The New Regulatory Landscape: What happened in 2017? Really, what happened?

By Hank Sanchez, Esq.

Hank Sanchez brings over 30 years of securities industry experience, in the areas of Legal and Compliance, to his role as Managing Director at Oyster Consulting, LLC. Hank has worked with multiple clients varying in size from national to smaller financial firms. His expertise has been engaged to act as contract Chief Compliance Officer, analyze compliance programs, assess product due diligence, develop a Conflicts of Interest program, testify as an expert witness, act as Independent Consultant on regulatory matters, and consult on a wide variety of issues.*

With the change in administration and changes at the top of the SEC and FINRA, there was some expectation that not much would get done in the regulations affecting broker-dealers and investment advisers. But, has it been a quiet year for FINRA? What are the compliance developments over the previous year affecting broker-dealers, in the coming year and going forward? The goal of this article is to answer these questions and to provide practical guidance on what firms should do in light of the new regulatory landscape.

Let's first look at the regulators. Over the last year there have been key management changes at the SEC, the first full year for the new FINRA CEO, and a couple key resignations at FINRA.[1] The cause of this can clearly be found in the new President from a new party and change in administration direction.

While the age of the SEC's "broken windows" enforcement policy, and the aggressive (some might argue oppressive) FINRA enforcement and fining policy in recent years, may have gone away with the exiting regulators, the regulators have not gone away completely. In 2016, the top five categories of FINRA cases were:

1. Anti-money laundering
2. Variable Annuities
3. Trade reporting
4. Books and Records
5. Unregistered Securities[2]

Thus far in 2017, the top five categories of FINRA cases were:

1. Trade reporting
2. Book and Records
3. Seniors/Retirees
4. Mutual Funds
5. Form U4/U5 and Rule 4530 reporting[3]

With seniors/retirees running neck-and-neck with cybersecurity concerns, firms should pay special attention to both.

Senior Investors

It is important to spend some time on this topic. With the focus of many state regulators, as well as FINRA and the SEC, on protection of seniors, one can expect this category to move up the above enforcement hit list going forward. The North American Securities Administrators Association ("NASAA") has published a Model Act and a guide for firms to assist them with developing policies and procedures as they relate to seniors.[4] Numerous states have already implemented laws related to protection of senior investors, including Alabama, Delaware, Indiana, Louisiana, Missouri, Texas Vermont, and Washington. Numerous others, by the time of publication of this article, either will have implemented regulations around senior investors, or will have proposed legislation.

While the age of the SEC's "broken windows" enforcement policy, and the aggressive (some might argue oppressive) FINRA enforcement and fining policy in recent years, may have gone away with the exiting regulators, the regulators have not gone away completely.

The NASAA Model Act and guidelines focuses on the following:

A. Identification of vulnerable individuals – Who is a "senior" and who is vulnerable? States have different ages where a person is considered a "senior." Firms should be cognizant of the state's age definition, where they do business. The NASAA Model Act has the age of 65 as the magic age for "eligible adults," and includes any adult who would be subject to the adopting state's existing adult protective services laws. Keep in mind, however, that an eligible adult, regardless of age, can be someone with a disability, whether physical or mental.

The argument from investment personnel against this type of rules is that they are not psychiatrists, doctors, or social workers. Well, the regulatory position is that because investment personnel must "know their customers" and ensure that recommendations are suitable to the individuals, then they should be able to detect changes in ability such as memory lapses, disorganization, arithmetic mistakes, conceptual confusion, and impaired judgment.

B. Reporting, both governmental and third-party – Processes for reporting of abuses to governmental agencies is something that firms should have in place. This can be a process developed internally to include legal and compliance personnel. The process should include how the firm will cooperate with follow-up inquiries from governmental entities.

Third-party reporting gets tricky in that this involves reporting of concerns to a party not usually listed on the account. This reporting is to a person that FINRA calls the "Trusted Contact Person" in new Rules 2165 and 4512, which become effective in February 2018. In these cases, the firm must take into account privacy concerns. One way to address potential privacy issues is to incorporate a privacy waiver form into the account opening process. This allows the firm to discuss the account with the person(s) named in the form.

C. Delay of disbursements – Under what conditions can a firm delay a disbursement request? It has long been understood that if a client requests a disbursement, only in very rare situations could a firm delay the payment (such as when the account is awaiting funds to clear from some other source). Both the NASAA Model Act and FINRA Rule 2165 allow for temporary holds on funds disbursements.

