

## Rule Modernization

### FINRA Launches Broad Review to Modernize Rules Regarding Member Firms and Associated Persons

Comment Period Expires: May 12, 2025

#### Summary

As a self-regulatory organization, FINRA is committed to continuous improvement that draws on deep engagement with its member firms. Among other benefits, this engagement enables FINRA to better understand and address risks to investors and markets; better adapt its oversight to changing business practices and markets; better support innovation and the deployment of new technologies and services that benefit markets and investors; and build better tools and resources to help member firms serve investors.

FINRA's continuous improvement is further informed by our engagement with investors, trade associations and other parties with a shared interest in vibrant capital markets where everyone can invest with confidence.

As part of this commitment, FINRA is launching a broad review of its regulatory requirements applicable to member firms and associated persons. In addition to identifying ways to modernize its own rules, FINRA is also focused on potential updates to its rules and regulatory approaches that might be appropriate in light of non-FINRA requirements applicable to members. Ultimately, this modernization is intended to further FINRA's mission of investor protection and market integrity by supporting more efficient and effective regulatory requirements informed by both the contemporary market and technological environment, and opportunities for the future evolution in financial services.

This *Notice* is the first step of FINRA's review and identifies two initial areas of focus that will be addressed in more detail in subsequent *Notices*: capital formation and the modern workplace. FINRA also requests comment on other areas FINRA should consider as part of this review. These comments will help inform and guide the direction of the

March 12, 2025

#### Notice Type

- ▶ Request for Comment

#### Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Senior Management

#### Referenced Rules & Notices

- ▶ Jobs Act
- ▶ Regulatory Notice 16-29
- ▶ Regulatory Notices 17-14
- ▶ Regulatory Notice 18-08
- ▶ Regulatory Notice 19-27
- ▶ Regulatory Notice 20-34
- ▶ Regulatory Notice 21-19
- ▶ Regulatory Notice 23-09
- ▶ Regulatory Notice 24-13
- ▶ Regulatory Notice 24-17
- ▶ Sarbanes-Oxley Act 2002
- ▶ Securities Exchange Act

review, particularly with respect to areas FINRA should prioritize and the initial steps that may be most impactful.

Questions regarding this *Notice* should be directed to:

- ▶ Philip Shaikun, Vice President and Associate General Counsel, Office of General Counsel (OGC), at (202) 728-8451 or [philip.shaikun@finra.org](mailto:philip.shaikun@finra.org); or
- ▶ Heather Seidel, Chief Counsel, Office of Regulatory Economics and Market Analysis (REMA), at (202) 728-6909 or [heather.seidel@finra.org](mailto:heather.seidel@finra.org).

### Action Requested

FINRA encourages all interested parties to submit comments. Comments must be received by May 12, 2025.

Comments must be submitted through one of the following methods:

- ▶ Online using FINRA's comment form for this *Notice*;
- ▶ Emailing comments to [pubcom@finra.org](mailto:pubcom@finra.org); or
- ▶ Mailing comments in hard copy to:  
Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA  
1700 K Street, NW  
Washington, DC 20006-1506

To help FINRA process and review comments more efficiently, persons should use only one method to comment.

**Important Note:** All comments received in response to this *Notice* will be made available to the public on FINRA's website. In general, FINRA will post comments as they are received.<sup>1</sup>

### Background & Discussion

As a self-regulatory organization, FINRA depends on deep engagement with its member firms, including their perspectives on potential rule changes, regulatory initiatives, market developments and industry issues. Among other benefits, this engagement enables FINRA to better understand and address risks to investors and markets; better adapt its oversight to changing business practices and markets; better support dynamic innovation and the deployment of new technologies and services that benefit markets and investors; and build better tools and resources to help member firms serve investors. FINRA's improvement is further informed by

its engagement with investors, trade associations, and other parties with a shared interest in vibrant capital markets.

Informed by this engagement, FINRA is committed to continuously improving its regulatory approach, including by modernizing FINRA rules; removing unnecessary burdens for member firms and investors; facilitating innovation and the adoption of new technologies that benefit markets and investors; and supporting timely consideration of non-FINRA regulatory requirements. As part of this commitment, FINRA has from time to time conducted retrospective reviews to assess the effectiveness and efficiency of specific rules.<sup>2</sup> In addition, FINRA also regularly updates rules to eliminate inefficiencies and reduce unnecessary burdens. For example, in recent years FINRA has amended certain rules to reflect technological developments and changes in business practices, and to reduce unnecessary burdens for individuals seeking to enter or re-enter the industry.<sup>3</sup>

FINRA believes that modernizing requirements and removing unnecessary burdens to reflect how the securities industry operates today—or could operate in the future—benefits both firms and investors. These changes, for example, can allow FINRA's member firms to better focus on serving investors, adopt innovative approaches, and allocate resources toward strengthening their compliance efforts in meaningful ways. These changes can also help update regulatory requirements to reflect subsequent advancements in technology, as well as enable deployment of new technologies that can better serve markets and investors. Likewise, modern requirements that reflect current member firm and investor practices can reduce the risk that new business models, products, or markets are inconsistently or inadequately addressed.

