pump-and-dump or market manipulation schemes that target unsuspecting investors. These COVID-19-related manipulations are the most recent manifestation of this type of fraud.

- [FINRA Regulatory Notice 21-03 \(February 10, 2021\)](#): FINRA Urges Firms to Review Their Policies and Procedures Relating to Red Flags of Potential Securities Fraud Involving Low-Priced Securities

### **Anti-Money Laundering (AML) Program**

FINRA issued guidance regarding suspicious activity monitoring and reporting obligations under FINRA Rule 3310 (Anti-Money Laundering Compliance Program).

- [FINRA Regulatory Notice 19-18 \(May 6, 2019\)](#): FINRA Provides Guidance to Firms Regarding Suspicious Activity Monitoring and Reporting Obligations



### **AML Compliance**

FINRA Rule 3310 (Anti-Money Laundering Compliance Program) requires each member firm to develop and implement a written AML program (that must be approved, in writing, by a member of senior management) that is reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, and the implementing regulations promulgated by the Department of the Treasury. The rule also sets forth, among other things, that the AML program provides ongoing training to appropriate personnel. Information and guidance relating to AML rules, regulations and compliance are available from a number of sources, such as the following:

- [FINRA Topic Page: Anti-Money Laundering](#)

### **AML Template for Small Firms**

FINRA provides a template for small firms to assist them in fulfilling their responsibilities to establish the AML compliance program required by the Bank Secrecy Act and its implementing regulations and FINRA Rule 3310. The template provides text examples, instructions, relevant rules and websites and other resources that are useful for developing an AML plan for a small firm.

- [AML Template for Small Firms](#)

### **AML Source Tool for Broker-Dealers**

The SEC maintains and periodically updates its AML Source Tool for Broker-Dealers, a compilation of key AML laws, rules, orders and guidance applicable to broker-dealers.

- [AML Source Tool for Broker-Dealers \(October 4, 2018\)](#)

### **SAR Information Accessibility**

The Financial Crimes Enforcement Network (FinCEN) regulations regarding the confidentiality of suspicious activity reports (SARs) require a broker-dealer to make SARs and supporting documentation available to any SRO that examines the broker-dealer for compliance with the requirements of 31 CFR 1023.320 (Reports by brokers or dealers in securities of suspicious transactions), also known as the “SAR Rule,” upon the request of the SEC. On January 26, 2012, the SEC issued a letter to FINRA authorizing FINRA staff to ask for SARs and SAR information from firms in certain circumstances. On the same date, SEC staff also issued a letter to chief executive officers of all SEC-registered FINRA



firms requesting that they make SARs and supporting documentation available to FINRA.

- [FinCEN Advisories/Bulletins/Fact Sheets](#)
- [SEC Letter to FINRA \(January 26, 2012\)](#)
- [SEC Open Letter to CEOs of All SEC-Registered, FINRA Member Broker-Dealers \(January 26, 2012\)](#)
- [FINRA Regulatory Notice 12-08 \(February 2012\)](#): SEC Requests Broker-Dealers Make SARs and SAR Information Available to FINRA

### **SAR Alert Message Line**

The SEC SAR Alert Message Line phone number is 202-551-SARS (7277). This number should only be used when securities firms have filed a SAR that may require immediate attention by the Commission. Calling the SEC SAR Alert Message Line does not alleviate a firm's obligation to file a SAR or notify an appropriate law enforcement authority, such as a local office of either the Internal Revenue Service Criminal Investigation Division or the FBI. General questions on SARs and other BSA filing requirements may be directed to FinCEN's Regulatory Helpline at 1-800-949-2732.

- [SAR Alert Message Line](#)

## **BUSINESS CONTINUITY PLANNING**

Business continuity remains a priority for firms and their associated persons. It is important that firms maintain adequate business continuity and contingency plans and ensure that employees are aware of and understand these plans.

- [FINRA Topic Page: Business Continuity Planning](#)
- [FINRA Small Firm Business Continuity Planning Template](#)

### **Business Continuity Planning**

Due to the recent outbreak of coronavirus disease (COVID-19), FINRA reminds member firms to consider pandemic-related business continuity planning, including whether their business continuity plans (BCPs) are sufficiently flexible to address a wide range of possible effects in the event of a pandemic in the United States. Each member firm is also encouraged to review its BCP to consider pandemic preparedness and to review its emergency contacts to ensure that FINRA has a reliable means of contacting the firm. This Notice also provides





pandemic-related guidance and regulatory relief to member firms from some requirements. As coronavirus-related risks decrease, member firms should expect to return to meeting any regulatory obligations for which relief has been provided.

- [FINRA Regulatory Notice 20-08 \(March 9, 2020\)](#): Pandemic-Related Business Continuity Planning, Guidance and Regulatory Relief

### **BC/DR Testing Under Regulation SCI**

As required by SEC Regulation Systems Compliance and Integrity (Regulation SCI), FINRA in 2015 adopted Rule 4380 requiring member firm participation in business continuity and disaster recovery (BC/DR) testing. The rule authorizes FINRA to designate firms that must participate in FINRA's annual BC/DR test based on established standards, which FINRA first published in Regulatory Notice 15-43 and updated in Regulatory Notice 18-09. This Notice consolidates FINRA's designation criteria, as previously announced in Notices 15-43 and 18-09, without change.

- [FINRA Regulatory Notice 19-15 \(April 19, 2019\)](#): FINRA Publishes Consolidated Criteria to Designate Firms for Mandatory Participation in FINRA's Business Continuity/Disaster Recovery Testing
- [FINRA Regulatory Notice 18-09 \(March 7, 2018\)](#): FINRA Updates Designation Criteria to Require Firms Reporting U.S. Treasury Securities to TRACE to Participate in FINRA's Business Continuity/Disaster Recovery Testing

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## **COMMUNICATIONS**

### **Disclosure Innovations, Social Media, and Business Communications**

Regulatory Notice 19-31 responds to questions that FINRA has received from members about how they can comply with FINRA rules when communicating with customers—particularly when using websites, email and other electronic media—while ensuring fair and balanced presentations. Our goal is to facilitate simplified and more effective disclosure in communications with the public.

FINRA welcomes the opportunity to consult with members about expanding their use of alternative and innovative design techniques—such as technology that



offers customized information—in their marketing communications to help investors better understand their products and services. We are interested in ways that members can make communications more interesting and informative and how, together, we can improve the effectiveness of disclosure. Firms are encouraged to contact the Advertising Regulation Department directly at (240) 386-4500 to discuss these approaches.

In addition, Regulatory Notice 17-18 provides guidance regarding the application of FINRA rules governing communications with the public to digital communications, in light of emerging technologies and communications innovations.

- [FINRA Regulatory Notice 19-31 \(September 19, 2019\)](#): Advertising Regulation
- [FINRA Regulatory Notice 17-18 \(April 2017\)](#): Social Media and Digital Communications

### **FINRA Provides Guidance on Customer Communications Related to Departing Registered Representatives**

Regulatory Notice 19-10 addresses the responsibilities of member firms when communicating with customers about departing registered representatives.

- [FINRA Regulatory Notice 19-10 \(April 5, 2019\)](#): Customer Communications

### **Communications with the Public**

- [FINRA Rule 2210 Interpretive Guidance Questions and Answers](#)

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## **CYBERSECURITY**

### **Alerts and Identified Risks**

#### **(NEW) FINRA Alerts Firms to a Phishing Email Campaign Using Multiple Imposter FINRA Domain Names**

FINRA warns member firms of an ongoing phishing campaign that involves fraudulent emails (see sample in Appendix) purporting to be from FINRA and using one of at least three imposter FINRA domain names:



- “@finrar-reporting.org”
- “@Finpro-finrar.org”
- “@gateway2-finra.org”

The email asks the recipient to click a link to “view request” and provide information to “complete” that request, noting that “late submission may attract penalties.”

FINRA recommends that anyone who clicked on any link or image in the email immediately notify the appropriate individuals in their firm of the incident.

- [FINRA Regulatory Notice 21-30 \(August 13, 2021\)](#): FINRA Alerts Firms to a Phishing Email Campaign Using Multiple Imposter FINRA Domain Names

**(NEW) FINRA Alerts Firms to Phishing Email from “FINRA Support” from the Domain Name “westour.org”**

FINRA warns member firms of an ongoing phishing campaign that involves fraudulent emails purporting to be from “FINRA SUPPORT” with the email address “support@westour.org”. The email asks the recipient to pay attention “to the report attached below that requires your immediate response” and states that “[t]he attachment contains our updated Public Policy information.” The emails may not include an attachment.

FINRA recommends that anyone who clicked on any link or image in the email immediately notify the appropriate individuals in their firm of the incident.

The domain of “westour.org” is not connected to FINRA and firms should delete all emails originating from this domain name.

- [FINRA Regulatory Notice 21-22 \(June 23, 2021\)](#): FINRA Alerts Firms to Phishing Email From “FINRA Support” From the Domain Name “westour.org”

**(NEW) FINRA Alerts Firms to Phishing Email Using “gateway-finra.org” Domain Name**

FINRA warns member firms of an ongoing phishing campaign that involves fraudulent emails (see sample in Appendix) purporting to be from FINRA and using the domain name “@gateway-finra.org.” The email asks the recipient to



click a link to “view request” and provide information to “complete” that request, noting that “late submission may attract penalties.”

FINRA recommends that anyone who clicked on any link or image in the email immediately notify the appropriate individuals in their firm of the incident.

The domain of “gateway-finra.org” is not connected to FINRA and firms should delete all emails originating from this domain name.

- [FINRA Regulatory Notice 21-20 \(June 7, 2021\)](#): FINRA Alerts Firms to Phishing Email Using “gateway-finra.org” Domain Name

### **FINRA Shares Practices Firms Use to Protect Customers from Online Account Takeover Attempts**

FINRA has received an increasing number of reports regarding customer account takeover (ATO) incidents, which involve bad actors using compromised customer information, such as login credentials (i.e., username and password), to gain unauthorized entry to customers’ online brokerage accounts. To help firms prevent, detect and respond to such attacks, FINRA recently organized roundtable discussions with representatives from 20 firms of various sizes and business models to discuss their approaches to mitigating the risks from ATO attacks. This Notice outlines the recent increase in ATO incidents; reiterates firms’ regulatory obligations to protect customer information; and discusses common challenges firms identified in safeguarding customer accounts against ATO attacks, as well as practices they find effective in mitigating risks from ATOs—including recent innovations—which firms may consider for their cybersecurity programs.

- [FINRA Regulatory Notice 21-18 \(May 12, 2021\)](#): FINRA Shares Practices Firms Use to Protect Customers from Online Account Takeover Attempts

### **Heightened Threat of Fraud**

FINRA warns member firms that, over the past two months, we have observed a sharp increase in new customers opening online brokerage accounts and engaging in Automated Clearing House (ACH) “instant funds” abuse to effect securities trading. FINRA has previously warned firms about trends in losses from schemes involving electronic funds transfers, such as those involving outbound wire transfers and ATM withdrawals.



- [FINRA Regulatory Notice 21-14 \(March 25, 2021\)](#): FINRA Alerts Firms to Recent Increase in ACH “Instant Funds” Abuse

### **Phishing Email Purporting to be from FINRA**

FINRA warns member firms of an ongoing phishing campaign that involves fraudulent emails (see sample in Appendix) purporting to be from “FINRA Membership” and using the email address “supports@finra-online.com”. The email asks the recipient to respond to an issue of “regulatory non-compliance for which your immediate response is required” and then asks the recipient to click on a link or document.

