MARKET SOLUTIONS

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MARKET SOLUTIONS

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Market Solutions is a quarterly newsletter about the activities of the Financial Markets Association as well as legislative/regulatory developments of interest to FMA members. The opinions expressed in this publication are those of the authors, not necessarily those of the Association and are not meant to constitute legal advice. *Market Solutions* is provided as a membership service of the **Financial Markets Association**, 111 W. College Street / Franklinton, NC 27525, ***dp-fma@starpower.net,*** 919/494-7479 (new address & phone #), ***www.fmaweb.org.*** Please let us have your suggestions on topics you would like to see addressed in future issues.

Moving Towards a Virtual Environment: Highlights on FINRA's Proposed Remote Inspection Pilot Program and Residential Supervisory Location Rules

By Jonathan M. Prytherch and Joseph M. Piligian
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Introduction

Geographically dispersed branch offices have long been a concern of securities regulators given their physical distance from main offices where compliance and supervisory functions are often housed and the potential risk of those dispersed offices being able to carry out and conceal fraudulent activity. On-site inspections of those offices are a vital component of the supervisory process in mitigating that risk. However, as with many other industries who weathered the COVID-19 pandemic, the manner and place that work is done in the securities industry, including supervision and the obligation of member firms to conduct office inspections, has exhibited a remote work environment transformation which has not gone unnoticed by regulators such as FINRA.

To update FINRA member firms about two of FINRA's latest efforts in the post-pandemic environment, this article will discuss and highlight FINRA's pending rule proposals regarding its voluntary remote inspections pilot program for firms to perform office inspections through remote means and a new type of office, the Residential Supervisory Location. The rationale, requirements, and processes involved with these proposed rules will be covered as a primer for what firms may expect, including some potential advantages, once the rules are finalized and approved. As the time for SEC action on these proposed FINRA rules nears, it remains to be seen whether these regulators will engage in further efforts to refine the rules before they are approved and implemented.

Background

Over 20 years ago, rogue stockbroker Frank Gruttadauria surrendered to authorities for misappropriating $115 million from his customers while he was associated with a series of broker-dealer firms, including the two discussed

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Route to: ❑ Audit ❑ Compliance ❑ Legal ❑ Risk Management ❑ Back Office ❑ Training

Legislative/Regulatory Actions

This column was written by lawyers from Morrison Foerster to update selected key legislative and regulatory developments affecting financial services and capital markets activities. Because of the generality of this column, the information provided herein may not be applicable in all situations and should not be acted upon without specific legal advice based on particular situations.

In this issue, we address selected developments from the federal banking regulators, the Financial Crimes Enforcement Network ("FinCEN"), the Office of Foreign Assets Control (OFAC), and the Consumer Financial Protection Bureau (CFPB or "Bureau").

FEDERAL BANKING REGULATORS

Coordinated Central Bank Action to Enhance the Provision of U.S. Dollar Liquidity

On March 19, 2023, the Federal Reserve Board (FRB) announced that the Federal Reserve had joined with the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, and the Swiss National Bank in a coordinated action to enhance the provision of liquidity through the standing U.S. dollar swap line arrangements. The FRB explained that the network of swap lines among these central banks is a set of available standing facilities, converted from temporary facilities in 2013, that serve as an important liquidity backstop to help mitigate the effects of strains in global funding markets on the supply of credit to households and businesses. According to the FRB, the standing arrangements constitute a network of bilateral swap lines among the six central banks. The arrangements are designed to provide liquidity in each jurisdiction in any of the five currencies foreign to that jurisdiction if the two central banks in a particular bilateral swap arrangement determine that market conditions warrant such action in one of their currencies.

According to the FRB, in order to improve the effectiveness of the swap lines in providing U.S. dollar funding, the central banks that offer U.S. dollar operations agreed to increase the frequency of seven-day maturity operations from weekly to daily. The FRB said the daily operations began on March 20, 2023 and would continue at least through the end of April 2023.

Liquidity Risks to Banking Organizations Associated with Crypto-Asset Entities

On February 23, 2023, the FRB, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, the "Agencies") issued a joint statement highlighting liquidity risks to banking organizations associated with certain sources of funding from crypto-asset related entities and detailing practices to manage such risks. Specifically, the Agencies stated that certain sources of funding from crypto-asset related entities may pose heightened liquidity risks "due to the unpredictability of the scale and timing of deposit inflows and outflows." In addition, the Agencies noted that the stability of stablecoin deposits may be linked to the demand for stablecoins and the confidence participants place in the stablecoin arrangement and the issuer's reserve management practices.

The Agencies emphasized the importance for banking organizations that use these funding sources to actively monitor liquidity risks and implement effective risk management controls that are tailored to the level of risk posed by such funding sources. According to the Agencies, effective risk management practices include: (i) understanding the direct and indirect drivers of potential behavior of crypto-asset deposits, and the extent to which such deposits are vulnerable to market instability; (ii) assessing potential concentration or interconnectedness across crypto-asset deposits and the associated liquidity risks; (iii) incorporating liquidity risks associated with crypto-asset deposits into contingency fund planning; and (iv) conducting robust due diligence of crypto-asset related entities that establish deposit accounts, and assessing the representations made by the entities to their end customers about their accounts.

