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# Ask FINRA*


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## I. Rulemaking Initiatives and the Status of Proposed and Recently Effective Rules

A. Comprehensive Automated Risk Data System (CARDS)

1. CARDS, as proposed in Regulatory Notice 13-42, would allow FINRA to collect, "on a standardized, automated and regular basis, account information, as well as account activity and security identification information that a firm maintains as part of its books and records." FINRA noted that this information would normally be collected during on-site examinations.

2. FINRA would use automated systems to analyze the data for certain "red flags" of sales practice and business misconduct.

3. FINRA, in response to privacy issues raised by commenters, provided an update to Regulatory Notice 13-42 on March 4, 2014, noting that the CARDS proposal would no longer require the submission of information that would identify individual account owners.

4. On September 30, 2014, FINRA issued Regulatory Notice 14-37 requesting comment on a proposed rule to implement CARDS. The comment period expired on December 1, 2014. Regulatory Notice 14-37 contains an Interim Economic Impact Assessment, which discusses the anticipated costs and benefits of the proposed rule. FINRA staff continues to assess information about the costs, benefits and other economic impacts of CARDS.

5. The rule proposal would be implemented in two phases. The first would require carrying or clearing firms to periodically submit specific information that is part of the firms' books and records relating to securities accounts. The second phase would require fully-disclosed introducing firms to submit specified account profile-related data elements.

6. The rule proposal would also exclude the collection of personally identifiable information (PII) for customers, including account name, account address and Social Security number.

B. Equity Trading and Fixed Income

1. On September 19, 2014, FINRA announced that its Board of Governors approved a series of proposed rule changes

regarding equity trading and fixed income. The Board authorized the issuance of a series of Regulatory Notices on the following initiatives:

a. Registration of Associated Persons Involved in the Preparation of Algorithmic Strategies

   i. The Board authorized FINRA to publish a Regulatory Notice seeking comment on a proposal to establish a registration requirement for associated persons who are: (1) primarily responsible for the design, development or for directing the significant modification of an algorithmic strategy; or (2) responsible for supervising such functions.

b. Expansion of ATS Transparency

   i. In November 2014, FINRA published Regulatory Notice 14-48 to seek comment on a proposal to expand FINRA's recently implemented transparency initiative that discloses Alternative Trading System (ATS) volume to publish the remaining equity volume executed over the counter (OTC). The comment period expires on February 20, 2015.

   ii. On January 17, 2014, the SEC, in Exchange Act Release No. 34–71341, approved FINRA rule filing SR-FINRA-2013-042 requiring any registered ATS to make certain weekly trade data reports to FINRA ("Reporting Requirement") and to acquire and use a single, unique MPID when reporting information to FINRA ("MPID Requirement"). The Reporting Requirement was implemented on May 12, 2014, and the MPID Requirement will be implemented on February 2, 2015.

   iii. The Reporting Requirement, new FINRA Rule 4552, requires any ATS to report to FINRA aggregate weekly volume information and number of trades, by security, in both equity securities and TRACE eligible debt securities. Under the rule, an ATS must include only those trades executed within the ATS. This does not include trades routed away for execution, and

precludes separate or double counting of the buy and sell side of a trade (e.g., any cross should be reported only once).

iv. FINRA publishes the reported volume and trade count information for equity securities on its website. Pursuant to a proposed rule change, as announced in Regulatory Notice 14-48, FINRA is considering publishing the remaining equity trading volume executed over-the-counter (OTC) by each firm on a security-by-security basis. According to FINRA, the proposed rule would provide additional transparency into a significant portion of the OTC market by enabling market participants and investors to get a better understanding of each firm's OTC trading.

v. The MPID Requirement, the result of amendments to FINRA Rules 6160, 6170, 6480 and 6720, requires each ATS to acquire and use a single, unique MPID when reporting information to FINRA. A firm is not permitted to use multiple MPIDs for a single ATS, and firms that operate multiple ATSs must obtain unique MPIDs for each ATS. Additionally, Firms must notify FINRA before changing the manner in which they use an MPID that they designate for ATS reporting (such as repurposing an MPID for non-ATS activity). Any ATS MPID must be used both for trade reporting and for Order Audit Trail System reporting.