- [FINRA Regulatory Notice 21-08 \(March 4, 2021\)](#): FINRA Alerts Firms to Phishing Email Using “finra-online.com” Domain Name

**Learn more about recent examples of phishing scams by clicking the links below:**

- [FINRA Regulatory Notice 20-40 \(November 30, 2020\)](#): FINRA Alerts Firms to Phishing Email Using Invest-FINRA.org Domain Name
- [FINRA Regulatory Notice 20-35 \(October 6, 2020\)](#): FINRA Alerts Firms to Phishing Email Requesting Them to Respond to a Fraudulent FINRA Survey
- [FINRA Regulatory Notice 20-12 \(May 4, 2020\)](#): FINRA Warns of Fraudulent Phishing Emails Purporting To Be From FINRA

### **Division of Examinations Risk Alert**

This Risk Alert highlights “credential stuffing,” a method of cyber-attack to client accounts that uses compromised client login credentials, resulting in the possible loss of customer assets and unauthorized disclosure of sensitive personal information. The [Division of Examinations](#) (formerly known as The Office of Compliance Inspections and Examinations (“OCIE”)) has observed in recent examinations an increase in the number of cyber-attacks against SEC-registered investment advisers and brokers-dealers using credential stuffing.

- [SEC Office of Compliance Inspections and Examinations Risk Alert \(September 15, 2020\)](#): Cybersecurity: Safeguarding Client Accounts Against Credential Compromise



### **Imposter Registered Representative Websites**

Several firms have recently informed FINRA that malicious actors are using registered representatives' names and other information to establish websites ("imposter websites") that appear to be the representatives' personal sites and are also calling and directing potential customers to use these imposter websites. Imposters may be using these sites to collect personal information from the potential customers with the likely end goal of committing financial fraud. This Notice describes certain common characteristics of these sites and actions firms and registered representatives can take to monitor for and address these sites.

- [FINRA Regulatory Notice 20-30 \(August 20, 2020\)](#): Fraudsters Using Registered Representatives Names to Establish Imposter Websites.

### **FINRA Warns Firms of Regulator Impersonators**

FINRA has received reports of member firms receiving telephone calls from persons claiming to work for FINRA in an attempt to deceive firms into revealing confidential information. FINRA is notifying firms that these individuals may be impersonators. Firms that receive telephone calls or emails purportedly from someone at FINRA requesting any type of information—confidential or otherwise—should use caution and verify the identity of the caller or sender before providing any information or responding to an email.

- [FINRA Information Notice \(July 13, 2018\)](#): FINRA Warns Firms of Regulator Impersonators

### **Cybersecurity Alert: Cloud Based Email**

Several member firms recently notified FINRA that they have experienced email account takeovers (ATOs) while using cloud-based email platforms, including Microsoft Office 365 (O365). Attackers used compromised email accounts to defraud member firms by requesting fraudulent wire requests or stealing confidential firm information or non-public personally identifiable information (PII). This Notice outlines the attackers' tactics in executing ATOs, as well as steps taken by member firms to address ATO risks when using cloud-based email systems.

- [FINRA Information Notice \(October 2, 2019\)](#): Cybersecurity Alert: Cloud Based Email Account Takeovers



## **General**

### **Heightened Threat of Fraud and Scams**

The COVID-19 pandemic is affecting most aspects of our society and daily lives, as well as the U.S. economy and markets. Events with such profound impact routinely create opportunities for financial fraud. Firms and their associated persons should be aware of and take appropriate measures to address the increased risks and challenges presented during the COVID-19 pandemic. In addition to new scams focusing on COVID-19, previous scams may also find new life as fraudsters adapt to and exploit recent events and related vulnerabilities, especially those related to the remote working environment.

FINRA is committed to providing guidance, updates and other information to help stakeholders stay informed about the latest developments relating to COVID-19, which can be found on [FINRA's COVID-19/Coronavirus Topic Page](#).

FINRA will also continue to inform the industry on emerging cybersecurity trends and related frauds, and reminds firms to review resources on FINRA's [Cybersecurity Topic Page](#), which provides information on how firms can strengthen their cybersecurity programs.

- [FINRA Regulatory Notice 20-13 \(May 5, 2020\)](#): FINRA Reminds Firms To Beware Of Fraud During The Coronavirus (COVID-19) Pandemic
- [FINRA Information Notice \(March 26, 2020\)](#): Cybersecurity Alert: Measures to Consider as Firms Respond to the Coronavirus Pandemic

## **Resources**

### **SEC Investor Bulletin**

The SEC's Office of Investor Education and Advocacy issued this Investor Bulletin to help investors protect their online investment accounts from fraud. As with all web-based accounts, investors should take precautions to help ensure that their online investment accounts remain secure. These online security tips can help.

- [SEC Investor Bulletin](#): Protecting Your Online Accounts from Fraud (April 26, 2017)



### **FINRA Cybersecurity Topic Page**

Given the evolving nature, increasing frequency, and sophistication of cybersecurity attacks – as well as the potential for harm to investors, firms, and the markets – cybersecurity practices are a key focus for FINRA. Visit the link below for more information on related rules, notices, guidance, news and investor education

- [FINRA Topic Page: Cybersecurity](#)

### **FINRA Report on Cybersecurity Practices**

This report continues FINRA’s efforts to share information that can help broker-dealer firms further develop their cybersecurity programs. Firms routinely identify cybersecurity as one of their primary operational risks. Similarly, FINRA continues to see problematic cybersecurity practices in its examination and risk monitoring program. This report presents FINRA’s observations regarding effective practices that firms have implemented to address selected cybersecurity risks while recognizing that there is no one-size-fits-all approach to cybersecurity.

- [FINRA Report on Cybersecurity Practices \(December 2018\)](#)

### **A Small Entity Compliance Guide: Final Model Privacy Form Under the Gramm-Leach-Bliley Act**

The model privacy form is designed to make it easier for consumers to understand how financial institutions collect and share their personal financial information and to compare different institutions' information practices. For a guide to implementing these procedures visit: <https://www.sec.gov>

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## **DISPUTE RESOLUTION**

### **General**

#### **Predispute Arbitration Agreements in Customer Agreements**

FINRA reminds member firms about requirements when using predispute arbitration agreements for customer accounts. Where member firms use mandatory arbitration clauses in their customer agreements, FINRA rules establish minimum disclosure requirements regarding the use of such clauses and prohibit predispute arbitration agreements from including conditions that, among other things, limit or contradict FINRA rules. In addition, FINRA rules do not allow class action claims in FINRA arbitration. Accordingly, FINRA rules prohibit member firms from incorporating provisions that would prevent





customers from bringing or participating in judicial class actions by adding waiver language into customer agreements (class action waivers) and prohibit member firms from enforcing arbitration agreements against members of a certified or putative class action. FINRA urges member firms to take prompt steps to ensure their customer agreements fully comply with FINRA rules. Member firms that fail to comply with FINRA rules related to customer agreements may be subject to disciplinary action.

- [FINRA Regulatory Notice 21-16 \(April 21, 2021\)](#): FINRA Reminds members About Requirements When Using Predispute Arbitrations Agreements for Customer Accounts

### **Membership Application Program**

FINRA amended its Membership Application Program (MAP) rules to create further incentives for the timely payment of arbitration awards by preventing an individual from switching firms, or a firm from using asset transfers or similar transactions, to avoid payment of arbitration awards. The amendments will address situations where: (1) a FINRA member firm hires individuals with pending arbitration claims, where there are concerns about the payment of those claims should they go to award or result in a settlement, and the supervision of those individuals; and (2) a member firm with substantial arbitration claims seeks to avoid payment of the claims should they go to award or result in a settlement by shifting its assets, which are typically customer accounts, or its managers and owners, to another firm and closing down. These changes became effective on September 14, 2020.

- [FINRA Regulatory Notice 20-15 \(May 21, 2020\)](#): FINRA Amends Rules Governing Application Program to Incentivize Payment of Arbitration Awards

### **Inactive Members and Associated Persons in Arbitration**

FINRA amended its Code of Arbitration Procedure for Customer Disputes (Customer Code) to expand a customer's options to withdraw an arbitration claim if a member firm or an associated person becomes inactive. These amendments also allow customers to amend pleadings, postpone hearings, request default proceedings and receive a refund of filing fees in these situations.

- [FINRA Regulatory Notice 20-11 \(April 9, 2020\)](#): FINRA Amends Arbitration Code to Expand Options Available to Customers if a Firm or Associated Person Becomes Inactive

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## **DUTIES AND CONFLICTS**

### **Conflicts of Interest**

#### **FINRA Adopts Rule to Limit a Registered Person Being Named a Customer's Beneficiary or Holding a Position of Trust for a Customer**

FINRA adopted a new rule to limit any associated person of a member firm who is registered with FINRA from being named a beneficiary, executor or trustee, or to have a power of attorney or similar position of trust for or on behalf of a customer. FINRA Rule 3241 (Registered Person Being Named a Customer's Beneficiary or Holding a Position of Trust for a Customer) protects investors by requiring all member firms to affirmatively address registered persons being named beneficiaries or holding positions of trusts for customers. The rule requires the member firm with which the registered person is associated, upon receiving required written notice from the registered person, to review and approve or disapprove the registered person assuming such status or acting in such capacity. The rule does not apply where the customer is a member of the registered person's "immediate family." Rule 3241 became effective on February 15, 2021.

- [FINRA Regulatory Notice 20-38 \(October 29, 2020\)](#): Registered Person Being Named a Customer's Beneficiary or Holding a Position of Trust for a Customer

#### **FINRA Report on Conflicts of Interest**

In 2013, FINRA published a Report on Conflicts of Interest on conflicts of interest in the broker-dealer industry to highlight effective conflicts management practices that may go beyond current regulatory requirements and identify potential problem areas. To help firms analyze the conflicts they face and implement a conflicts management framework appropriate to the size and scope of their business, the Report includes examples of how some large broker-dealer firms address conflicts. These practices—as well as those that are based on FINRA's experience and analysis—can help firms of all sizes improve their conflicts management practices. Of course, there is no one-size-fits-all framework. Firms need to assess the approach that is most effective for their particular circumstances.

- [FINRA Report on Conflicts of Interest \(October 2013\)](#): FINRA published a Report on Conflicts of Interest in the broker-dealer industry to highlight effective conflicts management practices

**FINRA Topic Page:** [Conflicts of Interest](#)



## **General**

### **Whistleblower Program Rules**

The SEC adopted several amendments to the Commission's rules implementing its congressionally mandated whistleblower program. Section 21F of the Securities Exchange Act of 1934 provides, among other things, that the Commission shall pay—under regulations prescribed by the Commission and subject to certain limitations—to eligible whistleblowers who voluntarily provide the Commission with original information about a violation of the federal securities laws that leads to the successful enforcement of a covered judicial or administrative action, or a related action, an aggregate amount, determined in the Commission's discretion, that is equal to not less than 10 percent, and not more than 30 percent, of monetary sanctions that have been collected in the covered or related actions. On May 25, 2011, the Commission adopted a set of rules to implement the whistleblower program. After ten years of experience administering the program, the Commission is adopting various amendments that are intended to provide greater transparency, efficiency and clarity to whistleblowers, to ensure whistleblowers are properly incentivized, and to continue to properly award whistleblowers to the maximum extent appropriate and with maximum efficiency. The Commission made several technical amendments, and adopted interpretive guidance concerning the term "independent analysis." The rules became effective on December 7, 2020.