Launch of the FedNow Service

On March 15, 2023, the FRB announced plans to launch its FedNow Service ("FedNow") in July 2023. FedNow will offer real-time payment-by-payment settlement through the master accounts of commercial banks held at Federal Reserve Banks. FedNow is designed to maintain uninterrupted 24/7/365 processing, with features to support data security and payment integrity. The FRB said it will begin formal certification of participants in early April 2023, adding that certification involves "a comprehensive testing curriculum with defined expectations for operational readiness and network experience."

FedNow will have a liquidity management tool to support instant payment services and will allow participants to transfer funds to one another. Payments made via FedNow will settle in seconds, and all settlement entries will be final and irrevocable.

Funds transfers through FedNow will be governed by June 2022 amendments to Regulation J that established rules for FedNow. As amended, Regulation J sets forth comprehensive rules governing FedNow fund transfers and the legal rights and obligations of both the Federal Reserve Banks and FedNow participants. Regulation J also (i) sets forth the terms and conditions under which Federal Reserve Banks will process fund transfers over FedNow and gives the Federal Reserve

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below. Gruttadauria issued false account statements to his victims showing inflated balances while at the same time diverting their true statements away from them. The false account statements showed that his victims had a total of over $285 million, when in fact they had less than $2 million. Gruttadauria was sentenced to a seven-year term of incarceration.[1]

During the latter part of his scheme, Gruttadauria was a producing branch manager who worked out of the Cleveland, Ohio branch offices of two broker-dealer firms. He was responsible for the overall supervision of his branch and for his own retail brokerage clients. His subordinates supervised his daily retail brokerage activity. In essence, this allowed Gruttadauria to be in charge of his "supervisors," a structure which the SEC noted "created inherent risk." He used a personal computer to create the fake account statements. He also had access to a fax machine, the mailroom, and the firms' postage meter, all of which he used to send the fake statements to his victims with the firms' postage markings, giving them an appearance of authenticity.[2]

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"The Gruttadauria and other supervision cases at the time had a significant impact on the regulatory framework surrounding how broker-dealer supervised their managers and brokers in similar scenarios."

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At the time of his surrender, Gruttadauria had managed to carry out his scheme for 15 years. The two broker-dealer firms that he was associated with for the last years of his scheme were disciplined by the SEC and New York Stock Exchange for failing to supervise him and for recordkeeping violations. Those brokerage firms were censured, ordered to cease and desist, required to undergo a compliance review, and subject to hefty (at the time) fines of $5 million and $2.5 million. One of the firms voluntarily agreed to pay back Gruttadauria's victims for their losses, while the other was ordered to make immediate payments to them.[3]

The *Gruttadauria* and other supervision cases at the time had a significant impact on the regulatory framework surrounding how broker-dealer supervised their managers and brokers in similar scenarios. Indeed, the SEC noted that "small, remote offices require vigilant supervision"[4] and also highlighted its "longstanding concern with the supervision of dispersed offices,"[5] going on to say that:

> *Some broker-dealer firms have geographically dispersed offices staffed by only a few people, and many are not subject to onsite supervision. Their distance from compliance and supervisory personnel can make it easier for registered representatives (representatives) and other employees in these offices to carry out and conceal violations of the securities laws. The supervision of small, remote offices, therefore, can be especially challenging. The Commission staff has examined branch offices and the Commission has brought numerous enforcement cases involving inadequate supervision of these small, remote offices.*[6]

In addition, the SEC stated that:

> *[Office] Inspections are a vital component of a supervisory system. The Commission has determined that broker-dealers that conduct business through remote offices have not adequately discharged their supervisory obligations where there are no inspections of those offices. Effective inspections can detect misconduct in its infancy, deter future wrongdoing, and prevent or mitigate investor harm. An effective supervisory system employs a combination of onsite and offsite monitoring, including the use of unannounced inspections and mechanisms for verifying that deficiencies are corrected.*[7]

FINRA (NASD at the time) also recognized the risks involved with supervising branch offices and the need for enhancements to its supervision rules in light of the *Gruttadauria* case. In 2004, FINRA rolled out its supervisory controls system rule and also amended its existing supervision rule, in response to that case, stating that it "brought tremendous attention to the ongoing problem of operational and sales practice abuses at firms and the importance of ensuring that firms effectively monitor the activities of their employees."[8] FINRA further noted that "[i]n light of the concerns raised by the Gruttadauria case with respect to inadequate supervisory systems, NASD has amended certain rules and interpretive materials" and created the supervisory controls system rule.[9] One of those amendments at the time enhanced the rule's branch office inspection requirements, including, among other things, codifying the minimum inspection cycles for members' offices and requiring the testing and verification of the firm's policies and procedures. The amendments at the time also prohibited the branch manager of the office being inspected, any person who had supervisory responsibilities over the office being inspected, or any individual who was directly or indirectly supervised by such persons, from performing the inspection.[10]

Highlights of FINRA's Present Rule 3110(c) Internal Inspection Requirements

Today, FINRA Rule 3110(c) requires member firms to conduct inspections of their offices in order "to assist the member in detecting and preventing violations of, and achieving compliance with, applicable securities laws and regulations, and with

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applicable FINRA rules."[11] The frequency of the inspection depends on the type of office or location involved.