### Scope and Sequence of Review

FINRA is launching a broad review of the regulatory requirements applicable to member firms and associated persons, designed to modernize FINRA rules and guide FINRA's approach with respect to non-FINRA requirements applicable to member firms. Ultimately, this modernization is intended to further FINRA's mission of investor protection and market integrity by supporting more efficient and effective regulatory requirements, and by enabling its member firms to appropriately deploy up-to-date technology and practices to better serve and protect their customers in the future.

To begin this review, FINRA has identified two initial areas of focus where it expects to issue targeted requests for comment in the near future:

- ▶ *Capital Formation.* FINRA plans to request comment on key areas where its rules or related regulatory requirements may affect or create unnecessary challenges for member firms' support of capital formation. These areas include: (1) capital acquisition brokers (CABs) and other "limited purpose" broker-dealer models

designed to support capital formation; (2) research analysts and research reports; and (3) other NASD or FINRA rules, guidance and processes impacting capital raising.

- ▶ *Modern Workplace.* FINRA plans to request comment on key areas where its rules or related regulatory requirements may affect or create unnecessary challenges for how member firms organize and operate their workplace with modern technology and related practices. These areas include requirements regarding: (1) branch offices and remote work; (2) registered representative credentialing and education; (3) means of internal and customer communications (*e.g.* electronic delivery); and (4) recordkeeping practices, particularly with respect to communications.<sup>4</sup>

FINRA invites feedback from member firms, investors and other interested parties regarding other FINRA rules that should be a focus for this review, from specific rules to broad thematic groups of requirements.<sup>5</sup> In addition to this *Notice*, FINRA is seeking input on ways to modernize requirements and eliminate unnecessary burdens from its Board of Governors (Board),<sup>6</sup> advisory committees<sup>7</sup> and regulatory teams. FINRA also will seek input from its member firms and other parties through additional outreach, including meetings and roundtables on specific rules or areas of focus.

In addition, as a membership organization, FINRA recognizes that its member firms are subject to extensive regulatory requirements beyond FINRA rules. FINRA welcomes comment on where FINRA's oversight of its member firms interacts with other non-FINRA regulatory requirements such that it should be a focus for this review. For example, there may be areas where FINRA should consider whether its rules create unintended confusion, impose unnecessary or duplicative burdens, or are insufficiently tailored to the broader regulatory and business environment of its member firms. More generally, comment on these areas can inform FINRA about opportunities and challenges for its membership, and how FINRA can help its members better serve investors and support informed regulatory decision making.

Throughout this review, FINRA will separately engage in its usual rulemaking process to propose any specific rule amendments, which includes discussions with the FINRA Board, input from FINRA's advisory committees and an opportunity for comment on specific proposed revisions in a *Notice* or rule filing with the Securities and Exchange Commission (SEC) or both. Before becoming effective, a proposed rule change must be authorized by the FINRA Board and filed with the SEC pursuant to Section 19(b) of the Exchange Act (SEA).<sup>8</sup>

### Recent Requests for Comment

In recent years, FINRA has issued requests for comment regarding a range of specific

rules,<sup>9</sup> including, among others, day trading,<sup>10</sup> short interest position reporting requirements,<sup>11</sup> outside business activities,<sup>12</sup> gifts and gratuities<sup>13</sup> and corporate financing rules.<sup>14</sup> FINRA is grateful for the comments submitted in connection with these and all other prior requests for comment, and its work on previously published rule reviews will continue in conjunction with the broader rule modernization initiative announced through this *Notice*. FINRA will consider responses to any earlier requests for comment as it undertakes this rule modernization review, and interested parties need not resubmit materials that they have previously shared.

### Request for Comment

1. What specific FINRA rules should be a focus for modernization based on their economic costs and benefits; changes in markets, products, services, or technology; or otherwise? What groups of FINRA requirements should be a focus? Please include FINRA rules that may be mandated or derived from a statutory or other non-FINRA regulatory requirement applicable to FINRA or its members.
2. What areas of FINRA interpretations or guidance regarding existing rules should be a focus for modernization?
3. What changes to FINRA's rules or other requirements applicable to FINRA members would facilitate innovation and the development and deployment of new technologies and services that enable them to better serve markets and investors?
4. Are there gaps, risks or other challenges created by changes in markets, products, services or technology where additional guidance or standards would better enable member firms to serve investors, consistent with investor protection and market integrity?
5. Where does FINRA's oversight of its member firms interact with other non-FINRA regulatory requirements in a manner that should be a focus for modernization, based on unnecessary or duplicative burdens, insufficiently tailored requirements, member firm or investor confusion, or otherwise? For example, what differences between FINRA's requirements for broker-dealers and the requirements that apply for investment advisers engaging in similar activities should be a focus for modernization?
6. What areas of reporting or data production related to existing rules should be a focus for modernization?