- [SEC Release No. 34-89963 \(September 23, 2020\)](#): Whistleblower Program Rules (Final Rule)

### **Modernization of Regulation S-K Items 101, 103, and 105**

The SEC adopted amendments to modernize the description of business, legal proceedings, and risk factor disclosures that registrants are required to make pursuant to Regulation S-K. These disclosure items had not undergone significant revisions in over 30 years. The amendments update these rules to account for developments since their adoption or last revision, to improve disclosure for investors, and to simplify compliance for registrants. Specifically, the amendments are intended to improve the readability of disclosure documents, as well as discourage repetition and the disclosure of information that is not material. The rules became effective on November 9, 2020.

- [SEC Release No. 33-10825 \(August 26, 2020\)](#), [85 FR 63726 \(October 8, 2020\)](#): Modernization of Regulation S-K Items 101, 103, and 105 (Final Rule)



### **SEC Amends Definition of “Accredited Investor”**

The SEC adopted a rule to add new categories of qualifying natural persons and entities and to make certain other modifications to the existing definition of accredited investor. The amendments were intended to update and improve the definition to identify more effectively investors that have sufficient knowledge and expertise to participate in investment opportunities that do not have the rigorous disclosure and procedural requirements, and related investor protections, provided by registration under the Securities Act of 1933. Specifically, the amendments add new categories of natural persons that may qualify as accredited investors based on certain professional certifications or designations or other credentials or their status as a private fund’s “knowledgeable employee,” expand the list of entities that may qualify as accredited investors, add entities owning \$5 million in investments, add family offices with at least \$5 million in assets under management and their family clients, and add the term “spousal equivalent” to the definition. The Commission also adopted amendments to the “qualified institutional buyer” definition in Rule 144A under the Securities Act of 1933 to expand the list of entities that are eligible to qualify as qualified institutional buyers. The rule became effective on December 8, 2020.

- [SEC Release No. 33-10824 \(August 26, 2020\)](#), [85 FR 64234 October 9, 2020](#): Amending the “Accredited Investor” Definition (Final Rule)

### **Disclosure of Hedging by Employees, Officers and Directors**

The SEC adopted a rule to implement a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The rule requires a company to describe any practices or policies it has adopted regarding the ability of its employees (including officers) or directors to purchase financial instruments, or otherwise engage in transactions, that hedge or offset, or are designed to hedge or offset, any decrease in the market value of equity securities granted as compensation, or held directly or indirectly by the employee or director. The rule requires a company to describe the practices or policies and the categories of persons they affect. If a company does not have any such practices or policies, the company must disclose that fact or state that hedging transactions are generally permitted. The disclosure is required in a proxy statement or information statement relating to an election of directors. The rule became effective on March 8, 2019.

- [SEC Release No. 33-10593 \(December 20, 2018\)](#), [84 FR 2402 \(February 6, 2019\)](#): Disclosure of Hedging by Employees, Officers and Directors (Final Rule)

### **Senior Designations**

FINRA reminds firms of their supervisory obligations regarding the use of certifications and designations that imply expertise, certification, training or



specialty in advising senior investors (senior designations). Regulatory Notice 11-52 outlines findings from a survey of firms and highlights sound practices used by firms with respect to senior designations. Firms are encouraged to adopt the practices that are outlined in this Notice to strengthen their own supervisory procedures, as appropriate to their business.

- [FINRA Regulatory Notice 11-52 \(November 2011\)](#): FINRA Reminds Firms of Their Obligations Regarding the Supervision of Registered Persons Using Senior Designations
- [Professional Designations Database](#): Use this tool to decode the letters that sometimes follow a financial professional's name and see whether the issuing organization requires continuing education, takes complaints or has a way to confirm who holds the credential.

## **Recordkeeping**

### **Custodian of Books and Records**

FINRA amended FINRA Rule 4570 (Custodian of Books and Records) to: (1) provide a member firm that is filing a Form BDW (Uniform Request for Broker-Dealer Withdrawal) the option of designating another FINRA member firm as the custodian of its books and records on the form; (2) clarify the obligations of the designated custodian; and (3) require the designated custodian to consent to act in such a capacity. These changes became effective on August 19, 2019.

- [FINRA Regulatory Notice 19-16 \(April 22, 2019\)](#): SEC Approves Amendments to FINRA Rule 4570

## **SEC Regulation Best Interest (Reg BI)**

### **Regulation Best Interest: The Broker-Dealer Standard of Conduct**

This Notice reminds members of the SEC's adoption of a best interest standard of conduct for broker-dealers and a relationship summary (Form CRS) delivery obligation, and provides an SEC email address where members may submit questions about the new requirements. As more fully described in the Notice, the SEC encourages firms to actively engage with SEC staff as early as possible as questions arise when planning for implementation. Firms may send their questions by email to [IABDQuestions@sec.gov](mailto:IABDQuestions@sec.gov). FINRA also will assist members in their implementation of the best interest standard in various ways.

- [FINRA Regulatory Notice 19-26 \(August 7, 2019\)](#): SEC Adopts Best Interest Standard of Conduct



Reg BI establishes a standard of conduct for broker-dealers and natural persons who are associated persons of a broker-dealer when they make a recommendation to a retail customer of any securities transaction or investment strategy involving securities (“Regulation Best Interest”). Regulation Best Interest enhances the broker-dealer standard of conduct beyond existing suitability obligations, and aligns the standard of conduct with retail customers’ reasonable expectations by requiring broker-dealers, among other things, to: (1) act in the best interest of the retail customer at the time the recommendation is made, without placing the financial or other interest of the broker-dealer ahead of the interests of the retail customer; and (2) address conflicts of interest by establishing, maintaining, and enforcing policies and procedures reasonably designed to identify and fully and fairly disclose material facts about conflicts of interest, and in instances where the SEC has determined that disclosure is insufficient to reasonably address the conflict, to mitigate or, in certain instances, eliminate the conflict. The standard of conduct established by Regulation Best Interest cannot be satisfied through disclosure alone. The standard of conduct draws from key principles underlying fiduciary obligations, including those that apply to investment advisers under the Investment Advisers Act of 1940. Importantly, regardless of whether a retail investor chooses a broker-dealer or an investment adviser (or both), the retail investor will be entitled to a recommendation (from a broker-dealer) or advice (from an investment adviser) that is in the best interest of the retail investor and that does not place the interests of the firm or the financial professional ahead of the interests of the retail investor.

The compliance date for this rule was June 30, 2020.

• [Securities Exchange Act Release No. 86031 \(June 5, 2019\), 84 FR 33318 \(July 12, 2019\)](#): Regulation Best Interest: The Broker-Dealer Standard of Conduct (Final Rule)

**FINRA Topic Page:** [SEC Regulation Best Interest \(Reg BI\)](#)

### **Reg BI-Related Changes to FINRA Rules**

FINRA has amended its suitability rule, Capital Acquisition Broker (CAB) suitability rule and rules governing non-cash compensation to provide clarity on which standard applies and to address potential inconsistencies with the SEC’s Regulation Best Interest (Reg BI). These changes have been approved by the SEC and became effective on June 30, 2020, the compliance date of Reg BI.



- [FINRA Regulatory Notice 20-18 \(June 19, 2020\)](#): FINRA Amends its Suitability, Non-Cash Compensation and Capital Acquisition Broker (CAB) Rules in Response to Regulation Best Interest

## **Supervision**

### **UTMA and UGMA Accounts**

This Notice addresses the characteristics of Uniform Transfers to Minors Act (UTMA) and Uniform Gifts to Minors Act (UGMA) accounts and the responsibilities of member firms to supervise UTMA/UGMA Accounts.

- [FINRA Regulatory Notice 20-07 \(February 27, 2020\)](#): FINRA Reminds Member Firms of Their Responsibilities for Supervising UTMA and UGMA Accounts

### **FINRA Supervision Topic Page**

This site highlights FINRA Rules 3110, 3120, and 3130 on supervisory procedures. It also contains links to related notices, guidance, news, and investor education.

- [FINRA Topic Page: Supervision](#)

### **Heightened Supervision**

FINRA is reminding member firms of their supervisory obligations regarding associated persons with a history of past misconduct that may pose a risk to investors. FINRA Rule 3110 (Supervision) requires member firms to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and FINRA rules. An effective supervisory system plays an essential role in the prevention of sales abuses, and thus enhances investor protection and market integrity. As such, FINRA has long emphasized that member firms have a fundamental obligation to implement a supervisory system that is tailored specifically to the member firm's business and addresses the activities of its associated persons. The Notice highlights particular instances where heightened supervision of an associated person may be appropriate. FINRA is encouraging firms to adopt the practices that are outlined in the Notice to strengthen their own supervisory procedures, as appropriate to their business.

- [FINRA Regulatory Notice 18-15 \(April 30, 2018\)](#): Heightened Supervision, Guidance on Implementing Effective Heightened Supervisory Procedures for Associated Persons With a History of Past Misconduct



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## **FINANCIAL AND OPERATIONAL RULES**

### **(NEW) Vendor Management and Outsourcing**

Member firms are increasingly using third-party vendors to perform a wide range of core business and regulatory oversight functions. FINRA is publishing this Notice to remind member firms of their obligation to establish and maintain a supervisory system, including written supervisory procedures (WSPs), for any activities or functions performed by third-party vendors, including any sub-vendors (collectively, Vendors) that are reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable FINRA rules. This Notice reiterates applicable regulatory obligations; summarizes recent trends in examination findings, observations and disciplinary actions; and provides questions member firms may consider when evaluating their systems, procedures and controls relating to Vendor management.

- [FINRA Regulatory Notice 21-29 \(August 13, 2021\)](#): FINRA Reminds Firms of their Supervisory Obligations Related to Outsourcing to Third-Party Vendors

### **(NEW) SEC Financial Responsibility Rules**

FINRA is making available updates to interpretations in the Interpretations of Financial and Operational Rules that have been communicated to FINRA by the staff of the SEC's Division of Trading and Markets. The updated interpretations are with respect to Securities Exchange Act (SEA) Rules 15c3-1 and 15c3-3.

- [FINRA Regulatory Notice 21-27 \(July 22, 2021\)](#): FINRA Announces Update of the Interpretations of Financial and Operational Rules

### **SEC Adopts Clearing Agency Rule to Limit Potential for Overlapping or Duplicative Regulation**

The SEC is adopting a rule pursuant to Section 36 of the Securities Exchange Act of 1934 ("Exchange Act") to exempt from the definition of "clearing agency" in Section 3(a)(23) of the Exchange Act certain activities of a registered security-based swap dealer, a registered security-based swap execution facility, and a person engaging in dealing activity in security-based swaps that is eligible for an exception from registration as a security-based swap dealer because the quantity of dealing activity is de minimis.

- [SEC Release No. 34-90667 \(December 16, 2020\), 86 FR 7637 \(February 1, 2021\)](#): Exemption from the Definition of "Clearing Agency" for Certain Activities of





## Security-Based Swap Dealers and Security Based Swap Execution Facilities (Final Rule)

### **Amendments to Financial Disclosures about Acquired and Disposed Businesses**

The SEC adopted amendments to its rules and forms to improve their application, assist registrants in making more meaningful determinations of whether a subsidiary or an acquired or disposed business is significant, and to improve the disclosure requirements for financial statements relating to acquisitions and dispositions of businesses, including real estate operations and investment companies. The changes are intended to improve for investors the financial information about acquired or disposed businesses, facilitate more timely access to capital, and reduce the complexity and costs to prepare the disclosure. The final rules became effective on January 1, 2021.