FINRA has developed a group that responds to inquiries through its National Senior Investor Helpline, as well as implements a more focused approach in its examination of firms and these processes related to seniors.

Several firms have already developed specialized staff to handle these matters. Whether a firm can afford to staff a separate team in this area, all firms should develop processes for training *all* staff to be able to identify red flags

related to seniors. Sales staff, operations staff, and supervisors should be given additional training, as they are often the first to become aware of such issues.[5]

Note that firms should not delay in implementing policies and procedures related to senior investors because, even though Rule 2165 and the amendments to Rule 4512 are not effective until February 2018, the updated FINRA Sanction Guidelines, which became effective in April 2017, now include in its "Principal Considerations in Determining Sanctions" a consideration that examines whether a respondent had exercised undue influence over a customer. Thus, if a registered person is found to have taken advantage of a client, in the right circumstances, the FINRA Enforcement staff can argue for higher sanctions due to the fact that there was undue influence exercised over the investor.

Speaking of sanctions, note that the SEC, effective January 18, 2017 amended § 201.1001 of its Rules of Practice to allow for adjustment of civil fines for inflation every four years.[6]

Cybersecurity

Despite the fact that cybersecurity is not listed in the top five enforcement hit list above, this topic runs a close second in importance to senior investor issues in the eyes of **ALL** regulators; SEC, FINRA, CFTC, and States. Addressing this critical function is necessary, regardless of the size of firm.

On September 25, 2017, the SEC announced two new initiatives that will build on its Enforcement Division's ongoing efforts to address cyber-based threats and protect retail investors; the creation of a Cyber Unit that will focus on targeting cyber-related misconduct, and the establishment of a retail strategy task force that will implement initiatives that directly affect retail investors.[7] Ironically, this announcement came just days after the SEC announced that it had been hacked.

The Cyber Unit will focus the Enforcement Division's cyber-related expertise on targeting cyber-related misconduct, and the Retail Strategy Task Force will develop proactive, targeted initiatives to identify misconduct impacting retail investors.

FINRA has a separate page on its website covering cybersecurity.[8] Included on that page is a link to FINRA's Small Firm Cybersecurity Checklist. FINRA notes that the checklist's purpose is to assist small firms in establishing a cybersecurity program to:

- identify and assess cybersecurity threats, and to protect assets from cyber intrusions,
- detect when their systems and assets have been compromised,
- plan for the response when a compromise occurs, and
- implement a plan to recover lost, stolen or unavailable assets

The Federal Communications Commission has issued a list of ten pointers related to cybersecurity that can apply to broker-dealers and investment advisers:[9]

1. Train employees in security principles.
2. Protect information, computers, and networks from cyberattacks.
3. Provide firewall security for your Internet connection.
4. Create a mobile device action plan.
5. Make backup copies of important business data and information.
6. Control physical access to your computers and create user accounts for each employee.
7. Secure your Wi-Fi networks.
8. Employ best practices on payment cards.
9. Limit employee access to data and information, and limit authority to install software.
10. Use passwords and authentication.

DOL Fiduciary Rule

After all the hubbub over the last few years, where are we with the DOL fiduciary rule? First, let's look at what has happened.

On February 3, 2017, President Trump signed a Presidential Memorandum on the Fiduciary Rule (the "Memo"). The Memo directed the DOL "to examine the Fiduciary Duty Rule to determine whether it may adversely affect the ability of Americans to gain access to retirement information and financial advice."[10] The Memo also directs the DOL to conduct an economic and legal analysis concerning the likely impact of the Fiduciary Duty Rule. Further, the memo also directs the DOL to move forward with "rescinding or revising the Rule."

On April 7, 2017, the DOL announced that the applicability dates for the fiduciary rule and

related prohibited transaction exemptions would be delayed from April 10, 2017 to June 9, 2017, with certain provisions in the exemptions delayed for a Transition Period extending to January 1, 2018; including a delay in the Best Interest Contract ("BIC") Exemption.

In sum, the BIC exemption allows the collection of commissions, receipt of revenue sharing, or receipt of other types of compensation, as long as specific requirements are met in a "best interest contract."

The firm must:

- acknowledge the fiduciary status for itself and its advisors;
- adhere to basic standards of impartial conduct, including:
  - give prudent advice that is in the customer's best interest;
  - avoid making misleading statements, and;
  - receive no more than reasonable compensation.

Further, the firm must have policies and procedures addressing and mitigating conflicts of interest, as well as disclosing the conflicts of interest and disclosing the cost of advice.