## Endnotes

- 1 Parties should submit in their comments only personally identifiable information, such as phone numbers and addresses, that they wish to make available publicly. FINRA, however, reserves the right to redact, remove or decline to post comments that are inappropriate for publication, such as vulgar, abusive or potentially fraudulent comment letters. FINRA also reserves the right to redact or edit personally identifiable information from comment submissions.
- 2 FINRA's retrospective reviews look at the substance and application of a rule or rule set, including any gaps or unintended consequences, as well as FINRA's processes to administer the rules. Prior FINRA retrospective reviews have covered broad areas, such as rules impacting capital formation or relating to senior investor protection, while other reviews focused on specific rules or areas, such as requirements relating to day trading. *See, e.g., Regulatory Notices 17-14* (Apr. 2017), *19-27* (Aug. 2019), *20-34* (Oct. 2020), *23-09* (May 2023) and *24-13* (Oct. 2024). Additional information on the retrospective review process and prior reviews is available on the key topic page [Retrospective Rule Review](#).
- 3 For example, in 2021, FINRA amended Rule 1010 to permit electronic signatures on Form U4 filings. *See* SR-FINRA-2021-003 (Rule Change to Permit Firms to File a Form U4 Based on an Electronically Signed Copy of the Form). Also in 2021, FINRA launched the MQP to allow eligible individuals to maintain their qualifications for up to five years by completing continuing education annually. Additional information is available on the [MQP](#) key topic page.

In 2023, FINRA discontinued collection of data under Rule 4540 used in the Integrated National Surveillance and Information Technology Enhancements program (INSITE). FINRA discontinued the data collection due to the availability of alternative data sources that were not available when INSITE was developed and that have enhanced FINRA's ability to assess risk. *See Regulatory Notice 23-17* (Oct. 2023).

In 2024, FINRA's voluntary, three-year Remote Inspections Pilot Program (Pilot Program) began. Under the Pilot Program, eligible member firms have the flexibility to satisfy their inspection obligations under FINRA's supervision rule—Rule 3110—without an on-site visit to the office or location, subject to specified terms. Additional information is available on the key topic page [Remote Inspections Pilot Program](#).
- 4 FINRA previously sought feedback on lessons learned from experiences during the COVID pandemic, including the impact of changes made to member firms' operations and business models. *See Regulatory Notice 20-42* (Dec. 2020) (Pandemic Review Notice). Informed by this feedback, FINRA launched the Pilot Program and adopted a new residential supervisory location designation under Rule 3110. *See* endnote 3 *supra* and the key topic page [Residential Supervisory Locations \(RSLs\)](#). Several commenters to the Pandemic Review Notice also suggested modernizing the office designations in Rule 3110 to reflect technological advancements.
- 5 Comments are welcome regardless of whether the requirements are related to or derived from a statutory or other non-FINRA source. For example, some provisions of FINRA rules are mandated by statutes like the SEA, the Sarbanes-Oxley Act 2002 and the JOBS Act of 2012.
- 6 FINRA's Board comprises 22 industry and public members, with 10 seats designated for industry members, 11 seats designated for public

members and one seat reserved for FINRA's Chief Executive Officer. Additional information is available on the [FINRA Board of Governors web page](#).

- 7 FINRA has 12 advisory committees that provide feedback on rule proposals, regulatory initiatives, and industry issues. More than 160 industry members and 35 non-industry members serve on these committees. Additional information is available on the [Advisory Committees web page](#).
- 8 See SEA Section 19 and rules thereunder. After a proposed rule change is filed with the SEC, the proposed rule change generally is published for public comment in the *Federal Register*. Certain limited types of proposed rule changes take effect upon filing with the SEC. See SEA Section 19(b)(3) and SEA Rule 19b-4.
- 9 Current and past requests for comment are available on FINRA's [website](#).
- 10 See *Regulatory Notice 24-13* (Oct. 2024).
- 11 See *Regulatory Notice 21-19* (Jun. 2021).
- 12 See *Regulatory Notice 18-08* (Feb. 2018).
- 13 See *Regulatory Notice 16-29* (Aug. 2016).
- 14 See *Regulatory Notice 24-17* (Dec. 2024).