c. Clock Synchronization

i. In November 2014, FINRA published Regulatory Notice 14-47 to seek comment on a proposed requirement that firms synchronize their computer system business clocks to the National Institute of Standards and Technology (NIST) atomic clock within an allowable drift of between 50 to 200 milliseconds. The comment period expires on February 20, 2015.

d. Supervision of Algorithmic Trading Strategies

i. The Board authorized FINRA to issue a Regulatory Notice to remind firms of their

existing supervisory obligations related to the development and deployment of algorithmic trading strategies.

e. Trade Sequencing

i. In November 2014, FINRA published Regulatory Notice 14-46 to seek comment on a proposal to identify over-the-counter trades in NMS stocks reported more than two seconds following trade execution as "out of sequence," and therefore not "last sale" eligible, for purposes of public dissemination. The comment period expires on February 20, 2015.

f. Fixed Income Pricing Disclosure

i. In a speech given on June 20, 2014, SEC Chair Mary Jo White broadly identified several initiatives to address investor concerns in the fixed income markets. Among other things, Chair White said that the SEC would work with FINRA and the MSRB to develop rules regarding the disclosure of mark-ups in "riskless principal" transactions for both corporate and municipal bonds to help customers assess the reasonableness of their dealer's compensation.

ii. In November 2014, FINRA published Regulatory Notice 14-52 seeking comment on a proposed rule that would require firms to disclose additional information on customer confirmations for transactions in fixed income securities. Specifically, the proposed rule would require that for same-day, retail-size principal transactions, firms disclose the price to the customer, the price to the member of a transaction in the same security, and the differential between those two prices.

iii. The Municipal Securities Rulemaking Board (MSRB) also published a notice soliciting comment on a similar proposal, and has suggested coordinating its approach with FINRA.

g. Fixed Income Quotation Information

i. The Board authorized FINRA to publish a Regulatory Notice to seek comment on a proposed requirement that ATSs report to FINRA for regulatory purposes information concerning the quotations they display to their general subscriber base for certain fixed income securities.

C. Recruitment Practices

1. In January 2013, FINRA requested comments on a proposed rule to require disclosure of conflicts of interest relating to recruitment compensation practices in Regulatory Notice 13-02. The comment period expired on March 5, 2013. FINRA received 65 comment letters in response to the notice.

2. As originally proposed in Regulatory Notice 13-02, the "recruitment compensation" rule would have required a firm that provides, or agrees to provide, certain additional compensation to a registered representative to leave his or her current firm and join the recruiting firm to disclose the details of the additional compensation to any former customer of the registered representative (i) who is contacted about transferring his or her accounts to the registered representative's new firm or (ii) who decides, without having been contacted, to transfer assets to the new firm.

3. On March 10, 2014, FINRA filed SR-FINRA-2014-10 with the SEC, proposing to adopt FINRA Rule 2243 (Disclosure and Reporting Obligations Related to Recruitment Practices).

4. Rule 2243, as proposed, requires member firms to (i) disclose additional compensation of $100,000 or greater when soliciting former customers of a newly hired registered representative and (ii) to report to FINRA when they expect compensation paid to new recruits to exceed the greater of a 25% or $100,000 increase from the previous year.

5. On March 28, 2014, the proposal was published for comment in the Federal Register, and FINRA received 189 comments. On June 20, 2014, FINRA withdrew proposed Rule 2243 (SR-FINRA-2014-10), deciding that more time was necessary to consider all comments.

6. On September 19, 2014, FINRA announced that the Board of Governors authorized FINRA to publish a Regulatory Notice soliciting comment on a revised proposal that would require a recruiting firm to provide a FINRA-created educational communication to former retail customers of a transferring representative who are considering transferring assets to that firm.