Effective June 9, 2017, the rule requires anyone who provides retirement investment advice for a fee to act in the best interests of their customers.

In September 2017, new SEC Chairman Jay Clayton said that the Commission is looking into its own form of the fiduciary rule.

On October 12, 2017, the House Financial Services Committee passed a bill to repeal the U.S. Department of Labor's controversial fiduciary rule. The bill creates a best-interest standard for brokers, gives the Securities and Exchange Commission enforcement authority over the standard, and encourages state insurance commissioners to adopt a similar standard for the sale of annuities.[11]

The bill notes that an investment recommendation would satisfy the best interest standard if it reflected "reasonable diligence" on the part of the broker. The proposed law also states that brokers would not be required to "analyze all possible securities, other products, or investment strategies before making a recommendation." This contradicts language in the DOL fiduciary rule, which requires brokers and advisors to execute a cost comparison analysis when recommending rolling over 401(k) assets to IRAs.

While the fiduciary rule notes that commission-based compensation and recommendations of proprietary products are prohibited transactions, the bill says that these do not by themselves violate the best interest standard. Under the DOL fiduciary rule, each circumstance would be a prohibited transaction and require use of the BIC Exemption.

So, where does all of this leave the rule? While a portion of the rule is still in place, the future of the rule remains an open question - obviously.

While there is no crystal ball as to where the rule will wind up, here are some thoughts.

1. The best interest standard is going to stay. It is hard to argue against a broker or adviser having to act in a client's best interest. However, what this means in the end will be determined only by how the term is ultimately defined or, as in this case, re-defined.
2. It is possible that the BIC Exemption will go away. Assuming the rule is tightened up and the definition of "best interest" is clearer, there would be no need for it.
3. Potentially additional prohibited transaction exemptions will come out that are aimed at specific products, such as variable annuities, partnership interests, and alternative investments.

FINRA

FINRA is undergoing an internal restructuring at senior levels of management. The key changes are that Robert Cook replaced Richard Ketchum as CEO, and Susan Schroeder replaced Brad Bennett as head of Enforcement. In addition, in October, Susan Axelrod announced that she is stepping down as Regulatory Chief. While time will tell what these changes will do to FINRA in the long-run, in the short-term the status quo at the organization has been disrupted. In terms of regulatory initiatives and enforcement actions, a slowdown has already been seen. That said, what has been accomplished in 2017, and what is to come?

Qualifications Exams

FINRA is restructuring the Qualifications Examination program to streamline exams and expand opportunities for prospective securities professionals seeking to enter or re-enter the securities industry.

Under the revised program, which is effective October 1, 2018:

- all new representative-level applicants will be required to pass a general knowledge examination, the Securities Industry Essentials™ (SIE™), and a revised representative-level qualification examination;
- firms may maintain a larger roster of associated persons who are permissively registered as representatives or principals, allowing firms to have greater flexibility in managing unanticipated needs for qualified personnel; and
- FINRA is implementing a waiver program for individuals who terminate their registrations to go to work for a foreign or domestic financial services industry affiliate of a member firm.[12]

Firms should carefully look at these changes as testing and continuing education requirements have changed.

Mutual Funds

FINRA's Fund Analyzer has recently been enhanced by, among other things:

- redesigning the display to more clearly highlight the future value and total cost of funds over time;
- adding the ability to compare the operating expenses of a fund against product- and share-class peers—thus encouraging users to research less expensive options;
- developing new advanced features that model common investor behaviors;
- optimizing the tool for use on the Web, or via smartphone or tablet.

Why do I mention this here? From the perspective of the DOL fiduciary rule, it is important that the Analyzer be used to compare costs associated with recommendations of various fund classes, as well as breakpoints. From FINRA's perspective, failure to use the Analyzer could be evidence that a proper suitability determination was not made in recommending a fund or funds, because the broker failed to conduct adequate due diligence on the product(s) recommended.

