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# Here Are FINRA's Plans for 2018

Changes in FINRA's suitability rule, streamlining of restrictions on outside business activities on tap



*FINRA CEO Robert Cook.*

The Financial Industry Regulatory Authority will usher in some firsts in the new year, including sharing its 2018 budget and updated Financial Guiding Principles, as well as a bunch of new rule proposals.

FINRA's board approved the self-regulator's budget at its meeting in December and said the SRO will publish both its budget and guiding principles in early 2018.

Several rule proposals will also be advanced in 2018, as well as improvements to the technology supporting FINRA's registration system.

Here are the rule proposals FINRA's Board approved to be published for comment or filed with the SEC:

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**FINRA Warns BDs of Impending AML Rule Compliance Deadline**

The regulator reminds BDs of the upcoming May compliance deadline for Anti-Money Laundering Compliance Program Rule 3310.

- Enhancing the audit trail for Treasury securities transactions;
- Facilitating capital formation;
- Strengthening investor-protection requirements in FINRA’s suitability rule;
- Streamlining restrictions on registered individuals’ outside business activities and private securities transactions;
- Aligning communications and research rules with the Fair Access to Investment Research (FAIR) Act; and
- Setting fees for the new Securities Industry Essentials examination.

The Board-approved budget for 2018 does not include any fee rate increases for member firms. FINRA plans to publish in early January an overview of the budget, along with the updated Financial Guiding Principles, which builds on the fully audited annual financial report that FINRA has historically published.

FINRA said that it is increasing transparency around its finances in response to feedback received through FINRA CEO Robert Cook’s listening tour, and is a key outcome of the ongoing FINRA360 initiative.

“The Financial Guiding Principles set forth the key considerations that guide FINRA’s financial planning and the development of our annual budget,” said Cook.

“By publishing these principles and our 2018 budget, we will be providing more transparency about how we prudently manage our financial resources in order to fulfill our regulatory responsibilities and further our mission to protect investors and promote market integrity in a manner than facilitates vibrant capital markets.”

**Rule Proposals in the New Year**

FINRA plans to file with the SEC a proposed rule change to establish a \$60 fee for the new Securities Industry Essentials (SIE) exam and revise the fees for other representative-level examinations. The SIE, [approved by the SEC in July](#), is part of an initiative to streamline competency exams and facilitate opportunities for professionals seeking to enter or re-enter the securities industry. The structure also eliminates duplicative testing and barriers to demonstrating and maintaining qualifications.

As to outside business activities, FINRA plans to send a notice in 2018, as approved by the Board, seeking comment on proposed rule amendments to streamlining rules on outside business activities and private securities transactions. The proposal would require registered persons to provide their member firms with prior written notice of a broad range of outside activities, and would impose on firms a duty to reasonably assess a narrower set of activities that are investment-related, allowing firms to focus on outside activities that are more likely to raise potential investor-protection concerns.

The plan also would streamline the obligations by generally excluding from the rule a registered person's personal investments and work performed on behalf of a firm's affiliate, and it would eliminate supervisory obligations for non-broker-dealer outside activities, including investment advisory activities at an unaffiliated third-party advisor.

Also forthcoming will be a Regulatory Notice soliciting comment on proposed amendments to FINRA' Suitability Rule 2111 to allow cases to be brought for churning of a customer account based on the broker's recommendation of an excessive number of trades, without proving that the investor had no control over the account. The proposed amendments would still require proof that the recommended trading was clearly excessive for the customer.

--- ***Check out [FINRA to Revamp Exam Program on ThinkAdvisor](#).***



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