- [SEC Release No. 33-10786 \(May 20, 2020\)](#), [85 FR 54002 \(August 31, 2020\)](#): Amendments to Financial Disclosures about Acquired and Disposed Businesses (Final Rule)

### **SEC Financial Responsibility Rules**

FINRA updated the text of the Securities Exchange Act (SEA) financial responsibility rules in the Interpretations of Financial and Operational Rules to reflect the effectiveness of a rule change that the SEC adopted. The SEC's rule change, amending paragraph (e)(1)(i)(A) of SEA Rule 17a-5, relates to a specified exemption with regard to the annual reporting requirement for a broker-dealer whose securities business has been limited to acting as broker (agent) for a single issuer in soliciting subscriptions for securities of that issuer.

- [FINRA Regulatory Notice 20-06 \(February 25, 2020\)](#): FINRA Announces Update of the Interpretations of Financial and Operational Rules

### **Risk Mitigation Techniques for Uncleared Security-Based Swaps**

The SEC adopted final rules requiring the application of specific risk mitigation techniques to portfolios of uncleared security-based swaps. In particular, these final rules establish requirements for each registered security-based swap dealer and each registered major security-based swap participant with respect to, among other things, reconciling outstanding security-based swaps with applicable counterparties on a periodic basis, engaging in certain forms of portfolio compression exercises, as appropriate, and executing written security-



based swap trading relationship documentation with each of its counterparties prior to, or contemporaneously with, executing a security-based swap transaction. In addition, the Commission issued an interpretation addressing the application of the portfolio reconciliation, portfolio compression, and trading relationship documentation requirements to cross-border security-based swap activities and amended its regulations to address the potential availability of substituted compliance in connection with those requirements. Lastly, the final rules include corresponding amendments to the recordkeeping, reporting, and notification requirements applicable to SBS Entities.

- [SEC Release No. 34-87782 \(December 18, 2019\), 85 FR 6359 \(February 4, 2020\)](#): Risk Mitigation Techniques for Uncleared Security-Based Swaps (Final Rule)

#### **Cross-Border Application of Certain Security-Based Swap Requirements**

The SEC adopted rule amendments and provided guidance to address the cross-border application of certain security-based swap requirements under the Securities Exchange Act of 1934 (“Exchange Act”) that were added by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The SEC also issued a statement regarding compliance with rules for security-based swap data repositories and Regulation SBSR. The rules became effective on April 6, 2020.

- [SEC Release No. 34-87780 \(December 18, 2019\), 85 FR 6270 \(February 4, 2020\)](#) : Cross-Border Application of Certain Security-Based Swap Requirements (Final Rules; Guidance)

#### **Capital, Margin, and Segregation Requirements**

In accordance with the Dodd-Frank Act, the SEC, pursuant to the Securities Exchange Act of 1934 (Exchange Act), adopted capital and margin requirements for security-based swap dealers (SBSDs) and major security-based swap participants (MSBSPs), segregation requirements for SBSDs, and notification requirements with respect to segregation for SBSDs and MSBSPs. The Commission also increased the minimum net capital requirements for broker-dealers authorized to use internal models to compute net capital (“A NC broker-dealers”), and prescribed certain capital and segregation requirements for broker-dealers that are not SBSDs to the extent they engage in security-based-swap and swap activity. The Commission also made substituted compliance available with respect to capital and margin requirements under Section 15F of



the Exchange Act and the rules thereunder and adopted a rule that specifies when a foreign SBSB or foreign MSBSP need not comply with the segregation requirements of Section 3E of the Exchange Act and the rules thereunder. The effective date was October 21, 2019.

- [SEC Release No. 34-86175 \(June 21, 2019\)](#), [84 FR 43872 \(August 22, 2019\)](#): Capital, Margin, and Segregation Requirements for Security-Based Swap Dealers and Major Security-Based Swap Participants and Capital and Segregation Requirements for Broker-Dealers (Final Rule)

## **FIXED INCOME**

### **General**

#### **Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities**

The SEC adopted amendments to the financial disclosure requirements for guarantors and issuers of guaranteed securities registered or being registered, and issuers' affiliates whose securities collateralize securities registered or being registered in Regulation S-X to improve those requirements for both investors and registrants. The changes are intended to provide investors with material information given the specific facts and circumstances, make the disclosures easier to understand, and reduce the costs and burdens to registrants. In addition, by reducing the costs and burdens of compliance, issuers may be encouraged to offer guaranteed or collateralized securities on a registered basis, thereby affording investors protection they may not be provided in offerings conducted on an unregistered basis. Finally, by making it less burdensome and less costly for issuers to include guarantees or pledges of affiliate securities as collateral when they structure debt offerings, the revisions may increase the number of registered offerings that include these credit enhancements, which could result in a lower cost of capital and an increased level of investor protection. The rules became effective on January 4, 2021.

- [SEC Release No. 33-10762 \(March 2, 2020\)](#), [85 FR 21940 \(April 20, 2020\)](#): Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant's Securities (Final Rule)



### **Pricing Disclosure in the Fixed Income Markets**

FINRA issued Regulatory Notice 17-24 to announce publication on its website of Frequently Asked Questions (FAQ) relating to enhanced confirmation disclosure requirements for corporate and agency debt securities pursuant to FINRA Rule 2232. The new requirements took effect on May 14, 2018.

- [FINRA Regulatory Notice 17-24 \(July 2017\)](#): FINRA Issues Guidance on the Enhanced Confirmation Disclosure Requirements in Rule 2232 for Corporate and Agency Debt Securities
- [Fixed Income Confirmation Disclosure](#): Frequently Asked Questions

### **Best Execution Rule**

In light of the increasingly automated market for equity securities and standardized options, and recent advances in trading technology and communications in the fixed income markets, FINRA reiterates the best execution obligations that apply when firms receive, handle, route or execute customer orders in equities, options and fixed income securities. FINRA reminds firms of their obligations, as previously articulated by the SEC and FINRA, to regularly and rigorously examine execution quality likely to be obtained from the different markets trading a security.

- [FINRA Regulatory Notice 15-46 \(November 2015\)](#): Guidance on Best Execution Obligations in Equity, Options and Fixed Income Markets

## **Supervision**

### **Municipal Advisors**

FINRA issued this Notice to remind member firms of their supervisory obligations under FINRA Rules 3110 (Supervision) and 3120 (Supervisory Control System) if they hold or transact in customer accounts owned by municipal entities or obligated persons (municipal clients), as defined in Section 15B of the Securities Exchange Act of 1934 (Exchange Act), and participate in investment-related activities with municipal clients, such as recommending or selling non-municipal securities products to such municipal clients. Under these circumstances, member firms are obligated to determine if such activities require registration as a municipal advisor.

- [FINRA Regulatory Notice 19-28 \(August 16, 2019\)](#): Guidance Regarding Member Firms' Supervisory Obligations When Participating in Investment-Related Activities with Municipal Clients



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## **INVESTMENT BANKING**

### **Funding Portals**

Before applying to become a funding portal member, prospective members should fully understand FINRA requirements. FINRA recommends prospective members read this section of FINRA.org thoroughly, as well as FINRA's Funding Portal Rules and the SEC's Regulation Crowdfunding.

**FINRA Topic Page:** [Funding Portals](#)

### **Private Placements**

#### **(NEW) FINRA Amends Rules 5122 and 5123 Filing Requirements to Include Retail Communications That Promote or Recommend Private Placements**

FINRA has adopted changes to FINRA Rules 5122 (Private Placements of Securities Issued by Members) and 5123 (Private Placements of Securities) to require members to file retail communications that promote or recommend private placement offerings that are subject to those rules' filing requirements. The new filing requirements become effective on October 1, 2021.

- [FINRA Regulatory Notice 21-26 \(July 15, 2021\)](#): Private Placement Retail Communications

#### **FINRA Updates Private Placement Filer Form Pursuant to FINRA Rules 5122 and 5123**

FINRA has updated the form that members must use to file offering documents and information pursuant to FINRA Rules 5122 (Private Placements of Securities Issued by Members) and 5123 (Private Placements of Securities) (Filer Form). The updated Filer Form will be accessible in the FINRA Gateway beginning May 22, 2021, and includes new and updated questions that will facilitate review of the filed material. Beginning on May 22, 2021, members will be required to complete the updated Filer Form for all new filings, as well as for new amendments to filings.

- [FINRA Regulatory Notice 21-10 \(March 11, 2021\)](#): Private Placement Filer Form



## **FINRA Provides Guidance on Retail Communications Concerning Private Placement Offerings**

This Notice provides guidance to help member firms comply with FINRA Rule 2210, Communications with the Public, when creating, reviewing, approving, distributing, or using retail communications concerning private placement offerings.

- [FINRA Regulatory Notice 20-21 \(July 1, 2020\)](#): Communications with the Public

**FINRA Topic Page:** [Private Placements](#)

## **Public Offerings**

### **Corporate Financing**

FINRA amended its Rule 5110 (Corporate Financing Rule – Underwriting Terms and Arrangements) to make substantive, organizational and terminology changes to the rule. The amendments to Rule 5110 modernize, simplify and clarify its provisions while maintaining important protections for market participants, including issuers and investors participating in public offerings. The implementation date for amended Rule 5110(a)(3)(A), (a)(4)(A) (ii) and (a)(4)(A)(iii) is March 20, 2020. The implementation date for all other provisions in amended Rule 5110 was September 16, 2020.

- [FINRA Regulatory Notice 20-10 \(March 20, 2020\)](#): FINRA Amends the FINRA Corporate Financing Rule

### **Initial Public Offering Rules**

FINRA amended FINRA Rule 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and FINRA Rule 5131 (New Issue Allocations and Distributions) to enhance regulatory consistency and address unintended operational impediments. These changes became effective on January 1, 2020.

- [FINRA Regulatory Notice 19-37 \(December 19, 2019\)](#): SEC Approves Amendments to FINRA Rules 5130 and 5131 Relating to Equity IPOs

### **Solicitations of Interest Prior to a Registered Public Offering**

The SEC adopted a new communications rule under the Securities Act of 1933 that permits issuers to engage in oral or written communications with certain



potential investors, either prior to or following the filing of a registration statement, to determine whether such investors might have an interest in a contemplated registered securities offering. The rule became effective on December 3, 2019.

- [SEC Release No. 33-10699 \(September 25, 2019\)](#), [84 FR 53011 \(October 4, 2019\)](#): Solicitations of Interest Prior to a Registered Public Offering (Final Rule)

### **Regulation A Offerings**

FINRA issued guidance regarding the FINRA filing requirements and review procedures that apply to firms that participate in Regulation A+ offerings. Specifically, FINRA's Corporate Financing Rules require firms that participate in Regulation A+ offerings to file with FINRA information specified in the rules. FINRA's Communications with the Public Rule and its Suitability Rule also apply to a firm's participation in these offerings. FINRA also reminds firms that communications with the public concerning a Regulation A+ offering of direct participation program securities must be filed with FINRA.