T+2

In May 2017 (with a September 2017 compliance date) the SEC adopted an amendment to the Settlement Cycle Rule (Rule 15c6-1(a)) under the Securities Exchange Act of 1934 ("Exchange Act") to shorten the standard settlement cycle for most broker-dealer transactions from three business days after the trade date ("T+3") to two business days after the trade date ("T+2"). The SEC rule affected a number of FINRA rules. The amendments revise settlement-related provisions in the following FINRA rules.[13]

TABLE 1. FINRA Representative-Level Registration Categories and Qualification Examinations

Registration Category (and CRD System Designation)	Current Examination(s) (prior to October 1, 2018)	Future Examination(s) (on or after October 1, 2018)
Investment Company and Variable Contracts Products Representative (IR)	Series 6 (100 questions)	SIE (75 questions) + Revised Series 6 (50 questions)
General Securities Representative (GS)	Series 7 (250 questions)	SIE (75 questions) + Revised Series 7 (125 questions)
Direct Participation Programs Representative (DR)	Series 22 (100 questions)	SIE (75 questions) + Revised Series 22 (50 questions)
Securities Trader (TD)	Series 57 (125 questions)	SIE (75 questions) + Revised Series 57 (50 questions)
Investment Banking Representative (IB)	Series 79 (175 questions)	SIE (75 questions) + Revised Series 79 (75 questions)
Private Securities Offerings Representative (PR)	Series 82 (100 questions)	SIE (75 questions) + Revised Series 82 (50 questions)
Research Analyst (RS)	Series 7 (250 questions) + Series 86 (Part I: Analysis) (100 questions) + Series 87 (Part II: Regulatory Administration and Best Practices) (50 questions)	SIE (75 questions) + Revised Series 86 (Part I: Analysis) (100 questions) + Revised Series 87 (Part II: Regulatory Administration and Best Practices) (50 questions)
Operations Professional (OS)	Series 99 (100 questions)	SIE (75 questions) + Revised Series 99 (50 questions)

By now, firms affected should have updated policies and procedures that touch on the new settlement cycle, such as:

- margin provisions,
- for purchases, clients must pay the firm no later than two business days after the execution of the trade,
- for sales, clients must deliver the security to the firm no later than two business days after the sale,
- sales practices involving dividend paying securities in that the "ex-dividend date" for most cash, warrant, or stock distributions per Nasdaq Rule 11140(b)(1) has been changed from two business days before the record date to one business day before the record date. Thus, investors will have to purchase a stock two days before the record date to qualify for the dividend payment.

Outside Accounts

Effective in April 2017, new FINRA Rule 3210 replaced NASD Rule 3050, Incorporated NYSE Rules 407 and 407A and Incorporated NYSE Rule Interpretations 407/01 and 407/02. The term "407 letter" for outside account duplicate statement requests should now be completely retired. Many firms continued to use the term 407 letter, even after Rule 3050 came to be. Now that both rules are gone, will the term "3210 letter" (not to be confused with the dreaded "8210 letter") become a staple for compliance professionals?

There has been no major change to the rule terminology as prior approval is still needed to open an account away from the firm. The outside firm must be informed by the associated person that she/he is associated with another firm, and, the outside firm must provide statement duplicates to the employing firm upon request (the 3210 letter).

Margin

FINRA Rule 4210 (Margin Requirements) has been amended to address margin requirements for Covered Agency Transactions.[14] FINRA Rule 4210 describes the margin requirements that determine the amount of collateral customers are expected to maintain in their margin accounts, including both strategy-based margin accounts and portfolio margin accounts. The rule explains the margin requirements for equity and fixed income securities, along with options, warrants and security futures.

The requirements to make and enforce written risk limit determinations became effective on December 15, 2016. The remainder of the rule change becomes effective on June 25, 2018.[15] Under the rule change, unless the rule provides for an exception, (a) members are required to collect daily mark to market margin from all counterparties for their Covered Agency Transactions, and (b) in addition to the daily mark to market margin, maintenance margin of two percent is required for accounts that are not "exempt accounts" as that term is defined in FINRA Rule 4210(a)(13).

Firms should closely look at the change and adjust their margin processes as necessary.

Reporting of Disclosure Events

Just when you thought we were done discussing the DOL fiduciary rule, under FINRA Rule 4530[16], firms are now required to report certain specified events. In June 2017, the rule was amended to capture new Problem Code 69 – DOL Fiduciary Rule, which requires firms to report customer complaint information and information relating to required documents filed under Rules 4530(f) and (g).

Rule 4530(f) requires firms to promptly file with FINRA copies of specified criminal actions, civil complaints and arbitration claims. Firms may file the required documents either electronically (as a scanned email attachment or scanned and saved on a disk) or in paper form.

FINRA Rule 4530(g) gives firms the option of filing the documents required under Rule 4530(f) online via the FINRA Firm Gateway.

Firms should ensure that training should include this new requirement so that supervisory personnel are aware of this new reporting requirement, and procedures should also be updated. There also can be some overlap here with procedures related to senior investors, as well as self-reporting processes.