Offices of Supervisory Jurisdiction, where certain activities including but not limited to transaction reviews, maintenance of customer funds or securities, final acceptance of new accounts, and the supervision of branch offices take place, must be inspected at least annually.[12] This annual inspection requirement also applies to any branch office that supervises one or more non-branch location.[13]

Branch offices are defined (subject to certain exclusions) as "any location where one or more associated persons of a member regularly conducts the business of effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security, or is held out as such."[14] Branch offices that do not supervise non-branch locations must be inspected at least every three years.[15]

For purposes of this article, the first notable exclusion from the definition of "branch office" is the "primary residence" exclusion. This exclusion is based on the location being an associated person's primary residence where the following conditions are met:

a) Only one associated, or multiple associated persons who reside at that location and are members of the same immediate family, conduct business at the location;

b) the location is not held out to the public as an office and the associated person does not meet customers there;

c) no customer funds or securities are handled at the location;

d) the associated person is assigned to a branch office and all of their marketing materials and communications reflect the branch office that they are assigned to;

e) the associated person's correspondence and communications with the public are supervised by the firm;

f) the associated person's electronic communications are made through the firm's system;

g) all orders are routed to the branch office for review;

h) the firm maintains written supervisory procedures covering the supervision of sales activities conducted at the residence; and

i) the firm maintains a list of residence locations.[16]

The second notable exclusion from the definition of "branch office" is the "non-primary residence" exclusion. The rule defines these as locations other than a primary residence (e.g., a vacation or second homes) which are used for securities business for less than 30 calendar days in any one calendar year, where the member complies with conditions a-h of the primary residence exclusion noted above.[17]

Rule 3110 states that any location which is responsible for supervising the activities of associated persons at one or more non-branch locations is considered to be a branch office.[18] Non-branch locations must be inspected on a "regular periodic schedule", which is presumed to be at least every three years.[19]

The inspections of all of these office and location types must be documented in a written report and retained for a minimum of three years, or in some instances, even longer.[20] Firms also must have procedures reasonably designed to prevent the inspections from being compromised due to conflicts of interest that may be present regarding the location being inspected. Indeed, the individual conducting these inspections must not be assigned to the location being inspected or be directly or indirectly supervised by, or reporting to, anyone at that location (subject to business or size feasibility noted in Rule 3110(c)(3)(C)).[21]

FINRA's Remote Office Inspections Rule

First introduced in 2020 as a way for firms to conduct inspections during the COVID-19 pandemic, FINRA Rule 3110.17 has provided member firms with temporary relief to conduct office inspections remotely (without an on-site visit to the office or location) for certain calendar years, including for the year 2023.[22]

In order avail itself of the remote inspection provisions of 3110.17, a member must have written supervisory procedures to cover this type of inspection, with those procedures being reasonably designed to assist in detecting and preventing violations of and achieving compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA notes that the procedures should include, among other things, the methodology and technologies used to conduct the inspection, and the use of other risk-based systems used by the firm to identify and prioritize the review of the firm's greatest risk areas that could result in potential violations of those laws and rules.[23]

In addition, conducting remote inspections under Rule 3110.17 does not relieve a member from complying with the other elements of Rule 3110(c), including the reasonable review standards of Rule 3110.12. Indeed, firms are required to conduct ongoing reviews of activities and functions occurring at all of their offices and locations, notwithstanding the use of remote inspections to do so. When a remote inspection identifies any red flags, the firm member may need to impose additional supervisory procedures for that office, monitor it with more frequency, and physically visit it on an announced or unannounced basis.[24]

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Moreover, firms who conduct remote inspections under Rule 3110.17 are required to keep records of those inspections which document the identification of the remotely inspected offices and the offices where the firm determined to impose additional supervisory procedures or more frequent monitoring as a result of the remote inspection.[25]

By the end of 2020, FINRA noted: "some member firms have indicated an interest in making such [remote inspection] relief permanent."[26] By the end of 2021, FINRA stated that member "firms and trade associations indicated that they believe that firms' remote inspections have been effective." FINRA went on to state that it was "considering modifications to firms' obligations" under the internal office inspections provisions of Rule 3110(c).[27]

FINRA's Proposed Remote Inspection Pilot Rule 3110.18

In July 2022, FINRA proposed Rule 3110.18, which would adopt a voluntary, three-year remote inspection pilot program to allow member firms to fulfill their Rule 3110(c) obligations by conducting remote inspections of some or all branch offices and locations. The pilot program would apply to the required inspections of OSJs, branch offices, and non-branch locations under the provisions of Rule 3110(c) for a period of three years.[28]