- [FINRA Regulatory Notice 15-32 \(September 2015\)](#): FINRA Filing Requirements and Review of Regulation A Offerings

**FINRA Topic Page:** [Public Offerings](#)

### **Supervision**

#### **Qualifications of Accountants**

The SEC adopted amendments to update certain auditor independence requirements. These amendments are intended to more effectively focus the independence analysis on those relationships or services that are more likely to pose threats to an auditor's objectivity and impartiality. The amendments became effective on June 9, 2021.

- [SEC Release No. 33-10876 \(October 16, 2020\)](#), [85 FR 80508 \(December 11, 2020\)](#): Qualifications of Accountants (Final Rule)

#### **Insider Trading**

FINRA Rule 3110 (Supervision) includes a provision to help firms comply with their obligation under Section 15(g) of the Securities Exchange Act of 1934 to have policies and procedures in place reasonably designed to prevent potential insider trading. Rule 3110(d) requires that firms include in their supervisory procedures a process for reviewing securities transactions in certain types of



accounts that is reasonably designed to identify trades that may violate insider trading prohibitions. When implementing these policies and procedures, firms may take a risk-based approach to monitoring transactions that takes into account their specific business models, and firms are encouraged to tailor their policies and procedures to their specific business models.

- [FINRA Regulatory Notice 14-10 \(March 2014\)](#): SEC Approves New Supervision Rules
- [SEC Fast Answers: Insider Trading](#)
- [Insider Trading “Red Flags” and Filing a Tip with FINRA](#)

## **MARGIN**

### **(NEW) Margin Interpretation Updates**

FINRA Rule 4210 (Margin Requirements) specifies the margin requirements applicable to securities held in margin accounts, including both strategy-based margin accounts and portfolio margin accounts. FINRA maintains interpretations regarding FINRA Rule 4210, available on the [Interpretations of FINRA’s Margin Rule webpage](#), in a portable digital format (PDF) document where the interpretations immediately follow the section of the rule to which they relate. This Notice clarifies and updates the interpretations regarding minimum equity requirements.

- [FINRA Regulatory Notice 21-24 \(July 6, 2021\)](#): FINRA Announces Updates to the Interpretations of FINRA’s Margin Rule Regarding Minimum Equity

### **Margin Interpretation Updates**

FINRA Rule 4210 (Margin Requirements) specifies the margin requirements applicable to securities held in margin accounts, including both strategy-based margin accounts and portfolio margin accounts. FINRA maintains interpretations regarding FINRA Rule 4210, available on the [Interpretations of FINRA’s Margin Rule webpage](#), in a portable digital format (PDF) document where the interpretations immediately follow the section of the rule to which they relate. This Notice clarifies and updates the interpretations regarding day trading.

- [FINRA Regulatory Notice 21-13 \(March 24, 2021\)](#): FINRA Announces Updates to the Interpretations of FINRA’s Margin Rule for Day Trading

### **Margin Interpretation Updates**





FINRA Rule 4210 (Margin Requirements) prescribes requirements governing the extension of credit by members. The FINRA Rule 4210 interpretations provide further guidance regarding application of the rule. This Notice announced immediately effective clarifications of interpretations of (1) FINRA Rule 4210(e)(8), which specifies margin requirements for control and restricted securities, and (2) FINRA Rule 4210(f)(5), which specifies conditions for the consolidation of two or more accounts carried for the same customer.

- [FINRA Regulatory Notice 20-22 \(July 2, 2020\)](#): Updates to Interpretations of FINRA's Margin Rule Regarding Control and Restricted Securities and Consolidation of Accounts

#### **Covered Agency Transactions**

FINRA amended FINRA Rule 4210 to establish margin requirements for Covered Agency Transactions. Covered Agency Transactions include (1) To Be Announced transactions, inclusive of adjustable rate mortgage transactions, (2) Specified Pool Transactions and (3) transactions in Collateralized Mortgage Obligations, issued in conformity with a program of an agency or Government-Sponsored Enterprise, with forward settlement dates, as discussed more fully in Regulatory Notice 16-31. To assist members in complying with the rule change, FINRA announced in Regulatory notice 17-28 a set of frequently asked questions and guidance. In addition, FINRA extended, to March 25, 2020, the effective date of the requirements that otherwise would have become effective on March 25, 2019. Members should note that the risk limit determination requirements became effective on December 15, 2016 and are not affected by Regulatory Notice 19-05.

- [FINRA Regulatory Notice 19-05 \(February 12, 2019\)](#): FINRA Extends Effective Date of Margin Requirements for Covered Agency Transactions
- [FINRA Regulatory Notice 17-28 \(September 2017\)](#): FINRA Makes Available Frequently Asked Questions and Guidance and Extends Effective Date of Margin Requirements for Covered Agency Transactions
- [Responses to Frequently Asked Questions Regarding Covered Agency Transactions Under FINRA Rule 4210 \(Updated November 1, 2019\)](#)
- [FINRA Regulatory Notice 16-31 \(August 2016\)](#): SEC Approves Amendments to FINRA Rule 4210 (Margin Requirements) to Establish Margin Requirements for Covered Agency Transactions



FINRA Topic Page: [Margin Accounts and Requirements](#)

## **MUNICIPAL SECURITIES**

### **General**

#### **(NEW) MSRB Updates Rule A-8, on Rulemaking Procedures**

The Municipal Securities Rulemaking Board (MSRB) filed an immediately effective rule change with the SEC on May 19, 2021 that makes certain changes to the Board's rulemaking procedures. These amendments update descriptions of Board rulemaking processes and eliminate redundant or obsolete provisions

- [MSRB Regulatory Notice 2021-09 \(May 19, 2021\)](#): MSRB Updates Rule A-8 on Rulemaking Procedures

#### **MSRB to Retire Select Interpretive Guidance for Dealers and Municipal Advisors**

The MSRB is undertaking a retrospective review of the catalogue of interpretive guidance in its rule book. The goal of this comprehensive review is to streamline and modernize the rule book by clarifying, amending and/or retiring guidance that no longer achieves its intended purposes. The MSRB believes that this multi-year initiative will complement the MSRB's other retrospective rule review initiatives and will be an impactful way to support compliance and reduce unnecessary costs and burdens for regulated entities, while fulfilling the MSRB's regulatory obligation to protect investors, municipal entities, obligated persons, and the public interest. As an initial step, the MSRB is retiring 15 pieces of guidance from the MSRB rule book effective May 10, 2021. Such guidance will be archived on the MSRB Archived Interpretive Guidance page of the MSRB.org website, where it can be accessed for its historical value. This retirement date affords an opportunity for any stakeholders to contact the MSRB with any specific comments, questions or concerns.

- [MSRB Regulatory Notice 2021-02 \(February 11, 2021\)](#): MSRB to Retire Select Interpretive Guidance for Dealers and Municipal Advisors

#### **MSRB Harmonizes Rules with Requirements of Regulation Best Interest**

The MSRB received approval from the SEC on June 25, 2020 of amendments to MSRB rules that align MSRB rules to the Commission's recently adopted Rule 15l-1 under the Exchange Act ("Regulation Best Interest"). The effective date of



the amendments to MSRB rules was June 30, 2020, which is the compliance date for Regulation Best Interest.

- [MSRB Regulatory Notice 2020-13 \(June 26, 2020\)](#): MSRB Harmonizes Rules with Requirements of Regulation Best Interest

### **Obligations of Senior Syndicate Managers Utilizing Electronic Communications**

In November 1998, the MSRB published an interpretation about the use of electronic media to deliver and receive information by brokers, dealers and municipal securities dealers under Board rules (the “1998 Interpretation”). The 1998 Interpretation addresses how dealers may use electronic media to satisfy their delivery obligations under MSRB rules, including communications among dealers and between dealers and issuers. It states, “. . . a dealer that undertakes communications required under Board rules with other dealers and with issuers in a manner that conforms with the principles stated [in the 1998 Interpretation] relating to customer communications will have met its obligations with respect to such communications.” The MSRB wishes to remind dealers of the 1998 Interpretation, particularly in light of the January 13, 2020 compliance date for certain amendments to MSRB Rule G-11, on primary offering practices.

- [MSRB Regulatory Notice 2020-01 \(January 6, 2020\)](#): Obligations of Senior Syndicate Managers Utilizing Electronic Communications

### **Amendments to Underwriters’ Fair Dealing Obligations to Issuers Under Rule G-17**

The MSRB received approval from the SEC on November 6, 2019 (the “SEC approval order”) to amend and restate the MSRB’s August 2, 2012 Interpretive Notice regarding the fair dealing obligations underwriters owe to issuers of municipal securities under MSRB Rule G17, on conduct of municipal securities and municipal advisory activities (the “Revised Interpretive Notice”). The Revised Interpretive Notice incorporates various amendments to the 2012 Interpretive Notice. See MSRB Notice 2019-20 for more information about the Revised Interpretive Notice and the amendments to the 2012 Interpretive Notice approved by the SEC.

- [MSRB Regulatory Notice 2019-20 \(November 8, 2019\)](#): SEC Approves Amendments to Underwriters’ Fair Dealing Obligations to Issuers Under Rule G-17



### **Municipal Advisors**

FINRA issued this Notice to remind member firms of their supervisory obligations under FINRA Rules 3110 (Supervision) and 3120 (Supervisory Control System) if they hold or transact in customer accounts owned by municipal entities or obligated persons (municipal clients), as defined in Section 15B of the Securities Exchange Act of 1934 (Exchange Act), and participate in investment-related activities with municipal clients, such as recommending or selling non-municipal securities products to such municipal clients. Under these circumstances, member firms are obligated to determine if such activities require registration as a municipal advisor.

- [FINRA Regulatory Notice 19-28 \(August 16, 2019\)](#): Guidance Regarding Member Firms' Supervisory Obligations When Participating in Investment-Related Activities with Municipal Clients

### **SEC Approves Amendments to MSRB Rules and Data Collection Related to Primary Offering Practices**

The MSRB received approval from the SEC on June 27, 2019 of amendments to MSRB Rule G-11, on primary offering practices, MSRB Rule G-32, on disclosures in connection with primary offerings and MSRB Form G-32, regarding a collection of data elements provided in electronic format to the Electronic Municipal Market Access Dataport (EMMA® Dataport) system in connection with primary offerings. The compliance date for the amendments to Rule G-11 and Rule G-32 became effective on January 13, 2020.

- [MSRB Regulatory Notice 2019-15 \(June 28, 2019\)](#): SEC Approves Amendments to MSRB Rules and Data Collection Related to Primary Offering Practices

### **Best Execution Rule**

The MSRB adopted clarifying amendments to implementation guidance on Rule G-18, on best execution. The Implementation Guidance primarily provides answers to frequently asked questions (FAQs) about Rule G-18. Since the MSRB's best execution requirements became effective in 2016, some market participants have communicated to the MSRB that the practice of posting the same bid-wanted for a municipal security simultaneously on multiple trading platforms may have harmful effects on dealers, investors and the market as a whole while not necessarily achieving improved execution for customers. While the posting of bid-wanted simultaneously on multiple trading platforms is not prohibited by MSRB rules and may be considered by dealers under prevailing



facts and circumstances to be consistent with their best-execution obligations and beneficial to their customers, the MSRB has stated previously, including in the Implementation Guidance, that such simultaneous posting is not required.