FINRA is also adding new fields to the Rule 4530 Filing Application Form, amending the existing Rule 4530 Product and Problem Codes and adding a new Problem Code to address changes made by the Municipal Securities Rulemaking Board ("MSRB") to extend the MSRB customer complaint and related recordkeeping rules to municipal advisors.

Rule 2030 and Rule 4580 "Pay-to-Play" and related rules

Firms that are Capital Acquisition Brokers take note.

Rule 2030 limits distribution and solicitation activities and prohibits soliciting contributions and payments to government officials. Note that

- Government officials may include employees of public plans
- Each State, City and County may have different requirements

Under the FINRA pay-to-play rules, a covered member may not receive compensation for two years for distribution or solicitation activities to a governmental entity on behalf of an investment adviser if either the covered member or its "covered associates" have made a political contribution to an "official" of such governmental entity or to a political party of a state or locality of such governmental entity.

The pay-to-play rules have been expanded to FINRA capital acquisition brokers ("CABs") and the investment advisers who use CABs to solicit governmental entities, which include public pension funds, for investment advisory services. A CAB is a FINRA member firm that engages in limited types of broker-dealer activities, such as advising private equity funds and companies on corporate restructuring and capital raising and, under limited conditions, acting as a placement agent for unregistered securities to institutional investors. FINRA CAB Rule 203 provides that all capital acquisition brokers are subject to FINRA Rule 2030. FINRA CAB Rule 458 provides that all capital acquisition brokers are subject to FINRA Rule 4580.

Consolidated Audit Trail ("CAT")

On March 15, 2017, the SEC approved the FINRA Rule 6800 series of rules related to the CAT.[17] The Rule 6800 Series includes twelve rules covering the following areas:

(1) Definitions;
(2) Clock synchronization;
(3) Industry Member Data reporting;
(4) Customer information reporting;
(5) Industry Member information reporting;
(6) Time stamps;
(7) Clock synchronization rule violations;
(8) Connectivity and data transmission;
(9) Development and testing;
(10) Recordkeeping;
(11) Timely, accurate and complete data; and
(12) Compliance dates.

Over the last year there have been key management changes at the SEC, the first full year for the new FINRA CEO, and a couple key resignations at FINRA.

Starting November 2018 for large firms, and November 2019 for small firms, all broker-dealers conducting business in the U.S. equity and options markets will have CAT reporting obligations[18]. Firms affected by the CAT rules should have already begun addressing the needs of the firm to implement technological and process changes in a timely manner.

TRACE Reporting

Beginning July 10, 2017, FINRA member firms were required to begin reporting transactions in U.S. Treasury Securities to FINRA via TRACE.[19]

Rule 6432

FINRA has adopted a new electronic Form 211 for purposes of compliance with FINRA Rule 6432 (Compliance with the Information Requirements of SEA Rule 15c2-11). Firms were required to begin using the electronic Form 211 in place of the current paper form beginning on October 23, 2017, but may voluntarily begin using the electronic Form 211 beginning on September 11, 2017. The electronic Form 211 can be accessed on FINRA Firm Gateway. For more information, see Regulatory Notice 17-26.[20]

Branch Examinations

The FINRA Board announced in September that it will issue proposed changes to Rule 3110 (Supervision) to allow firms the flexibility to remotely conduct office inspections of "qualifying offices" where only low-risk activity takes place.[21]

The same announcement stated that the "Board authorized publication of a Regulatory Notice soliciting comment on proposed amendments to Rule 8312 (FINRA BrokerCheck

Disclosure). Specifically, the amendments would: (1) provide additional investment adviser information through BrokerCheck about individuals and firms with broker-dealer and investment adviser registrations; (2) make publicly available limited data sets of BrokerCheck information on individuals, similar to what is currently provided by the SEC through the Investment Adviser Public Disclosure site; (3) exclude from BrokerCheck information about deceased individuals and certain information pertaining to individuals unregistered since 1999; and (4) allow firms to include in BrokerCheck a comment about arbitration awards pertaining to the firm."