While proposed Rule 3110.18 has not yet been approved by the SEC, its discussion in the *Federal Register* (highlights of which are summarized below) provides some interesting insights on what member firms might expect and need to be prepared for in the realm of the remote inspections pilot program. Some potential advantages for firms who participate in the program would include reducing travel costs and lost productivity associated with on-site inspections, the efficient deployment of compliance resources, and the flexibility to utilize on-site inspections where appropriate. In addition, remote inspections would provide firms with some flexibility in designing inspection teams, and also allow the inspection departments of broker-dealers to stay competitive with other segments of the financial services industry who may offer remote work environment flexibility.[29] Participation in the pilot may also give firms valuable insight into real-time regulatory expectations in this space and how they may further evolve.

Proposed Rule 3110.18 originated in part due to the widespread advancements in technology in recent years, during which the member firms' means of communicating, conducting business, and even conducting oversight of their associated persons have changed drastically. FINRA noted that "the challenges in supervising associated persons who work in outlying offices or locations have been mitigated over the years with the prevalent and effective use of technology" and that these advances "have enhanced the effectiveness of a firm's overall and ongoing supervision and monitoring" of office activities. These changes have led member firms to question the effectiveness of requiring that all offices be solely inspected on-site, especially in the wake of the COVID-19 pandemic—which forced member firms to adopt and assimilate to remote work environments. The confluence of these events have caused FINRA to consider whether the manner in which firms are obligated to satisfy their remote inspection obligations should be modernized. FINRA has stated that the "conventional thinking on where work is conducted and this shift in the workplace landscape will unlikely revert to the model that existed pre-pandemic."[30]

The proposed Rule 3110.18 pilot program would build off Rule 3110.17, but would be further enhanced and exclude certain high-risk member firms, offices, or locations. Essentially, it would allow the member firm to conduct the periodic inspections of the office remotely, rather than in-person, once the firm has developed a reasonable risk-based approach to conducting the remote inspection, a documented risk assessment for the office or location being inspected remotely, and written supervisory procedures to not only cover the written supervisory procedure requirements of Rule 3110.17 described above, but also to cover the risk assessment factors for each office or location. Member firms would need to reasonably determine "that the purposes of the rule can be accomplished by conducting such required inspection[s] remotely."[31]

Of note regarding the risk-based approach mentioned above is that to participate in the pilot, firms must "take into account any higher risk activities that take place or higher risk associated persons that are assigned to the location. FINRA expects that higher risk factors at a particular location would cause a firm to conduct on-site inspections of such location."[32] In a subsequent rule proposal release, FINRA would add a non-exhaustive list of factors that a firm must consider and document regarding the office or location (including customer complaints, outside business activities, products, customer base, heightened supervision, failures to comply with the firm's procedures, and whether the firm has appropriate surveillance and technology tools to supervise the types of risk at each office or location).[33]

However, even if a firm determines that a remote inspection is appropriate in light of the weighed risk factors, certain firms will nevertheless be ineligible for the remote inspection pilot program if the firm is or becomes:

- Designated as a Restricted Firm under Rule 4111;
- designated as a Taping Firm under Rule 3170;[34]
- a recipient of notices under Rule 9557 pertaining to Rules 4110 (Capital Compliance), 4120 (Regulatory Notification and Business Curtailment), or Rule 4130 (Financial and Operational Difficulties);
- suspended by FINRA;
- a member of FINRA for less than 12 months;
- subject to a Rule 3110(c) internal inspection rule violation finding; or
- unable to comply with the requirements of Rule 3110.18.[35]

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At the office or location level, ineligibility to participate in the pilot would be largely based on the risk factors of certain associated persons in those offices. FINRA would deem offices or locations ineligible if they have associated persons who:

- Are subject to a mandatory heightened supervisory plan under the rules of SEC, FINRA, or a state regulatory agency;
- are statutorily disqualified (subject to certain exceptions);
- are subject to the continuing membership application requirements of Rule 1017(a)(7) for final criminal matters and specified risk events;
- in the prior 3 years have events that require a "yes" response to criminal and regulatory action questions 14(a)(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D, and 14E on Form U4;[36]
- have been subject to discipline by the firm that is reportable under Rule 4530(a)(2); or
- are part of a member's trading desk.[37]

Offices and locations that handle customer funds or securities also would be ineligible for the pilot. FINRA notes that a "member that is not eligible to conduct remote inspections under proposed Rule 3110.18(b)(2) must conduct an on-site inspection of that office or location on the required cycle."[38]

In terms of conducting the remote inspections, the member would be held to the same reasonable review standards as an on-site inspection under Rule 3110.12. Additionally, if there are irregularities or "red flags," the member may need to impose additional supervisory procedures or more frequent monitoring or oversight including announced or unannounced on-site physical visits to the location. To that end, the proposed Rule also will maintain the documentation requirements of Rule 3110.17, including the requirement to document the identification of any location that was inspected remotely and any additional supervisory procedures or monitoring for an office that arise as a result of the remote inspection, including whether an on-site inspection was conducted at such office. [39]

