

# Finra To Test Members' Readiness For Reg BI

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The Financial Industry Regulatory Authority plans to begin Regulation Best Interest “preparedness reviews” of broker-dealers starting in November.

That’s according to William St. Louis, Finra’s northeast regional director for sales practice, who said the agency will stress-test firms’ Reg BI readiness starting next month.

“Obviously, we want to see where firms stand,” he told broker-dealer executives at the Sifma New York regional compliance and legal seminar earlier this week.

The regulation requires registered reps and their firms to ensure they comply with the new best interest standard when recommending any securities transaction or investment strategy to a retail customer.

St. Louis said Finra is beginning its stress-testing of broker-dealers’ preparedness seven months before the rule’s June 30, 2020, compliance deadline in order to give firms as much assistance as possible in implementing the more than 1,000 pages of regulations.

St. Louis said Finra is “certainly working very closely with the SEC” on its Reg BI exam plan to develop consistency, which he said was critical with such a significant rule at the outset.

To achieve that, Finra is communicating regularly with the SEC’s Office of Compliance Inspections and Examinations on Reg BI and even working out coordinated or similar exam modules and training for their respective examiners, St. Louis said.

Planned coordination between the SEC and Finra may be good news for firms worrying about regulatory and examination duplication—fearing, for example, that both organizations will have examiners on advisors’ premises at the same time—or those worried that the two regulators will interpret and apply the new rules in different ways.

He said regulators are also “going to compare schedules to make sure that we don't duplicate when we [examine] firms,” St. Louis said.

He tried to assure broker-dealer executives at the Sifma conference that regulators are not trying to find compliance violations before the rule is implemented or in the early days, but want to be as helpful as possible.