D. Self Trading

1. On May 2, 2014, FINRA announced the SEC's approval of FINRA Rule 5210 to limit self-trading. Effective August 25, 2014, firms must have policies and procedures in place that are reasonably designed to review trading activity for, and prevent, a pattern or practice of self-trades

2. According to FINRA, self-trades raise heightened concerns because this type of trading may not reflect genuine trading interest, particularly if there is a pattern or practice of such trades.

E. Equity Trade Reporting and OATS Rules

1. In Regulatory Notice 14-21, published in May 2014, FINRA announced that the SEC had approved amendments to FINRA rules governing the reporting of: (i) OTC transactions in equity securities to the FINRA facilities; and (ii) orders in NMS stocks and OTC equity securities to the Order Audit Trail System (OATS).

2. FINRA rules previously required that trade reports submitted to the FINRA facilities include the time of trade execution, except where another time is expressly required by rule. The amendments require firms to reflect two times in reports of stop stock transactions and transactions that reflect an execution price that is based on a prior reference point in time (PRP transactions). Specifically, firms are required to report: (1) the time at which the parties agree to the stop stock price or the prior reference time; and (2) the actual time of execution.

3. In addition, the amendments require firms to include two times when reporting block transactions using the exception for Intermarket Sweep Orders (ISOs) (outbound) under SEC Rule 611 (Order Protection Rule) of Regulation NMS if the time the firm routed the ISOs is different from the execution time. Specifically, firms are required to report the time that

all material terms of the transaction are known in the "execution time" field, as they currently do. In the new time field, firms should also report the time they used to determine any ISOs to route to any better-priced protected quotations (i.e., the time the firm takes a "snapshot" of the market).

4. FINRA trade reporting rules, as well as the OATS rules, require firms to report execution times in terms of hours, minutes and seconds (*i.e.*, HH:MM:SS). Pursuant to the amendments, firms are required to record time in milliseconds (*i.e.*, HH:MM:SS:mmm) when reporting trades to FINRA or order information to OATS if the firm's systems capture milliseconds. If the firms systems do not capture milliseconds, then they are permitted to continue to report time in seconds. As technology improves, FINRA expects to see an increasing number of firms capture time in milliseconds, and make submissions accordingly.

5. Current FINRA rules require that if a trade is cancelled or reversed, but was previously reported to FINRA, then firms must report the cancellation or reversal to the exact FINRA facility to which the trade was originally reported within the specified time frames. The amendments require firms to identify the original trade by including the control number generated by the FINRA facility, as well as the date for the original trade report.

6. Also pursuant to the amendments, firms must report trades executed on non-business days and trades reported more than 365 days after a trade date (T+365) to a FINRA facility. These trades are assessed regulatory fees under Section 3 of Schedule A to the FINRA By-Laws (Section 3) and are not submitted to clearing by the FINRA facility or disseminated.

7. Firms can effectuate a "step-out" by submitting a clearing-only report to a FINRA facility. In every step-out, one firm is stepping out of (or transferring) the position while the other firm is stepping into (or receiving) the position. Pursuant to the amendments, where both sides are submitting a clearing-only report to effectuate a step-out, the firm transferring out of the position is required to report a step-out, and the firm receiving the position is required to report a step-in.

8. When using the trade acceptance and comparison functionality of a FINRA facility, the reporting party reports

the trade and the contra party subsequently either accepts or declines the trade. The amendments clarify that rather than being purged from the system at the end of trade date processing, trades that have been declined by the contra party are carried over and remain available for cancellation or correction by the reporting party or subsequent acceptance by the contra party.

9. The OATS amendments were implemented April 7, 2014, and the ORF amendments will be implemented November 17, 2014. The implementation date for the requirement relating to reporting in milliseconds to the ADF and TRFs is November 10, 2014. The implementation date for the remainder of the ADF and TRF amendments will be April 20, 2015.