FINRA subsequently added provisions regarding the specific recordkeeping and surveillance system requirements for firms participating in the pilot program. These include the firm level requirements that firm records not be kept at, or be accessible from, the location being inspected, and that the firm has prompt access to such records. They also include office or location level requirements that the office or location being inspected must: utilize the firm's electronic communications system; have its correspondence and communications supervised in accordance with Rule 3110; and not have the firm's books or records maintained at that office location.[40]

Rule 3110.18(f) also will impose certain data collection and reporting requirements on member firms regarding the number of inspections conducted (on-site and remote), the number of offices or locations that were subject to an on-site inspection because of a finding (an item that led to remedial action or that was listed on the inspection report), the number of locations that were inspected on-site or remotely which identified a finding, and a list of the most significant findings. There also would be a requirement for member firms participating in the pilot program to provide FINRA with their written supervisory procedures for remote inspections that account for: escalating significant findings; new hires; supervising brokers with a significant history of misconduct; and outside business activities and DBA designations. Firms would also be required to provide FINRA with data for the first year of the pilot covering the number of locations inspected during that first year, as well as the number of remote versus on-site inspections performed. In addition, firms would need to have procedures covering the collection of this data and its transmission to FINRA.[41] This information "will help FINRA more accurately assess the overall impacts of firms' supervisory systems to inform FINRA's application of supervisory requirements to the new work environment, including potentially broader reliance on remote inspections."[42]

In order for a firm to participate in the pilot program, it would need to provide FINRA with an "opt-in notice" (in a manner and format determined by FINRA) at least five days before the beginning of the pilot year. Such notice would make the firm a participant in the pilot program until the program expires. In order for a firm to opt-out of the program, it would need to provide notice to FINRA at least five days before the end of the then-current pilot year.[43]

If a firm fails to satisfy any of the conditions of Rule 3110.18, it will be ineligible to participate in the program and will be subject to the on-site inspection requirements of Rule 3110(c).[44]

FINRA's Proposed Residential Supervisory Location Rule 3110.19

From a regulatory perspective, the COVID-19 pandemic did not just affect FINRA's flexibility in how office locations could be inspected as set forth in proposed Rule 3110.18, but it also affected the classifications of office locations themselves. Indeed, Rule 3110 states that a private residence where certain supervisory functions occur would need to be registered as an OSJ or a branch office subject to inspection at least annually.[45] Furthermore, but for FINRA's pandemic-related temporary suspension of the requirement for firms to file Form BR for any newly opened temporary office locations or space sharing arrangements, FINRA would require members to curtail activities at residential locations or require them to be registered as OSJs or supervisory branch offices.[46]

Again, as pandemic-related restrictions have abated, FINRA has recognized that this new normal of hybrid workplace flexi-

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bility will endure, stating that these workplace changes, along with technological advances in surveillance and monitoring capabilities, have persuaded it to review aspects of Rule 3110 that may benefit from modernization.[47]

With that background in mind, FINRA has proposed Rule 3110.19, which would create a new "Residential Supervisory Location," that would be treated as a non-branch location subject to certain investor protection safeguards and limitations. Significantly, these new Residential Supervisory Locations would be subject to inspections on the same "regular periodic schedule" as non-branch locations (presumed to be at least every 3 years), rather than on the annual inspection schedule requirement that applies to OSJ and supervisory branch offices.[48] Other potential advantages of this proposed rule would include allowing "some of the work arrangements adopted during the pandemic to continue with only small additional compliance costs," creation of opportunities for innovation in workforce arrangements, a possible increase in the number of supervisors that a firm has, staying competitive with other industries who offer remote work arrangements, and the support of "continued adoption and innovation in technological solutions." [49]

In terms of safeguards, in order to qualify as a Residential Supervisory Location, it must meet most of the Rule 3110(f) requirements to qualify as a non-branch location based on the primary residence and non-primary residence exclusion criteria noted above. As an additional safeguard, all records required to be made and preserved under the federal securities laws must be maintained by the member at a location other than the Residential Supervisory Location. FINRA believes the proposed new limitation would strengthen a firm's ability to monitor the supervisory activities occurring at the Residential Supervisory Location and lower the overall risk associated with the location.[50]

FINRA further proposes nine categories of ineligibility in Rule 3110.19(b) which would prohibit certain locations from becoming a Residential Supervisory Location. These ineligibility categories were designed to mitigate concerns surrounding investor protection, an associated person's level of supervisory experience/qualifications with the member firm, or an associated person's record of regulatory or disciplinary events. At the firm level, a location would be designated ineligible if the member firm is a "Restricted Firm" under Rule 4111; a "Taping Firm" under Rule 3180; or is required to undergo a Rule 1017(a)(7) continuing membership application as a result of associated persons at the locations having certain criminal history or specified risk events.[51]

