

FINRA August 2017 Monthly Recap Podcast

- MR Hello and welcome. From Washington, D.C., I'm Mike Rote. This is FINRA's Monthly Recap Podcast for August 2017.
- MW And I'm Micah Waters. Today is September 1, 2017.
- MR First up, we have Notices. FINRA provided guidance for firms affected by Hurricane Harvey. Regulatory Notice 17-27 describes procedures for regulatory and compliance issues, like emergency office relocations, continuing education requirements, registered personnel engaged in active military duty, regulatory filings, business continuity plans, and customer communications.
- MW FINRA adopted a new electronic form 211 for compliance with FINRA Rule 6432. The rule deals with compliance with SEA Rule 15c2-11 on quotations and non-exchange-listed securities. As outlined in Regulatory Notice 17-26, firms can start using electronic Form 211 beginning September 11, but they must switch to the new form by October 23.
- MR In an August 21 Election Notice, FINRA announced the nomination process to fill one Large Firm vacancy and one Small Firm vacancy on the National Adjudicatory Council. FINRA's Nominating and Governance Committee nominated Belinda Blaine for the Large Firm seat, and Timothy Henahan for the Small Firm seat, but eligible people not nominated by the nominating committee may still be included on the ballot by using the petition procedures in FINRA's by-laws. That process is also described in the Election Notice. Petitions for candidacy are due October 5.
- MW The Securities and Exchange Commission approved amendments to FINRA arbitration rules. As outlined in Regulatory Notice 17-25, the changes state that the Director of FINRA's Office of Dispute Resolution must send arbitrator lists to all parties at the same time, and within 30 days after the last answer is due. The amendments take effect September 18. You can read the full text of these notices on finra.org.
- MR Next up, we have Resources for Firms. FINRA posted new versions of its New Account Application template on its website. The move will help firms prepare for new FINRA Rule 2165, covering financial exploitation of specified adults, and amendments to FINRA Rule 4512 on customer account information related to financial exploitation of seniors. The new rule and amendments go into effect on February 5, 2018.
- MW FINRA released its latest Quarterly Disciplinary Review Podcast, covering rule violations and disciplinary actions in the prior three months. In one case, FINRA's Jante Turner describes how a representative recommended unsuitable trades in at least three customer accounts.
- JT The representative lacked a reasonable basis to believe that the short-term trading in bonds, undue concentration of positions or the use of margin was suitable for any of those customers. Similarly, he lacked an understanding of whether the trading was consistent with the customers' investment objectives, risk tolerances and financial situations and

needs. His unsuitable recommendations violated the Suitability and Ethical Standards rules.

- MR In Education, this fall, FINRA will host three half-day seminars on Anti-Money Laundering. They will cover topics like Money Laundering Fundamentals and Types, Relevant Rules and Regulations, and How to Spot Suspicious AML Activity. The seminars are designed for new AML Compliance professionals, or for veterans who want to reinforce their understanding of regulatory and compliance responsibilities. Seminars will be in Dallas on October 19, Boca Raton on November 7, and New York City on November 13.
- MW FINRA confirmed its keynote speaker for the 2017 Fixed-Income Conference is Chairman and Owner of the Chicago Cubs and CEO of Incapital LLC, Thomas Ricketts. Attendees at the conference in Dallas, on September 14, will hear and learn from regulators, industry experts, peers and exhibitors, and more than 25 speakers from various organizations.
- MR Beginning November 12, FINRA will host the second so-called “Capstone Week” of its two-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. If you have completed the Foundation Course, be sure to register for the Capstone on our website.
- MW In a related note, FINRA is offering five scholarships to small-firm industry professionals to attend The Institute at Wharton. The scholarship covers full tuition, room and board, and the application deadline is October 10.
- MR Registration is also open for several Fall conferences, including 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 and 7 is FINRA’s South Region Compliance Seminar in Ft. Lauderdale, Florida.
- MW And it’s never too soon to register for the 2018 FINRA Annual Conference in Washington, D.C. next May. Discount rates are available for the first 100 people who register for in-person attendance by October 1.
- MR in e-learning, FINRA released two new courses. The first covers the Characteristics and Risks of Alternative Mutual Funds. The second uses scenarios from actual FINRA disciplinary actions to remind supervisors of their compliance and supervision obligations. It includes requirements like promptly amending Forms U4, reviewing customer accounts, and suitability. And users can access e-learning courses from their computer, smartphone or tablet.
- MW Let’s move now to FINRA News. FINRA announced the election of two governors to its board. Elected to a Large Firm Governor Seat is Executive Vice President and Vice-Chairman of JPMorgan Chase & Company, Stephen M. Cutler. And elected as a Small Firm Governor was CEO and President Stephen A. Kohn & Associates, Stephen Kohn.

- MR The Board also made two key appointments. First, President of Fidelity Personal Investing, Kathleen A. Murphy, was appointed as the Investment Company Affiliate on the Board. And President of Cambridge Investment Research, Amy L. Webber, was appointed as the Independent Dealer/Insurance Affiliate Governor.
- MW In Disciplinary News, FINRA expelled New York-based Hallmark Investments Incorporated and barred its CEO, Steven Dash, for a scheme to sell shares of stock to customers at fraudulently inflated prices. FINRA also suspended Hallmark representative Stephen Zipkin for two years and required him to pay more than \$18,000 in restitution to customers. The scheme used an outside brokerage firm, manipulative trading, and misleading trade confirmations to sell nearly 40,000 shares of stock owned by the firm to 14 customers at falsely inflated prices.
- MR The Securities Investor Protection Corporation and FINRA announced an agreement to ease reporting burdens and compliance costs for member firms. Starting September 1, firms can now file annual reports for both organizations with just one filing, using FINRA's existing reporting portal.
- MW The FINRA Investor Education Foundation awarded fellowships to 50 military spouses working toward their Accredited Financial Counselor® designation. The fellowships cover all costs of the training, and the designation allows holders to provide fellow military service members and their families one-on-one and group financial counseling and education.
- MR Shifting over to Investor News, there were a total of eight Alert Investor Updates issued in August. The first explores the changing way Americans save for retirement. Another looks at how Native Americans face difficult financial circumstances and high financial fragility. The third reveals the growing trend of bad actors who pose misleading stock recommendations on research websites. The fourth offers suggestions for broaching the difficult subject of money with your aging parents. The fifth is a related alert on financial resources for seniors. And the final three alerts offer thoughts on encouraging financial literacy in your children, how to carefully choose beneficiaries in your retirement planning, and how to create a financial emergency kit.
- MW FINRA also released the latest in its Investor Education Podcast Series. This one took on four popular myths about online trading. And as FINRA's Eric Zahl explained, the first myth is that online trading bypasses a brokerage firm completely.
- EZ In reality, all trades must involve a brokerage firm, even if a stockbroker doesn't help. Although customers may enter orders online through an "app" or the firm's website, they generally don't have direct access to the securities markets, so a brokerage firm still executes their trades.
- MR And that concludes another FINRA Monthly Recap. Be sure to check our website for further details on all these highlighted items. We hope you find the Monthly Recap helpful and informative. If so, please share it with your colleagues.
- MW Until next month, I'm Micha Waters.

MR And I'm Mike Rote.

MW For all of us at FINRA, thanks for listening!