F. TRACE Updates

1. In Regulatory Notice 14-34, published in August 2014, FINRA announced that the SEC had approved amendments to the Trade Reporting and Compliance Engine (TRACE) rules and dissemination protocols. The amendments call for dissemination of transactions in an additional group of asset-backed securities, and reduce the time frame for reporting such transactions, other than Fixed or List Price and Takedown Transactions. Rule 144A transactions will also be disseminated. The amendments will become effective on April 27, 2015.

2. In Regulatory Notice 14-53, FINRA reminded ATSs and ATS subsribers of their TRACE trade reporting obligations for TRACE-eligible securities. Pursuant to FINRA Rule 6730, each member firm that is a "party to a transaction" in a TRACE-eligible security is obligated to report the transaction within the specified period of time. As a party to a transaction, an ATS is included in the TRACE trade reporting obligations.

G. Background Checks on Registration Applicants

1. On April 24, 2014, FINRA announced that its Board of Governors approved amendments to FINRA Rule 3110 (Supervision) that would expand the obligations of firms to check the background of applicants for registration to verify the accuracy and completeness of the applicant's Form U4.

2. FINRA also plans to perform an initial search of public financial records for all registered representatives, as well as public criminal records for all registered individuals who have not been fingerprinted within the last five years. FINRA will continue to conduct periodic reviews of the public records to ascertain the accuracy and completeness of the information available to investors, regulators and firms.

H. Customer Account Statements

1. On April 24, 2014, the FINRA Board of Governors authorized FINRA to publish a Regulatory Notice soliciting comment on proposed new FINRA Rule 2231 (Customer Account Statements).

2. FINRA published for comment a revised proposal in Regulatory Notice 14-35 seeking to transfer current NASD Rule 2340 and Incorporated NYSE Rule 409 into the consolidated FINRA rulebook as FINRA Rule 2231.

3. The proposal maintains the quarterly delivery requirement in the current rule; and allows customers to direct the transmission of customer account statements and other documents to third parties, provided the firm sends duplicates of the statements and/or documents directly to the customer.

I. Debt Research

1. FINRA initially published for comment a debt research proposal in Regulatory Notice 12-09. FINRA received seven comment letters in response to the notice.

2. FINRA later published for comment a revised debt research proposal in Regulatory Notice 12-42. The comment period expired on December 20, 2012. FINRA received five comment letters.

3. The debt research proposal included a tiered approach similar to that employed in FINRA's equity research rules.

4. Certain "top tier" institutional investors, those that meet the definition of QIB and satisfy certain suitability requirements, can receive institutional debt research upon receipt of a negative consent letter.

5. Other, non top-tier, institutional investors can receive institutional debt research only after providing the member firm affirmative written consent.

6. Retail investors cannot elect to receive institutional debt research, whether or not they provide the firm with affirmative written consent.

7. On November 14, 2014, FINRA filed with the SEC a proposed rule change to adopt new FINRA Rule 2242 (Debt Research Analysts and Debt Research Reports) to address conflicts of interest relating to the publication and distribution of debt research reports. On November 18, 2014, the SEC issued Release No. 34-73623 requesting comment on proposed Rule 2242. The proposed rule change reflects feedback from the two proposals in Regulatory Notice 12-09 and Regulatory Notice 12-42, as well as extensive discussions with industry participants.

J. Supervision

1. FINRA issued Regulatory Notice 08-24 in May 2008 to solicit comments on a proposal to consolidate several existing NASD and NYSE rules and interpretations relating to supervision into new FINRA rules 3110 (Supervision) and 3120 (Supervisory Control System). On June 10, 2011, FINRA filed a proposed rule change with the SEC, which addressed the comments received in response to Regulatory Notice 08-24. FINRA withdrew the 2011 filing on September 27, 2011.

2. On July 1, 2013, FINRA re-proposed the consolidated rules in an SEC filing that largely tracked the 2011 proposal. The SEC approved FINRA's proposal on December 23, 2013. In addition, new FINRA Rules 3150 (Holding of Customer Mail) and 3170 (Tape Recording of Registered Persons by Certain Firms) replace NASD Rules 3110(i) and 3010(b)(2) (often referred to as the "Taping Rule"), respectively. The new rules became effective on December 1, 2014.

