

Key Takeaways from the FINRA 2024 Annual Conference

Every spring, hundreds of compliance and legal professionals from across the financial industry head to our nation's capital for the Financial Industry Regulatory Authority (FINRA) Annual Conference. The purpose of the conference is for FINRA and Member Firms to meet and discuss key issues in the regulatory landscape. There are several break out education sessions, as well as networking opportunities. I was fortunate to be able to attend. Here are my key take-aways.

Navigating Change.

The official theme of this year's conference was Navigating Change. There are some major rule changes coming very soon that will heavily impact the industry and how firms operate. The two that were of most interest were new rules around remote work and trending issues with Regulation Best Interest (Reg BI).

Remote Work.

With COVID ending, FINRA has put in place two new rules allowing financial professionals, as well as their supervisors to continue working remotely in a compliant manner.

1. Remote Inspections.

FINRA is sunsetting the Covid Relief rules as of May 31, 2024. As a result, member firms now have until June 30 to update all their rep locations in FINRA's repository system. Firms also must affirmatively opt in to the remote inspection program. Firms must conduct a risk assessment of each location to determine if performing remote inspections would be appropriate. For more information on the Remote Inspection Pilot Program visit <https://www.finra.org/rules-guidance/key-topics/remote-inspections-pilot-program>.

2. Residential Supervisory Locations.

Another major rule change is the addition of Residential Supervisory Locations. This allows licensed supervisors working remotely to officially register their home location as a supervisory office of the firm as long as certain criteria are met. For a full list of the requirements for an RSL, visit <https://www.finra.org/rules-guidance/key-topics/residential-supervisory-locations#overview>

Progression of Regulation Best Interest.

When Reg BI was first introduced in June of 2020, the focus of firms and regulators alike was meeting the minimum requirements of creating and delivering the form CRS and eliminating compensation structures that favored one product over another.

Now that these basic requirements are being satisfied, FINRA is stepping up their game in firm exams and is uncovering more issues in regards to Reg BI.

The three biggest areas of concern discussed were excessive trading, or 'churning;' over-concentration issues; and ensuring reasonable available alternatives (RAAs) are being considered at the firm when approving new products for sale, as well as when making individual recommendations to investors.

While churning and over-concentration have always been issues under the old Suitability standard, RAAs are a concept firms (and FINRA) are still trying to navigate appropriately. FINRA Panel members suggested using RAA worksheets when approving new products and when making individual recommendations.

Diverse Representation.

There were many other areas of interest covered at the conference, such as AI, Cyber Security, and new rules around the Consolidated Audit Trail (CAT) in the exchanges. There were many different types of firms, from small independent wealth managers to nationally recognized online firms, from exchanges and market makers to capital markets and investment banking firms. No matter the type of firm, there was something for everyone at this year's event. I look forward to attending in the future.