- [MSRB Regulatory Notice 2019-05 \(February 7, 2019\)](#): MSRB Amends Implementation Guidance On MSRB Rule G-18, On Best Execution

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## **MUTUAL FUNDS**

### **General**

#### **Investment Company Products**

Many investment companies provide sales charge discounts and waivers on their products for customers in certain circumstances described in their product offering documents (e.g., prospectuses or statements of additional information). These include volume-based discounts, such as breakpoints and waivers, on mutual fund exchanges. Failure to apply these discounts or waivers correctly may adversely affect customers' rates of return on their investment and contravenes firms' obligations under FINRA rules.

FINRA is issuing this Notice to:

- remind firms of their obligation to understand and, as appropriate, apply sales charge discounts and waivers for eligible customers;
- provide an overview of common sales charge discounts and waivers;
- share frequently observed findings in examinations and enforcement matters; and
- note considerations firms should review to improve their compliance programs.

- [FINRA Regulatory Notice 21-07 \(March 4, 2021\)](#): FINRA Provides Guidance on Common Sales Charge Discounts and Waivers for Investment Company Products

#### **Fund of Funds Arrangements**

The SEC adopted a new rule under the Investment Company Act of 1940 to streamline and enhance the regulatory framework applicable to funds that invest



in other funds (“fund of funds” arrangements). In connection with the new rule, the Commission rescinded rule 12d1-2 under the Act and certain exemptive relief that has been granted from sections 12(d)(1)(A), (B), (C), and (G) of the Act permitting certain fund of funds arrangements. Finally, the Commission adopted related amendments to rule 12d1-1 under the Act and to Form N-CEN. The rule became effective on January 19, 2021.

- [SEC Release No. 33-10871 \(October 7, 2020\)](#), [85 FR 73924 \(November 19, 2020\)](#): Fund of Funds Arrangements (Final Rule)

**FINRA Topic Page:** [Mutual Funds](#)

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## **OPTIONS**

### **Customer Accounts**

#### **Options Account Approval, Supervision and Margin**

With the recent increase in the number of customers seeking to open brokerage accounts and trade options, FINRA reminds members of the requirements for determining whether to approve a customer to trade options. Regardless of whether the account is self-directed or options are being recommended, members must perform due diligence on the customer and collect information about the customer to support a determination that options trading is appropriate for the customer. In addition, FINRA reminds members that options accounts are subject to specific supervisory reviews, including, among others, reviewing the compatibility of options transactions with investment objectives and with the types of transactions for which the account was approved, and are subject to other FINRA rules that apply when opening customer accounts, including among others, customer identification requirements under anti-money laundering rules. FINRA also reminds members of the margin requirements for options transactions.

- [FINRA Regulatory Notice 21-15 \(April 9, 2021\)](#): FINRA Reminds Members About Options Account Approval, Supervision and Margin Requirements



### **October 2018 Supplement to the Options Disclosure Document**

The SEC approved the October 2018 supplement to the Options Disclosure Document (ODD). The ODD contains general disclosures on the characteristics and risks of trading standardized options. The October 2018 supplement (i) amends and restates in its entirety the April 2015 Supplement, which accommodated foreign index options and certain implied volatility index options;<sup>2</sup> (ii) provides additional contract adjustment disclosures regarding the determination of contract adjustments by OCC rather than adjustment panels and the manner in which certain adjustments may affect an option's value; and (iii) reflects T+2 settlement. As with other supplements to the ODD, this should be read in conjunction with the current ODD, Characteristics and Risks of Standardized Options.

- [FINRA Information Notice \(January 17, 2019\)](#): October 2018 Supplement to the Options Disclosure Document

### **Reporting**

#### **Minor Rule Violation Plan Provisions for CAT Compliance Rules**

As outlined in Regulatory Circular RC20-045, the Exchanges, FINRA and all other CAT NMS Plan Participants have entered into an amended plan pursuant to Rule 17d-2 under the Securities Exchange Act of 1934 (the "Rule 17d-2 Plan") and related regulatory services agreements ("RSAs") to coordinate regulation of the CAT Compliance Rules. The changes to the Exchanges' Minor Rule Violation Plan for CAT Compliance Rule violations discussed in this Regulatory Circular are consistent with coordinated regulation under the Rule 17d-2 Plan and the RSAs.

- [Cboe Regulatory Circular 20-047 \(August 6, 2020\)](#): Minor Rule Violation Plan Provisions for CAT Compliance Rules

#### **Regulatory Coordination Concerning CAT Reporting Compliance**

Cboe Exchange, Inc. and FINRA, as CAT NMS Plan Participants, have entered into an amended plan pursuant to Rule 17d-2 under the Securities Exchange Act of 1934 (the "Rule 17d-2 Plan") and related regulatory services agreements to coordinate regulation of the CAT Compliance Rules. Relatedly, the Participants have developed a coordinated approach to enforcement of the CAT Compliance Rules under Participants' respective Minor Rule Violation Plans.

- [Cboe Regulatory Circular 20-045 \(July 9, 2020\)](#): Regulatory Coordination Concerning CAT Reporting Compliance



## **Trading**

### **Cboe Receives Regulatory Approval to Launch Periodic Auctions for U.S. Equities Trading**

Cboe's U.S. periodic auctions are designed to allow market participants to access frequent, price-forming auctions throughout the course of the trading day, thereby helping them find liquidity in a short time-frame with low market impact, while prioritizing price and size. Periodic auctions of one-hundred milliseconds will be initiated when there are matching auctionable buy and sell orders available to trade in the auction. The message identifying when an auction is available will be randomized, helping to mitigate any potential adverse selection. Periodic auctions will not interrupt trading in the continuous market and will execute at a price level that maximizes volume executed in the auction, including any orders posted on the BYX order book.

- [Cboe Global Markets News and Events \(March 29, 2021\)](#)

### **Options Trading**

FINRA has recently observed an increase in fraudulent options trading being facilitated by (1) account takeover schemes (sometimes referred to as account intrusions), through which a bad actor gains unauthorized entry to a customer's brokerage account; and (2) the use of new account fraud by a bad actor who fraudulently establishes a brokerage account through identity theft. This Notice provides member firms and associated persons with information regarding options transactions in connection with these account takeover and new account fraud schemes to help identify, prevent and respond to such activity.

- [FINRA Regulatory Notice 20-32 \(September 17, 2020\)](#): FINRA Reminds Firms to Be Aware of Fraudulent Options Trading in Connection With Potential Account Takeovers and New Account Fraud

### **Cboe Options Rule 6.9 – In-Kind Exchanges of Options and ETF Shares**

Cboe Exchange, Inc. is issuing this Regulatory Circular to advise Trading Permit Holders ("TPHs") of the procedures for effecting transfers under Rule 6.9, which allows for certain off-floor transfers of options positions associated with in-kind exchanges of options and ETF shares.

- [Cboe Regulatory Circular 20-032 \(April 15, 2020\)](#): In-Kind Exchanges of Options and ETF Shares





### **Cboe Options Rule 6.8 – Off-Floor RWA Transfers**

Cboe Exchange, Inc. is issuing this circular to provide further information with regard to Rule 6.8, which is intended to facilitate the reduction of risk-weighted assets attributable to open positions by permitting certain off-floor transfers. This circular provides an overview of the rule, information on effecting the transfers through The Options Clearing Corporation, and some examples and responses to frequently asked questions.

- [Cboe Regulatory Circular 20-031 \(April 15, 2020\)](#): Off-Floor RWA Transfers

### **Cboe Options Rule 6.7 – Off-Floor Transfers of Positions**

Cboe Exchange, Inc. is issuing this Regulatory Circular to advise Trading Permit Holders (“TPHs”) that changes to Rule 6.7, which allows for certain off-floor transfers of options positions, were recently approved by the SEC (see approval order for Cboe Options Rule Filing SR-CBOE-2019-035, Amendment 1 and Amendment 2). The criteria and procedures related to off-floor position transfers under Rule 6.7, as amended, are described in this notice.

- [Cboe Regulatory Circular 20-030 \(April 15, 2020\)](#): Off-Floor Transfers of Positions

### **Best Execution Rule**

In light of the increasingly automated market for equity securities and standardized options, and recent advances in trading technology and communications in the fixed income markets, FINRA issued Regulatory Notice 15-46 to reiterate the best execution obligations that apply when firms receive, handle, route or execute customer orders in equities, options and fixed income securities. FINRA reminds firms of their obligations, as previously articulated by the SEC and FINRA, to regularly and rigorously examine execution quality likely to be obtained from the different markets trading a security.

- [FINRA Regulatory Notice 15-46 \(November 2015\)](#): Guidance on Best Execution Obligations in Equity, Options and Fixed Income Markets

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## **REGISTRATION AND DISCLOSURE**

### **Broker Conduct**

#### **Protecting Investors from Misconduct**

FINRA has adopted new rules to address brokers with a significant history of misconduct and the broker-dealers that employ them. The new rules:

- allow a Hearing Officer to impose conditions or restrictions on the activities of a Respondent member firm or Respondent associated person, and require the member firm employing a Respondent associated person to adopt heightened supervisory procedures for such an associated person, when a disciplinary matter is appealed to the National Adjudicatory Council (NAC) or called for NAC review;
- require member firms to adopt heightened supervisory procedures for statutorily disqualified associated persons during the period a statutory disqualification eligibility request is under review by FINRA;
- require disclosure through FINRA BrokerCheck® of the status of a member firm as a “taping firm” under FINRA Rule 3170 (Tape Recording of Registered Persons by Certain Firms); and
- require a member firm to submit a written request to FINRA’s Department of Member Regulation, through the Membership Application Group, seeking a materiality consultation and approval of a continuing membership application, if required, when a natural person seeking to become an owner, control person, principal or registered person of the member firm has, in the prior five years, one or more “final criminal matters” or two or more “specified risk events.”

The amendments to the FINRA Rule 9200 Series (Disciplinary Proceedings), the FINRA Rule 9300 Series (Review of Disciplinary Proceeding by National Adjudicatory Council and FINRA Board; Application for SEC Review), and FINRA Rule 9556 (Failure to Comply with Temporary and Permanent Cease and Desist Orders, or Orders that Impose Conditions or Restrictions) became effective April 15, 2021.

The amendments to FINRA Rule 8312 (FINRA BrokerCheck Disclosure) became effective May 1, 2021.

The amendments to the FINRA Rule 9520 Series (Eligibility Proceedings) and Funding Portal Rule 900 (Code of Procedure) became effective June 1, 2021.

The amendments to the FINRA Rule 1000 Series (Member Application and Associated Person Registration), the Capital Acquisition Broker Rule 100 Series (Member Application and Associated Person Registration) became effective September 1, 2021.



- [FINRA Regulatory Notice 21-09 \(March 10, 2021\)](#): FINRA Adopts Rules to Address Brokers With A Significant History of Misconduct

## **Central Registration Depository (CRD)**

### **Changes and New Functionality in the Central Registration Depository (CRD®) System**

FINRA introduced enhancements and presentation changes in the CRD system that relate to the implementation of FINRA’s restructured qualification examination program and the adoption of consolidated FINRA registration rules. For details on the implementation of these and other updates to CRD, please visit the [Central Registration Depository](#) main page.

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## **REPORTING**

### **(NEW) Order Audit Trail System (OATS) Retired and FINRA Rule 7400 Series Eliminated from FINRA Rulebook**

Effective September 1, 2021, FINRA amended its rulebook to eliminate the Order Audit Trail System (OATS) rules in the FINRA Rule 7400 Series and FINRA Rule 4554 (Alternative Trading Systems — Recording and Reporting Requirements of Order and Execution Information for NMS Stocks) (collectively referred to as the “OATS Rules”). FINRA has determined that the accuracy and reliability of the Consolidated Audit Trail (CAT) meet the standards approved by the SEC and has determined to retire OATS as of September 1, 2021.