3. FINRA Rules 3110 and 3120 largely replace NASD Rules 3010 (Supervision) and 3012 (Supervisory Control System). Of particular note is the rules' language regarding "risk-based review systems."

    a. The new FINRA rules discuss the use of "risk-based" systems to review communications and all

transactions related to a member's investment banking and securities business. The new rules specifically permit the use of such systems, address the design of these systems, and discuss who is ultimately responsible for the use of such systems.

b. "Risk-based systems" describes the methodology a member may use to "identify and prioritize for review those areas that pose the greatest risk of potential securities laws and self-regulatory organization rule violations."

c. For example, FINRA Rule 3110(b)(2) requires principal review, evidenced in writing, of "all transactions relating to a member's investment banking or securities business." However, where a member employs a reasonably designed risk-based review system to review such securities transactions, such as trading alerts, that member would not "be required to conduct detailed reviews of each transaction." The adopting release also discusses the use of such automated "risk based" systems for the review of electronic communications.

d. According to FINRA, principals should note that the use of any automated supervisory system, aid, or tool in the discharge of a person's supervisory duties represents a "direct exercise of supervision" by that person. Therefore, in FINRA's view, any principal that employs such systems remains ultimately responsible for the discharge of supervisory responsibilities under the new rules.

K. Customer Disputes and Expungement

1. The FINRA Board of Governors, in its February 2014 meeting, authorized FINRA to file with the SEC proposed FINRA Rule 2081 (Prohibited Conditions Relating to Expungement of Customer Dispute Information).

2. The proposal would prohibit firms and associated persons from "conditioning, or seeking to condition, settlement of a customer dispute on the customer's agreement that he or she not oppose the member's or associated person's request to expunge the customer dispute from the FINRA CRD system."

3. On July 23, 2014, FINRA announced that the SEC approved a new rule prohibiting the conditioning of a settlement of a customer dispute on an agreement to expunge such information from the CRD system.

L. Pay-to-Play Rule

1. In July 2010, the SEC adopted Advisers Act Rule 206(4)-5, which addresses pay-to-play practices by investment advisers. Under the SEC Pay-to-Play Rule, an investment adviser is prohibited from providing advisory services for compensation to a government entity for two years after the adviser (or its covered associates) makes a contribution to an official of the government entity, unless there is an applicable exception or exemption.

2. The SEC Pay-to-Play Rule also prohibits an investment adviser from providing or agreeing to provide payment to any person to solicit a government entity for investment advisory services on behalf of the investment adviser, unless the member firm is subject to a FINRA pay-to-play rule.

3. In Regulatory Notice 14-50, published in November 2014, FINRA proposed a pay-to-play rule, Rule 2390, modeled on the SEC Pay-to-Play Rule that would impose substantially equivalent or more stringent restrictions on member firms engaging in distribution or solicitation activities than the SEC Pay-to-Play Rule imposes on investment advisers. FINRA also proposed rules that would impose recordkeeping and disclosure requirements on member firms in connection with political contributions.

4. Specifically, FINRA sought comment on three proposed new rules: Rule 2271 (Disclosure Requirement for Government Distribution and Solicitation Activities); Rule 2390 (Engaging in Distribution and Solicitation Activities with Government Entities); and Rule 4580 (Books and Records Requirements for Government Distribution and Solicitation Activities).

M. Confidentiality Provisions

1. In NASD Notice to Members 04-44, published in June 2014, FINRA cautioned firms regarding the use of confidentiality provisions in settlement agreements that prohibit or restrict the customer or other person from disclosing to FINRA or other securities regulators the settlement terms and the underlying facts of the dispute upon inquiry. FINRA noted

that such provisions violate FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade).