Moreover, a location will be designated as ineligible where one or more associated persons there: is a designated supervisor who has less than one year of direct supervisory experience; is functioning as a principal for a limited period in accordance with Rule 1210.04; is subject to a mandatory heightened supervisory plan under the rules of the SEC, FINRA, or a state regulator; is statutorily disqualified (subject to certain exceptions); has a criminal or regulatory event in the prior 3 years that requires a "yes" response to criminal and regulatory action questions 14(a)(1)(a) and 2(a), 14B(1)(a) and 2(a), 14C, 14D, and 14E on Form U4; is subject to (or notified in writing that it will be subject to) an investigation, proceeding, complaint, or other action by the SEC, an SRO (including FINRA); or state regulator alleging they have failed to supervise another person reasonably. If such a private residence meeting the description of any of the above categories would then be ineligible for designation as a Residential Supervisory Location, the member firm would be required to designate the private residence as an OSJ or branch office (as applicable) unless a branch office exclusion of Rule 3110(f)(2) applies. FINRA has stated its belief that the proposed categories of ineligibility are appropriately derived from existing rule-based criteria which identify firms or associated persons that may pose a greater risk to investor protection.[52]

The Path Forward:

As discussed, neither proposed Rule 3110.18 (Remote Inspection Pilot Program), nor Proposed Rule 3110.19 (Residential Supervisory Locations) have been approved by the SEC. With the date for the SEC to act on these proposals set for April 12, 2023 and March 30, 2023, respectively, and the significance of these proposed rules on the inspection requirements of Rule 3110(c), it remains to be seen whether further considerations or revisions will be taken into account before their approval or implementation takes place. ■

UPDATE: Shortly after this article was written, FINRA withdrew its 2022 Residential Supervisory Location ("RSL") proposal on March 29, 2023, to determine whether further adjustments to the proposal were warranted in response to concerns from commenters. FINRA filed another RSL rule proposal that same day with terms that are largely similar to the 2022 proposal, along with some key modifications including: enhancements to the books and records conditions an expansion of firm ineligibility criteria for suspended firms and those that have been members for less than 12 months, adjusting office or location ineligibility criteria based on investigations or other actions related to a failure to supervise, and requiring firms to provide FINRA with lists of their RSL locations on a quarterly basis. FINRA also highlighted how its RSL proposal would impact diversity, equity, and inclusion efforts by reducing barriers while preserving investor protection. For more details, please see https://www.finra.org/rules-guidance/rule-filings/sr-finra-2023-006.

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No Legal Advice Intended: This alert includes information about legal issues and legal developments. Such materials are for informational purposes only and may not reflect the most current legal developments. These informational materials are not intended, and should not be taken, as legal advice on any particular set of facts or circumstances. You should contact an attorney for advice on specific legal problems.

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[1] https://www.sec.gov/news/press/2003-96.htm
[2] *Id.*
[3] *Id.*
[4] SEC Staff Legal Bulletin No. 17, available at https://www.sec.gov/tm/staff-legal-bulletin-17-remote-office-supervision.
[5] *Id.* at n.10.
[6] SEC Staff Legal Bulletin No. 17, available at https://www.sec.gov/tm/staff-legal-bulletin-17-remote-office-supervision.
[7] *Id.*
[8] NASD Notice to Members 04-71 at 826.
[9] *Id.*
[10] NASD Notice to Members 04-71 at 824.
[11] FINRA Rule 3110(c)(1).
[12] FINRA Rule 3110(f)(1); FINRA Rule 3110(c)(1)(A).
[13] FINRA Rule 3110(c)(1)(A).
[14] FINRA Rule 3110(f)(2)(A).
[15] FINRA Rule 3110(c)(1)(B).
[16] FINRA Rule 3110(f)(2)(A)(ii).
[17] FINRA Rule 3110(f)(2)(A)(iii).
[18] FINRA Rule 3110(f)(2)(B).
[19] FINRA Rule 3110(c)(1)(C); 87 Fed. Reg. 50144 at 50146 (Aug. 15, 2022).
[20] FINRA Rule 3110(c)(2).
[21] FINRA Rule 3110(c)(3).
[22] FINRA Rule 3110.17(a).
[23] FINRA Rule 3110.17(b).
[24] FINRA Rule 3110.17(c).
[25] FINRA Rule 3110.17(d).
[26] FINRA Regulatory Notice 20-42 at 6.
[27] FINRA Regulatory Notice 21-44 at 10.
[28] 87 Fed. Reg. 50144 (Aug. 15, 2022).
[29] *Id.* at 50153.
[30] *Id.* at 50145, 50148.
[31] *Id.* at 50148-50150.
[32] *Id.* at 501149.
[33] 87 Fed. Reg. 78737 at 78738 (Dec. 22, 2022).
[34] 87 Fed. Reg. 50144, 50149 (Aug. 15, 2022).
[35] 87 Fed. Reg. 78737 at 78738-78739 (Dec. 22, 2022).
[36] 87 Fed. Reg. 50144 at 50149 (Aug. 15, 2022).
[37] 87 Fed. Reg. 78737 at 78739 (Dec. 22, 2022).
[38] *Id.*
[39] 87 Fed. Reg. 50144, 50150 (Aug. 15, 2022).
[40] 87 Fed. Reg. 78737 at 78738-78739 (Dec. 22, 2022).
[41] 87 Fed. Reg. 50144 at 50151 (Aug. 15, 2022).
[42] *Id.* at 50148.
[43] *Id.* at 50151.
[44] *Id.* at 50151–52. NASAA, PIABA, and two other commenters expressed investor protection concerns with this proposal. However, FINRA noted that office inspections are only one part of a reasonably designed supervisory system and that firms should continuously monitor their offices and locations as part of an effective risk assessment process for inspections. FINRA also emphasized that the pilot is not intended to signal an abandonment of on-site inspections, but is rather "another way, subject to specified controls . . . for firms to meet their inspection obligation," further noting that certain risk assessment factors could cause a firm to conduct an on-site unannounced inspection. *See* December 15, 2022 FINRA Response to Comments at 3, 15-17.
[45] Rule 3110(a)(3); Rule 3110(c)(1)(A).
[46] 87 Fed. Reg. 66767 at 66768 (Nov. 4, 2022).
[47] 87 Fed. Reg. 47248 at 47249 (Aug. 2, 2022).
[48] *Id.*
[49] *Id.* at 47258.
[50] *Id.* at 47254.
[51] *Id.* at 47255.
[52] *Id.* at 47255-47256. NASAA and PIABA also expressed investor protection concerns with this proposal. However, FINRA stated that "the proposed limitations on which locations would qualify to be designated as an RSL provide important safeguards to allow the frequency of inspections potentially to be reduced for only for lower risk locations." *See* Oct. 31, 2022 FINRA Response to Comments at 4.