- [FINRA Regulatory Notice 21-21 \(June 17, 2021\)](#): FINRA Eliminates the Order Audit Trail System (OATS) Rules

## **Consolidated Audit Trail (CAT)**

### **CAT Compliance Rules**

Rule 613 under the Securities Exchange Act of 1934 requires FINRA and the national securities exchanges to jointly submit a National Market System (NMS) plan detailing how they would develop, implement and maintain a consolidated audit trail that collects and accurately identifies every order, cancellation, modification and trade execution for all exchange-listed equities and options



across all U.S. markets. FINRA is working with the exchanges to develop an NMS plan that meets the requirements of Rule 613.

- [FINRA Rule 6800 Series](#): Consolidated Audit Trail Compliance Rule
- Visit [The Consolidated Audit Trail website \(https://www.catnmsplan.com/\)](https://www.catnmsplan.com/) for more information

### **Equity Trade Reporting**

FINRA has amended its rules to require firms to report time fields in trade reports submitted to a FINRA equity trade reporting facility (or FINRA Facility) using the same timestamp granularity that they use when reporting to the Consolidated Audit Trail (CAT). Once the amendments are effective, firms that report time on CAT order execution events in increments finer than milliseconds must report to the FINRA Facilities in such finer increment—up to nanoseconds.

Effective Dates: November 15, 2021 (Alternative Display Facility & Trade Reporting Facilities); November 14, 2022 (OTC Reporting Facility)

- [FINRA Regulatory Notice 20-41 \(December 2, 2020\)](#): FINRA Amends Its Equity Trade Reporting Rules Relating to Timestamp Granularity

### **Consolidated Audit Trail**

FINRA issued this Regulatory Notice as part of its continuing efforts to provide members with guidance on requirements relating to the Consolidated Audit Trail (CAT), and FINRA Rule 6800 Series (the “CAT Rules”). In particular, FINRA is reminding members of their supervisory responsibilities under the CAT Rules and FINRA’s Supervision Rule (Rule 3110). Members may wish to consider whether the practices and recommended steps described below are applicable to their own circumstances and would enhance their supervisory systems and compliance programs.

- [FINRA Regulatory Notice 20-31 \(August 31, 2020\)](#): FINRA Reminds Firms of Their Supervisory Responsibilities Relating to CAT

### **Consolidated Audit Trail**

FINRA and the national securities exchanges, as CAT NMS Plan Participants, have entered into a Rule 17d-2 Plan and corresponding Regulatory Services Agreements (RSAs) to coordinate regulation of the CAT compliance rules through FINRA. Relatedly, FINRA and the exchanges developed a coordinated approach for enforcement of the CAT compliance rules under the Participants’ respective Minor Rule Violation Plans.



- [FINRA Regulatory Notice 20-20 \(June 29, 2020\)](#): FINRA Provides Updates on Regulatory Coordination Concerning CAT Reporting Compliance

## **Transaction Reporting**

### **SEC Approves Registration of First Security-Based Swap Data Repository; Sets the First Compliance Date for Regulation SBSR**

The SEC has approved the registration of its first security-based swap data repository (SDR). DTCC Data Repository (U.S.), LLC (DDR), the security-based swap market now has the first SDR that can accept transaction reports. DDR intends to operate as a registered SDR for security-based swap transactions in the equity, credit, and interest rate derivatives asset classes.

Nov. 8, 2021, is the first compliance date for Regulation SBSR, which governs regulatory reporting and public dissemination of security-based swap transactions. Regulation SBSR is a key component of the security-based swap regulatory regime established by Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Regulation SBSR provides for the reporting of security-based swap information to registered SDRs and for public dissemination of transaction, volume, and pricing information.

- [SEC Release No. 34-91798 \(May 7, 2021\)](#): Security-Based Swap Data Repositories; DTCC Data Repository (U.S.), LLC; Order Approving Application for Registration as a Security-Based Swap Data Repository

### **FINRA Reminds Firms of their Obligations Regarding TRACE Reporting.**

FINRA has issued several notices to remind members of their obligation to have systems or processes in place to properly report transactions in TRACE-Eligible Securities. FINRA has also publishing technical specifications for reporting, which are available on [FINRA's website](#).

- [FINRA Regulatory Notice 19-30 \(September 19, 2019\)](#): SEC Approves Amendments Relating to Transactions in U.S. Treasury Securities Executed to Hedge a Primary Market Transaction
- [FINRA Trade Reporting Notice \(July 19, 2019\)](#): FINRA Reminds Firms of their Obligations Regarding TRACE Reporting
- [FINRA Trade Reporting Notice \(January 22, 2019\)](#): TRACE Reporting of OTC Transactions in Listed Bonds



- [FINRA Trade Reporting Notice \(January 9, 2019\)](#): US Treasury Security Auction Awards
- [FINRA Regulatory Notice 16-39 \(October 2016\)](#): SEC Approves Rule Change to Require Reporting of Transactions in U.S. Treasury Securities to the Trade Reporting and Compliance Engine (TRACE)

### **Disclosure of Order Handling Information**

The Commission extended the compliance date for the amendments to Rule 606 of Regulation National Market System (“Regulation NMS”) under the Securities Exchange Act of 1934 (“Exchange Act”), which require additional disclosures by broker-dealers to customers concerning the handling of customer orders.

Specifically, the Commission extended the compliance date for the recently adopted amendments to Rule 606. Following September 30, 2019, broker-dealers must begin to collect the information required by Rules 606(a) and 606(b) as amended. The compliance date remains May 20, 2019 for the amendments to Rule 605. The Commission extended the compliance date for the amendments to

Rule 606 in order to give broker-dealers additional time to develop, program, and test for compliance with the new and amended requirements of the rule.

- [SEC Release No. 34-85714 \(April 24, 2019\)](#), [84 FR 18136 \(April 30, 2019\)](#): Disclosure of Order Handling Information (Final Rule; Extension of Compliance Date for Certain Requirements)

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## **RESEARCH**

### **General**

#### **Investment Fund Research Reports**

FINRA amended FINRA Rules 2210 (Communications with the Public) and 2241 (Research Analysts and Research Reports) to conform to the requirements of the Fair Access to Investment Research Act of 2017 (FAIR Act). The rule change creates a filing exclusion under Rule 2210 for investment fund research reports that are covered by SEC rules under the FAIR Act, and eliminates the “quiet



period” restrictions in Rule 2241 on publishing a report or making a public appearance concerning such funds. The implementation date was August 16, 2019.

- [FINRA Regulatory Notice 19-32 \(September 26, 2019\)](#): FINRA Amends Rules 2210 and 2241 to Conform to the Fair Access to Investment Research Act of 2017

**FINRA Topic Page:** [Research Analyst Rules](#)

#### **FAQs about FINRA’s Research Rules**

- [FINRA Research Rules Frequently Asked Questions \(FAQ\)](#)

### **Research Analysts**

#### **Covered Investment Fund Research Reports**

The SEC adopted a new rule under the Securities Act of 1933 to establish a safe harbor for an unaffiliated broker or dealer participating in a securities offering of a covered investment fund to publish or distribute a covered investment fund research report. If the conditions in the rule are satisfied, the publication or distribution of a covered investment fund research report would be deemed not to be an offer for sale or offer to sell the covered investment fund’s securities for purposes of sections 2(a)(10) and 5(c) of the Securities Act of 1933. The SEC also adopted a new rule under the Investment Company Act of 1940 to exclude a covered investment fund research report from the coverage of section 24(b) of the Investment Company Act, except to the extent the research report is otherwise not subject to the content standards in self-regulatory organization rules related to research reports. Finally, the SEC adopted a conforming amendment to rule 101 of Regulation M, and a technical amendment to Form 12b-25.

- [SEC Release No. 33-10580 \(November 30, 2018\)](#), [83 FR 64180 \(December 13, 2018\)](#): Covered Investment Fund Research Reports (Final Rule and Technical Amendment)

### **Supervision**

#### **Insider Trading**

FINRA Rule 3110 (Supervision) includes a provision to help firms comply with their obligation under Section 15(g) of the Securities Exchange Act of 1934 to



have policies and procedures in place reasonably designed to prevent potential insider trading. Rule 3110(d) requires that firms include in their supervisory procedures a process for reviewing securities transactions in certain types of accounts that is reasonably designed to identify trades that may violate insider trading prohibitions. When implementing these policies and procedures, firms may take a risk-based approach to monitoring transactions that takes into account their specific business models, and firms are encouraged to tailor their policies and procedures to their specific business models.

- [FINRA Regulatory Notice 14-10 \(March 2014\)](#): SEC Approves New Supervision Rules
- [SEC Fast Answers: Insider Trading](#)

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## **SENIOR INVESTORS**

### **NASAA Model Act to Protect Seniors and Vulnerable Adults**

In a significant step toward providing much needed protection for seniors and vulnerable adults, NASAA announced that its membership has voted to adopt a model act designed to protect vulnerable adults from financial exploitation. The model, entitled “An Act to Protect Vulnerable Adults from Financial Exploitation” provides new tools to help detect and prevent financial exploitation of vulnerable adults.

- [NASAA Model Statute to Protect Vulnerable Adults](#)
- [www.serveourseniors.org](http://www.serveourseniors.org)

### **Resources**

[FINRA Securities Helpline for Seniors](#): In 2015, FINRA launched the toll-free FINRA Securities Helpline for Seniors® to provide older investors with a supportive place to get assistance from knowledgeable FINRA staff related to concerns they have with their brokerage accounts and investments. Senior investors can call FINRA’s new toll-free FINRA Securities Helpline for Seniors to get neutral, knowledgeable assistance with:

- Understanding how to review investment portfolios or account statements;
- Concerns about the handling of a brokerage account; and
- Investor tools and resources from FINRA, including BrokerCheck.





1-844-57-HELPS (1-844-574-3577)  
Monday – Friday - 9 A.M. To 5 P.M. EST

**FINRA Topic Page:** [Senior Investors](#)

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## **TRADING**

### **General**

#### **(NEW) Regulation of Inter-dealer Quotation Systems**

FINRA has adopted new Rule 6439 (Requirements for Member Inter-Dealer Quotation Systems), which implements additional requirements for firms that operate systems that regularly disseminate the quotations of identified broker-dealers in OTC Equity Securities (each an “inter-dealer quotation system” or “IDQS”). Rule 6439 will become effective on October 1, 2021, except for paragraph (d)(1)(B), which relates to the collection of order-level information. The effective date for this paragraph will be announced at a later date to better coordinate, and avoid regulatory duplication, with reporting obligations to the Consolidated Audit Trail (CAT) under Rule 6830 (Industry Member Data Reporting).

FINRA also is deleting the Rule 6500 Series and other rules related to the OTC Bulletin Board (OTCBB) – a FINRA-operated inter-dealer quotation system – and ceasing its operation. The permanent closure of the OTCBB will not occur prior to October 1, 2021. FINRA will announce the effective date of the deletion of the OTCBB-related rules and its closure in a separate communication.