2. As a supplement to the prior guidance, FINRA published Regulatory Notice 14-40 in October 2014 to advise firms of the potential to violate FINRA Rule 2010 when using certain language in confidentiality agreements.

## II. Other Regulatory Matters of Interest

A. Regulatory Service and Market Surveillance Arrangements

1. On February 6, 2014, FINRA announced that it had entered a regulatory service agreement with BATS Global Markets. Under this agreement, FINRA will provide cross-market surveillance services to BATS' four stock exchanges-BZX, BYX, EDGX and EDGA, along with certain other regulatory services. This expands FINRA's cross market surveillance program to 99 percent of all U.S. stock market trading.

   a. FINRA had previously been selected by Direct Edge to provide market surveillance services on behalf of Direct Edge's two licensed stock exchanges (EDGA and EDGX). Direct Edge and BATS Global Markets merged on January 31, 2014.

2. On December 22, 2014, FINRA announced that it had signed an agreement with the Chicago Board Options Exchange (CBOE) and C2 Options Exchange (C2) to provide market surveillance, financial surveillance, examinations, investigations, and disciplinary services to CBOE and C2, in addition to other regulatory services. FINRA began performing these services as of January 1, 2015. Under this agreement, FINRA stated that it will be uniquely positiond to detect cross-product (equity and options) manipulation.

   a. Additionally, FINRA will be assuming responsibility for the Options Regulatory Surveillance Authority (ORSA) industry options insider trading program. FINRA intends to integrate the options insider trading program with the current equity insider trading program, thereby allowing FINRA to conduct surveillance for insider trading for all equities and options trading in the United States.

B. BrokerCheck

1. On November 12, 2013, FINRA announced that it had released an enhanced version of BrokerCheck.

2. This enhanced version allows investors to search both the BrokerCheck and Investment Adviser Public Disclosure (IAPD) record of any securities professional or firm directly on the FINRA homepage. Also provided in the enhanced version is an updated user interface that allows an easier to read view of the industry professional's "employment status and history, industry registrations, and any reportable events such as customer disputes or disciplinary actions that may have occurred during his or her career."

3. Additionally, FINRA planned to make the new BrokerCheck widget available to third party websites, allowing visitors to those websites direct access to BrokerCheck or IAPD reports.

4. In February 2014, in Regulatory Notice 14-08, FINRA announced that the SEC had approved two amendments to FINRA Rule 8312 (FINRA BrokerCheck Disclosure). Both rule changes became effective on June 23, 2014.

    a. First, BrokerCheck will permanently make public information about former associated persons of a FINRA member firm who were registered on or after August 16, 1999, and who have been the subject of an investment-related civil action brought by a state or foreign financial regulatory authority that was dismissed pursuant to a settlement agreement.

    b. Second, BrokerCheck will include information about member firms and their associated persons of any registered national securities exchange that uses the Central Registration Depository (CRD) for registration purposes.

5. In January 2013, FINRA filed with the SEC a proposed rule change to amend FINRA Rule 2267 (Investor Education and Protection) to require all firms to include a prominent description of, and link to, BrokerCheck on their websites, social media pages and any comparable Internet presence. In response to concerns raised about implementation, FINRA withdrew the filing.

6. In April 2014, FINRA published Regulatory Notice 14-19 requesting comment on a revised proposal to require a

hyperlink to BrokerCheck in firms' online retail communications with the public. The revised proposal incorporates the proposed BrokerCheck link requirement into FINRA's regulatory framework for communications with the public in FINRA Rule 2210 (Communications With the Public).

a. Under the revised proposal, firms would be required to include a readily apparent reference and hyperlink to BrokerCheck on each website available to retail investors. In addition, firms would be required to include a readily apparent reference and hyperlink to BrokerCheck in online retail communications with the public that include a professional profile of, or contact information for, an associated person.

C. FINRA's Retrospective Rule Review Reports

1. On April 8, 2014, FINRA announced that it had issued Regulatory Notice 14-14, requesting comment on the effectiveness and efficiency of FINRA's communications with the public rules, and Regulatory Notice 14-15, requesting comment on gifts, gratuities and non-cash compensation rules.