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2023 OCC Bank Supervision Operating Plan – *https://www.occ.gov/news-issuances/news-releases/2022/nr-occ-2022-124.html*

2023 SEC Strategic Plan 2022-2026 – *https://www.sec.gov/files/sec_strategic_plan_fy22-fy26.pdf*

2023 FINRA Examination and Risk Monitoring Program Report – *https://www.finra.org/rules-guidance/guidance/reports/2023-finras-examination-and-risk-monitoring-program*

NEW

2023 SEC Examination Priorities – ***https://www.sec.gov/files/2023-exam-priorities.pdf***

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Banks authority to require more specific terms and conditions; and (ii) provides that the terms of service must include a requirement for a FedNow participant that is the beneficiary's bank to make funds available to the beneficiary immediately after it has accepted the payment order over FedNow.

BSA / AML

FinCEN Shares Updates From the Financial Action Task Force

On March 9, 2023, FinCEN issued a press release informing U.S. financial institutions that the Financial Action Task Force (FATF) suspended the FATF membership of the Russian Federation. In the statement, FATF noted that "the Russian Federation's actions unacceptably run counter to the FATF core principles aiming to promote security, safety, and the integrity of the global financial system." FATF also encouraged jurisdictions to remain vigilant with regard to threats to the international financial system arising from the Russian Federation's war against Ukraine. Although many members of the international community have implemented measures to protect the global financial system, FATF warned that countries should be aware of efforts to circumvent these measures.

In the same press release, FinCEN noted that FATF updated its list of countries with anti-money laundering and counter-financing of terrorism (AML/CFT) deficiencies. FinCEN reminded U.S. financial institutions that, in reviewing their obligations and risk-based policies and procedures, they should consider FATF's stance toward these jurisdictions. In this most recent update to its list of Jurisdictions under Increased Monitoring, on February 24, 2023, FATF removed Cambodia and Morocco and added South Africa and Nigeria to the list. FATF's list of High-Risk Jurisdictions Subject to a Call for Action remains the same, with Iran and the Democratic People's Republic of Korea still subject to FATF counter-measures. Burma remains on the list of High-Risk Jurisdictions Subject to a Call for Action, but remains subject only to enhanced due diligence, not countermeasures.

FinCEN Identifies Virtual Currency Exchange Bitzlato as a "Primary Money Laundering Concern" in Connection with Russian Illicit Finance

On January 18, 2023, FinCEN issued its first order under Section 9714(a) of the Combating Russian Money Laundering Act, identifying the virtual currency exchange Bitzlato Limited ("Bitzlato") as a "primary money laundering concern" in connection with Russian illicit finance. Under the order, covered financial institutions are prohibited from engaging in the transmittal of funds to or from Bitzlato, or to or from any account or convertible virtual currency (CVC) address administered by or on behalf of Bitzlato. The order was effective on February 1, 2023.

