

**FINRA Podcast**  
**July 2017 Monthly Recap**

KEP: Hello and welcome to FINRA's Monthly Recap Podcast for July 2017. From Washington, D.C., I'm Kenneth Edward Piner.

ML: And I'm Mia LaVerada. Today is August 1, 2017

KEP: We turn first to, Notices. Effective October 2<sup>nd</sup>, FINRA will reduce from 18 months to six, the delay period for historic TRACE data on corporate bonds and agency debt. As described in Regulatory Notice 1723 this change includes FINRA Rule 144A transactions.

ML: FINRA also released guidance on new FINRA Rule 2232 requiring enhanced price disclosure to retail investors for trades in corporate and agency bonds. As detailed in Regulatory Notice 1724, a newly published "frequently asked questions" looks at a broad range of related topics. This includes the triggers for new disclosure requirements, which securities and transactions are subject to the new rule, and how to determine prevailing market price. The rule goes into effect May 14, 2018.

KEP: FINRA reminds firms of Regulatory Notice 1640 noting that FINRA's new so-called "paid to play" and other related rules will take effect August 20, 2017.

ML: Let's now move to, Resources for firms, and the first is that FINRA published its 2016 Annual Financial Report on our website. To request a printed copy by mail, please contact FINRA Media Source.

KEP: FINRA also updated the Interface of the Public Offering System to improve features like: navigation, surge, filtering and sorting and the ability to export filing to excel and create custom views. So be sure to visit the new online public offering system.

ML: Several member firms have notified FINRA that they have received phishing emails from an organization claiming to be associated with FINRA. The email subject line reads: "New Policy Update" and it includes an attached document. FINRA reminds firms to be alert to tell-tale signs of phishing. Like email address irregularities, strange urls,

attachments with general names, misspellings and typos. To learn more, these and other cyber security tips are available on-line in FINRA's report on Cyber Security Practices and on our Cyber Security topic page.

KEP: The latest quarterly disciplinary review is out, detailing outcomes of recent FINRA disciplinary actions. Stories in note include one in which a representative participated in undisclosed private securities transactions and made false statements on annual compliance questionnaires. Another describes how a rep improperly borrowed \$12,000 from a customer and engaged in undisclosed outside business activities.

ML: FINRA released a 3-part "A Few Minutes With FINRA" video series on cyber security issues highlighting things like, related deficiencies FINRA sees during exams, and ways to strengthen controls and as a surveillance director of FINRA's Kansas City office, Dave Kelly says, "Firms with good cyber security programs have formalized governance in place."

DK: Well, when we're out there talking to firms, you know, the firms that do the best job, or the firms that are really involved from the top of the organization, so the firm's president or CEO and compliance group are really involved in cyber program. Plus, they also have one person in the organization that that's responsibility to organize the entire firm's program as they go along. Then there's that communication between that person that's leading the program up to the president, or the board of directors on a, you know, reoccurring process to talk about what's going on, what issues they are seeing, what kind of resources they need. The reason why you want the people at the top of the organization because they may need to reallocate extra resources to help have a good program in place.

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KEP: Let's now look at Educational Opportunities. Last month, FINRA hosted the first so-called Foundation Week of its 2 week Institute at Wharton Certified Regulatory and Compliance Professional Program. This CRCP executive level course is held at the Wharton School at the University of Pennsylvania in Philadelphia. The second week,

called the Capstone starts November 12<sup>th</sup>. If you have completed the foundation course be sure to register for the last week on our website.

ML: FINRA is hosting a series of half-day compliance boot camps across the country through the remainder of the year. Programs teach key compliance concepts through self-study and classroom training. They're only open to employees of FINRA-member firms. A complete list of dates and locations is on our website.

KEP: Registration is also open for several fall conferences, including the Fixed Income conference in Dallas, Texas in September; the Advertising Regulation Conference in Washington, D.C. in October; and then in November, the Small Firm Conference in Santa Monica, California. Wrapping up the year, on December 6<sup>th</sup> and 7<sup>th</sup> is the FINRA South Regions Compliance Seminar in Fort Lauderdale, Florida.

ML: And it's never too soon to register for the 2018 FINRA Annual Conference in Washington, D.C. next May. Reduced rates are available for the first 100 people who register for in-person attendance by October 1<sup>st</sup>.

KEP: FINRA's newest e-learning course is out: "Highlighting Suspicious Money Laundering Activities Reps May Encounter." It also shows how to detect and promptly report suspicious activity in customer accounts.

ML: In FINRA News, FINRA successfully launched its new requirement that securities firms report certain treasury transactions through TRACE to increase understanding and enhance surveillance of this key market.

KEP: FINRA's Board of Governors met in Boston July 18<sup>th</sup>. Topics of discussion included: Rule Making on Broker Conduct and Unpaid Arbitration Awards. Firms will be notified by email about any actions or anticipated next steps that result, if any.

ML: A video update from the board meeting with CEO, Robert Cook, and outgoing board chair, Jack Brennan, as well as a written update are available on our website. In the video, Brennan noted that a board working group has been looking at high risk brokers. Cook then said, the rationale for the deeper dive has come from the firms themselves.

- RC: And the statistics demonstrate that the bad actors who cause customer harm account for relatively small percentage of the industry, but as I've travelled around the country on my listening tour and visited with our members, many of these firms have urged that FINRA be more aggressive in dealing with bad actors. As they've said, the damage caused by even a few bad actors can hurt, not just the investors involved, but the reputation of the entire industry.
- KEP: FINRA and three exchanges censured Deutsche Bank Securities, Citigroup Global Markets, JP Mortgage Securities and interactive brokers and also fined them a total of \$4.75 million for violations of Rule 15c3-5 of the Securities Exchange Act known as the Market Access Rule. FINRA found that the firms had violated several rule provisions including failure to implement financial and regulatory risk management controls to prevent erroneous or duplicative orders, failure to prevent orders above preset limits and failure to properly supervise customer trading.
- ML: FINRA promoted Susan Schroeder to Executive Vice President and Head of Enforcement. It will also consolidate all existing enforcement functions into a unified enforcement group led by Schroeder. Consolidation planning is now underway with the Steering Committee of senior executives overseeing the process.
- KEP: For investors, FINRA will host a free investor forum on Thursday, August 31<sup>st</sup> in Tempe, Arizona about "What Every Investor Needs to Know." Featured guests include, Congresswoman Kristen Cinema and the Arizona Corporation Commission. Attendees will learn helpful tips like where to find free, unbiased investing tools and information, how to avoid common investing pitfalls and how FINRA protects and educates investors. Interested investors can register for the form on our website.
- ML: In our latest investor education podcast, FINRA takes a look at making the most of your retirement savings and getting your full employer match each year. As FINRA's Mike Rote explains: "Your employer match is money added to your 401(k) by your employer matching your contributions up to a certain percentage of salary."

MR: In short, its free money that gets added to the contributions an employee makes to his or her retirement savings account. But each year Americans walk away from billions of dollars in 401(k) company matches. This happens every time an employee fails to contribute enough to maximize their employers matching contribution.

KEP: FINRA released the first of a two-part investor alert looking at why and how trading halts occur. It focuses on how stocks are subject to short-term trading halts or even long-term suspensions to allow the markets to digest new company information.

ML: With that, we wrap up another FINRA Monthly Recap. Be sure to check our website for more information on all the items highlighted. We hope you found it informative and helpful. If so, please share it with your colleagues.

KEP: Until next month, I'm Kenneth Edward Piner.

ML: And I'm Mia LaVerada.

KEP: For all of us at FINRA, thanks for listening.