- [FINRA Regulatory Notice 21-28 \(August 6, 2021\)](#): FINRA Adopts Rule 6439 Governing the Operation of Inter-Dealer Quotation Systems and Announces Closure of the OTC Bulletin Board

#### **(NEW) Best Execution and Payment for Order Flow**

FINRA issued this Notice to remind member firms of longstanding Securities and Exchange Commission (SEC) and FINRA rules and guidance concerning best execution and payment for order flow, which the SEC has defined very broadly to refer to a wide range of practices including monetary payments and discounts, rebates, or other fee reductions or credits. Under these rules and guidance,



member firms may not let payment for order flow interfere with their duty of best execution

- [FINRA Regulatory Notice 21-23 \(June 23, 2021\)](#): FINRA Reminds Firms of Requirements Concerning Best Execution and Payment for Order Flow

### **Customer Order Handling, Margin and Liquidity**

FINRA issued this Notice to remind member firms of their obligations during extreme market conditions with respect to handling customer orders, maintaining appropriate margin requirements and effectively managing their liquidity.

- [FINRA Regulatory Notice 21-12 \(March 18, 2021\)](#): FINRA Reminds Member Firms of Their Obligations Regarding Customer Order Handling, Margin Requirements and Effective Liquidity Management Practices During Extreme Market Conditions

### **Amendments to NYSE Rule 7.12 Concerning the Resumption of Trading Following a Level 3 Market-Wide Circuit Breaker**

Upon feedback from industry participants, the Exchange has been working with other national securities exchanges and FINRA to establish a standardized approach for resuming trading in all NMS Stocks following a Level 3 halt. The proposed approach would allow for the opening of all securities the next trading day after a Level 3 halt as a regular trading day, and is designed to ensure that Level 3 MWCB events are handled in a more consistent manner that is transparent for market participants. As proposed, a Level 3 halt would end at the end of the trading day on which it is declared. This proposed change would allow for next-day trading to resume in all NMS Stocks no differently from any other trading day. In other words, an exchange could resume trading in any security when it first begins trading under its rules and would not need to wait for the primary listing market to re-open trading in a security before it could start trading such security. Accordingly, under the proposal, the Exchange could begin trading all UTP Securities at the beginning of the Exchange's Early Trading Session at 7:00 a.m. ET, regardless of whether the primary listing markets for those securities have actually opened.

- [Securities Exchange Act Release No. 34-88402 \(March 17, 2020\), 85 FR 16436 \(March 23, 2020\) \(File No. SR-NYSE-2020-20\)](#): Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Amending Rule 7.12 Concerning the Resumption of Trade Following a Level 3 Market-Wide Circuit Breaker Halt



### **Limit Up/Limit Down Plan Program**

On May 31, 2012, the SEC approved the [NMS Plan to Address Extraordinary Market Volatility \(Plan\)](#), which was filed by FINRA and the other SROs and is designed to address the type of sudden price movements that the market experienced on the afternoon of May 6, 2010. The Plan provides for a market-wide limit up and limit down (LULD) mechanism to prevent trades in NMS stocks from occurring outside of specified price bands, coupled with trading pauses to accommodate more fundamental price moves. The Plan is designed, among other things, to protect investors and promote fair and orderly markets.

- [FINRA Alert on Limit Up/Limit Down \(LULD\) Plan](#)
- [FINRA Regulatory Notice 16-26 \(July 2016\)](#): FINRA Adopts Amendments Relating to the Regulation NMS Plans to Address Extraordinary Market Volatility
- FINRA has published [two charts](#) to assist members in identifying the types of transactions that are excluded from the price bands under the LULD Plan and [FAQs](#) to provide guidance on LULD

The Participants filed the Plan to Address Extraordinary Market Volatility (the “Limit Up-Limit Down Plan” or the “Plan”) with the Commission on April 5, 2011 to create a market-wide limit up-limit down mechanism intended to address extraordinary market volatility in NMS Stocks, as defined in Rule 600(b)(47) of Regulation NMS under the Exchange Act. The Plan sets forth procedures that provide for market-wide limit up-limit down requirements to prevent trades in individual NMS Stocks from occurring outside of the specified Price Bands.

These limit up-limit down requirements are coupled with Trading Pauses, as defined in Section I(Y) of the Plan, to accommodate more fundamental price moves. In particular, the Participants adopted this Plan to address extraordinary volatility in the securities markets, i.e., significant fluctuations in individual securities’ prices over a short period of time, such as those experienced during the “Flash Crash” on the afternoon of May 6, 2010. The Plan was originally approved on a pilot basis to allow the public, the Participants, and the Commission to assess the operation of the Plan and whether the Plan should be modified prior to consideration of approval on a permanent basis. The Commission recently approved an amendment to the Plan to allow the Plan to operate on a permanent basis.

- [Securities Exchange Act Release No. 85723 \(April 25, 2019\), 84 FR 18618 \(May 1, 2019\) \(File No. SR-NYSENAT-2019-10\)](#): Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Rule 7.11, Limit Up-Limit



## Down Plan and Trading Pauses in Individual Securities Due to Extraordinary Market Volatility

### **Supervision**

#### **Publication or Submission of Quotes Without Specific Information**

The SEC adopted amendments to Rule 15c2-11 under the Securities Exchange Act of 1934, which governs the publication of quotations for securities in a quotation medium other than a national securities exchange, i.e., over-the-counter (“OTC”) securities. The amendments are designed to modernize the Rule, promote investor protection, and curb incidents of fraud and manipulation by, among other things: requiring information about issuers to be current and publicly available for broker-dealers to quote their securities in the OTC market; narrowing reliance on certain exceptions from the Rule’s requirements, including the piggyback exception; adding new exceptions for the quotations of securities that may be less susceptible to fraud and manipulation; removing obsolete provisions; adding new definitions; and making technical amendments. The effective date was December 28, 2020.

• [SEC Release No. 33-10842 \(September 16, 2020\)](#), [85 FR 68124 \(October 27, 2020\)](#): Publication or Submission of Quotations Without Specified Information (Final Rule)

#### **Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds**

The Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC), SEC, and Commodity Futures Trading Commission (CFTC) are adopting amendments to the regulations implementing section 13 of the Bank Holding Company Act (BHCA Act). Section 13 contains certain restrictions on the ability of a banking entity and nonbank financial company supervised by the Board to engage in proprietary trading and have certain interests in, or relationships with, a hedge fund or private equity fund. These final amendments are intended to improve and streamline the regulations implementing section 13 of the BHC Act by modifying and clarifying requirements related to the covered fund provisions of the rules.

• [SEC Release No. BHCA-9 \(June 25, 2020\)](#), [85 FR 46422 \(July 31, 2020\)](#): Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds (Final Rule)



- [SEC Release No. BHCA-7 \(September 18, 2019\), 84 FR 61974 \(November 14, 2019\)](#): Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds (Final Rule)

### **ATS Supervision Obligations**

FINRA issued this Notice to remind Alternative Trading Systems (ATSS) of their supervision obligations. As registered broker-dealers and FINRA members, ATSS—like other broker-dealer trading platforms—are required to maintain supervisory systems that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules, including, for example, rules on disruptive or manipulative quoting and trading activity.

- [FINRA Regulatory Notice 18-25 \(August 13, 2018\)](#): FINRA Reminds Alternative Trading Systems of Their Obligations to Supervise Activity on Their Platforms

### **Cross Market Equities Supervision: Potential Manipulation Report**

This report assists firms with monitoring their supervision for trading behaviors that may be designed to manipulate the market by displaying exceptions around two behaviors—layering and spoofing—concerns recently highlighted in FINRA’s 2016 Regulatory Examination Priorities Letter.

- [Cross Market Equities Supervision Video](#)

### **Guidance on Effective Supervision and Control Practices for Firms Engaging in Algorithmic Trading Strategies**

As algorithmic trading strategies, including high frequency trading strategies, have grown to compose a substantial portion of activity on U.S. securities markets, the potential for these strategies to adversely impact market and firm stability has likewise grown. Although a reasonable supervision and control program may not foresee every potential failure or prevent every undesirable consequence, in an effort to reduce the future occurrence of such potential issues, FINRA provided guidance on effective supervision and control practices for member firms and market participants that use algorithmic strategies. These effective practices are focused on five general areas: General Risk Assessment and Response; Software/Code Development and Implementation; Software Testing and System Validation; Trading Systems; and Compliance.

- [FINRA Regulatory Notice 15-09 \(March 2015\)](#): Equity Trading Initiatives: Supervision and Control Practices for Algorithmic Trading Strategies



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## **VARIABLE ANNUITIES**

### **General**

#### **Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts**

The SEC adopted rule and form amendments intended to help investors make informed investment decisions regarding variable annuity and variable life insurance contracts. The amendments modernize disclosures by using a layered disclosure approach designed to provide investors with key information relating to the contract's terms, benefits, and risks in a concise and more reader-friendly presentation, with access to more detailed information available online and electronically or in paper format on request. Rule 498A under the Securities Act of 1933 permits a person to satisfy its prospectus delivery obligations under the Securities Act for a variable annuity or variable life insurance contract by sending or giving a summary prospectus to investors and making the statutory prospectus available online. The rule also considers a person to have met its prospectus delivery obligations for any portfolio companies associated with a variable annuity or variable life insurance contract if the portfolio company prospectuses are posted online. To implement the disclosure framework, the SEC also amended the registration forms for variable annuity and variable life insurance contracts to update and enhance the disclosures to investors in these contracts, and to implement the proposed summary prospectus framework, and adopting amendments to our rules that will require variable contracts to use the Inline eXtensible Business Reporting Language ("Inline XBRL") format for the submission of certain required disclosures in the variable contract statutory prospectus.

- [SEC Release No. 33-10765 \(March 11, 2020\)](#), [85 FR 25964](#) (May 1, 2020): Updated Disclosure Requirements and Summary Prospectus for Variable Annuity and Variable Life Insurance Contracts (Final Rule; Corrected by Documents Published on May 13, 2020 ([85 FR 28484](#)) and May 18, 2020 ([85 FR 29614](#)))



## **Supervision**

### **FINRA Provides Guidance on Firm Responsibilities for Sales of Pension Income Stream Products**

Pension income stream products typically involve an up-front lump sum payment to a pensioner in exchange for the rights to the pensioner’s future pension income payments. Regulatory Notice 16-12 discusses the characteristics of and investor protection issues presented by pension income stream products, as well as the legal status of these products. In addition, the Notice addresses the responsibilities of firms in supervising the sale of pension income stream products.

- [FINRA Regulatory Notice 16-12 \(April 2016\)](#): Pension Income Stream Products

### **SEC Issues Investor Alert on Pension or Settlement Income Streams**

- [SEC Investor Bulletin: Pension or Settlement Income Streams—What You Need to Know Before Buying or Selling Them](#)

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## **More Information and Resources**

For more information you may visit the [cecouncil.com](http://cecouncil.com) website and/or contact CE Council member organizations:

<b>Regulatory Organization</b>	<b>Website</b>
Cboe Global Markets	<a href="http://www.cboe.com">www.cboe.com</a>
Financial Industry Regulatory Authority	<a href="http://www.finra.org">www.finra.org</a>
Municipal Securities Rulemaking Board	<a href="http://www.msrb.org">www.msrb.org</a>
New York Stock Exchange	<a href="http://www.nyse.com">www.nyse.com</a>
North American Securities Administrators Association	<a href="http://www.nasaa.org">www.nasaa.org</a>
U.S. Securities and Exchange Commission	<a href="http://www.sec.gov">www.sec.gov</a>