2. The Regulatory Notices were issued as part of an initiative to conduct retrospective rule reviews on an ongoing basis. The review process will consist of two phases: assessment and action.

3. On December 9, 2014, FINRA announced that it had issued two Retrospective Rule Review Reports assessing the effectiveness and efficiency of: (1) FINRA's communications with the public rules; and (2) FINRA's rules on gifts, gratuities and non-cash compensation. According to FINRA, the reports reflect a consensus among affected parties that the rules have been mostly effective, yet they may still benefit from updates and recalibrations.

4. In the upcoming action phase, FINRA will engage in its usual rulemaking process to propose any amendments to the rules based on the assessments.

D. 144A Corporate Debt Transactions

1. 144A transactions are resales of restricted corporate debt securities to QIBs, and they account for a significant portion of the volume in corporate debt securities. On June 30,

2014, FINRA began disseminating Rule 144A transaction data in corporate debt securities, thereby increasing transparency in that market.

2. According to FINRA, bringing post-trade price transparency to 144A transactions in corporate debt is in sync with the changes approved by the SEC last year, which lifted the prohibition against general solicitation and general advertising in offerings of 144A securities.

3. Market professionals are able to access the information via major market data vendors. Retail investors who may be interested in this information as a reference point also for non-144A transactions have free access to this data through FINRA's Market Data Center.

## III. 2015 Regulatory and Examination Priorities[2]

A. Sales Practice

1. Products

a. Interest Rate-Sensitive Fixed Income Securities

b. Variable Annuities

c. Alternative Mutual Funds

d. Non-Traded Real Estate Investment Trusts (REITs)

e. Exchange-Traded Products (ETPs) Tracking Alternatively Weighted Indices

f. Structured Retail Products (SRPs)

g. Floating-Rate Bank Loan Funds

h. Securities-Backed Lines of Credit (SBLOCs)

2. Supervision Rules

3. Individual Retirement Account (IRA) Rollovers (and Other "Wealth Events")

4. Excessive Trading and Concentration Controls

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[2] This list is drawn from FINRA's January 6, 2015 Regulatory and Examination Priorities Letter posted on its website.

5. Private Placements

6. High-Risk and Recidivist Brokers

7. Sales Charge Discounts and Waivers

8. Senior Investors

9. Anti-Money Laundering (AML)

10. Municipal Advisors and Securities

    a. Municipal Advisor Registration

    b. Minimum Denomination Bonds

B. Financial and Operational Priorities

1. Funding and Liquidity: Valuing Non-High Quality Liquid Assets

2. Sales to Customers Involving Tax-Exempt or Federal Deposit Insurance Corporation (FDIC)-Insured Products

3. Cybersecurity

4. Outsourcing

5. Investor Protection Requires Timely Reporting of Disclosable Information

C. Market Integrity

1. Supervision and Governance Surrounding Trading Technology

2. Abusive Algorithms

3. Cross-Market and Cross-Product Manipulation

4. Order Routing Practices, Best Execution and Disclosure

5. Market Access

6. Audit Trail Integrity

## IV. 2015 Enforcement Priorities[3]

A. Fraud and Misrepresentations

B. Conversion and Misuse of Customer Funds

C. AML and Suspicious Trading

D. Foreign Finders

E. Complex Products and Alternative Investments

1. Reasonable Basis Suitability

2. Supervision

F. Research Reports and Material Non-Public Information

G. Trade Execution and Pricing

H. Regulation SHO

I. Supervisory Systems

1. Supervision of Discounts and Waivers

2. Consolidated Reporting Systems

3. E-Mail Retention and Review

4. Customer Protection

J. Other Technology Failures

1. Inaccurate Blue Sheet Data

K. Cyber security/Regulation S-P

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[3] This list is drawn from information provided by the FINRA Department of Enforcement.