European Union

Markets in Financial Instruments Directive II ("MiFID II")[22]

This falls in the category of "it's a small world" in that due to global markets, even actions by foreign regulators affect US financial institutions. US investment management and brokerage firms are indirectly affected by MiFID II, which takes effect on January 3, 2018, if the firms:

- Trade with an EU counterparty, venue or exchange
- Provide investment research to EU firms
- Provide investment services or market products to European investors

On October 26, 2017, the SEC staff from the Division of Investment Management and the Division of Trading and Markets issued a series of no-action letters related to the research payment provisions in MiFID II.[23] Subject to various terms and conditions: (1) broker-dealers, on a temporary basis, may receive research payments from money managers in hard dollars or from advisory clients' research payment accounts; (2) money managers may continue to aggregate orders for mutual funds and other clients; and (3) money managers may continue to rely on an existing safe harbor when paying broker-dealers for research and brokerage.

Firms that are affected by MiFID II should, by now, be familiar with the rules.

Conclusion

This article has merely touched upon some of the highlights from 2017 rulemaking. This year has been as productive a year in rulemaking as just about any other. Even though the new administration had promised some deregulation, that ship has yet to sail. Let's see what 2018 brings.

ENDNOTES

* Immediately prior to joining Oyster, Hank Sanchez was with LPL Financial Corporation, where he held Compliance leadership roles as Vice President of Surveillance, Sr. Vice President, and CCO of the nation's largest independent brokerage firm. For more than 10 years, Hank was a regulator with both the SEC and FINRA. While with the SEC, he was assigned to the SEC's Division of Market Regulation, working in the Office of Trading Practices, and the Office of Inspections, Options Branch. At FINRA, he served as regional counsel in FINRA Regulation's Enforcement Department. Hank spent several years in private practice concentrating in broker/dealer compliance matters. He is also a FINRA Arbitrator and frequently speaks at securities industry conferences.

1 SEC includes: Regional Directors for NY, Atlanta and Chicago, Director of Investment Management, NY head of Investment Advisor and Investment Company Examinations, Deputy Director of Trading and Markets. FINRA: Head of Enforcement, EVP of Regulatory Operations.

2 https://us.eversheds-sutherland.com/portalresource/lookup/poid/Z1tOl9NPluKPtDNIqLMRV56Pab6TfzcRXncKbDtRr9tObDdEoapCmG3!/fileUpload.name=/2016%20FINRA%20Analysis%20-%20A%20Record%20Breaking%20Year%20for%20Fines.pdf

3 http://www.thinkadvisor.com/2017/09/25/finra-fines-down-70-in-first-half-of-2017?page=2

4 http://serveourseniors.org/wp-content/uploads/2016/09/NASAA-Guide-For-Developing-Practices-and-Procedures-For-Protecting-Senior-Investors-and-Vulnerable-Adults-From-Financial-Exploitation.pdf

5 https://www.sec.gov/investor/seniors/workingwseniors.pdf . Sample training materials for Morgan Stanley.

6 https://www.sec.gov/rules/final/2017/33-10276.pdf

7 https://www.sec.gov/news/press-release/2017-176

8 http://www.finra.org/industry/cybersecurity

9 https://apps.fcc.gov/edocs_public/attachmatch/DOC-306595A1.pdf

10 https://www.whitehouse.gov/the-press-office/2017/02/03/presidential-memorandum-fiduciary-duty-rule

11 The bill, H.R. 3857, titled Protecting Advice for Small Savers Act of 2017 (PASS). https://www.congress.gov/bill/115th-congress/house-bill/3857/text

12 See Regulatory Notice 17-30. http://www.finra.org/industry/notices/17-30?utm_source=MM&utm_medium=email&utm_campaign=Weekly_Update_101117_FINAL

13 http://www.finra.org/industry/notices/17-19

14 http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-16-31.pdf

15 http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-17-28.pdf

16 http://www.finra.org/industry/notices/17-21

17 http://www.finra.org/sites/default/files/rule_filing_file/SR-FINRA-2017-003-approval-order.pdf

18 Large firms are generally considered to be firms with-500 or more registered persons; medium-sized firms - 151 to 499 registered persons; small firms -150 registered persons or fewer. See, for example http://www.finra.org/newsroom/2008/small-firms-elect-coordinated-capital-securities-ceo-mari-buechner-fill-vacant-finra

[19] http://www.finra.org/sites/default/files/notice_doc_file_ref/Regulatory-Notice-16-39.pdf
[20] http://www.finra.org/sites/default/files/Regulatory-Notice-17-26.pdf
[21] https://www.finra.org/industry/update-finra-board-governors-meeting-092917
[22] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments and Amending Commission Directive 2002/92/EC and Council Directive 2011/61/EU, O.J. (L 173) 57, 349, available at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0065 .
[23] https://www.sec.gov/news/press-release/2017-200-0