According to FinCEN, Bitzlato plays a critical role in laundering CVC by facilitating illicit transactions for ransomware actors in Russia. The company has significant operations in, and connected to, Russia and Russian illicit finance. This includes facilitating deposits and fund transfers by Russia-affiliated ransomware groups and transactions with Russia-affiliated darknet marketplaces. FinCEN found that these connections included transactions involving the darknet market Hydra, which closed due to U.S. sanctions and law enforcement actions, and Conti, a ransomware group.

FinCEN's investigation determined that Bitzlato fails to effectively implement policies and procedures to combat money laundering and illicit finance, and, moreover, the company has advertised the lack of such policies and procedures. It is unsurprising therefore that Bitzlato facilitates a much higher amount of money laundering activity related to Russian illicit finance than other virtual currency exchanges.

FinCEN noted that the majority of ransomware incidents reported to FinCEN in the second half of 2021 were conducted by Russia-related ransomware variants, which suggests a much larger criminal Russian ecosystem. The order emphasizes that business operations facilitating and supporting Russian illicit finance pose a serious threat to U.S. national security and that the U.S. Department of the Treasury ("Treasury") will use its available tools to target such business operations. In its press release, FinCEN emphasized Treasury's "global leadership in combating the abuse of digital assets" and references Treasury's most recent strategic plan, in which the department commits to increasing transparency in the financial system.

FinCEN Alert on Potential U.S. Commercial Real Estate Investments by Sanctioned Russian Elites, Oligarchs, and Their Proxies

On January 25, 2023, FinCEN issued an alert to financial institutions on potential investments in the U.S. commercial real estate (CRE) sector by sanctioned Russian elites and oligarchs and their family members and shell entities. FinCEN warns that commercial real estate transactions routinely involve highly complex financing methods and opaque ownership structures, offering a convenient conduit for hiding illicit funds, and may be used particularly for sanctions evasion. In addition, the relative stability of the U.S. CRE market and high value of CRE properties offer the opportunity to store large amounts of wealth and generate a steady income.

FinCEN reminds financial institutions of their Bank Secrecy Act (BSA) reporting obligations and, in some cases, customer due

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diligence obligations. The alert provides guidance on identifying potential red flags and typologies relating to attempted sanctions evasion in the CRE sector. They were derived from FinCEN's analysis of BSA data, open-source reporting, and information from FinCEN's law enforcement partners.

The alert notes four specific typologies, while cautioning that they do not constitute an exhaustive list. They include the use of: (1) pooled investment vehicles; (2) shell companies and trusts; (3) third parties, such as relatives, friends, or business associates; and (4) inconspicuous CRE investments that provide stable returns without gathering public attention. FinCEN also lists red flags. They include declining to provide beneficial ownership information, the involvement of multiple entities with only slight variations in name, and the ownership of CRE through legal entities in multiple jurisdictions without a clear business purpose.

FinCEN Alert on Nationwide Surge in Mail Theft Related Check Fraud Schemes Targeting the U.S. Mail

On February 27, 2023, FinCEN issued an alert to financial institutions highlighting a nationwide surge in check fraud schemes targeting U.S. mail. Typically, a fraudster will steal a check from the mail and then alter or "wash" the check to replace the payee information with their fake identities or business accounts within their control. They will also often increase the dollar amount on the check. Once the washed check is deposited, the bad actor will attempt to withdraw the funds quickly to complete the fraud and hide the illegal gains. Combating fraud is one of FinCEN's AML/CFT National Priorities, as fraud is the largest source of illicit proceeds in the United States. In the alert, FinCEN provides red flags that the agency has identified in coordination with the U.S. Postal Inspection Service to help financial institutions detect, prevent, and report suspicious activity connected to mail theft related check fraud.

Red flags in the alert include: (1) an uncharacteristically large withdrawal from a customer's account via a check to a new payee; (2) a customer complaint about a check being stolen from the mail and then deposited into an unknown account; (3) a customer complaint that a mailed check was never received by the intended recipient; (4) uncharacteristically sudden and abnormal deposit of checks, often electronically, followed by rapid withdrawals or transfers of funds; and (5) a new customer opens an account that is seemingly used only for the deposit of checks followed by frequent withdrawals or transfers of funds.

OFAC

OFAC Settles with Godfrey Phillips India Limited for Apparent Violations of U.S. Sanctions Against North Korea

On March 1, 2023, OFAC settled with India-based tobacco manufacturer Godfrey Phillips India Limited (GPI) for $332,500 after it received five U.S. dollar-denominated payments in 2017 in exchange for indirectly exporting tobacco to North Korea. Specifically, with knowledge of the tobacco's final destination, GPI shipped approximately 174,600 pounds of tobacco to Dalian, China, which was then shipped to North Korea by a Thai intermediary acting on behalf of a North Korean customer. Four Hong Kong-organized intermediaries sent GPI U.S. dollar-denominated payments to accounts at a non-U.S. bank in India and the India-based branch of a U.S. bank. Because GPI acted through intermediaries, the banks involved did not detect a connection to North Korea. OFAC determined that GPI allegedly caused the U.S. correspondent banks and the India-based branch of the U.S. bank that processed the U.S. dollar payments to violate U.S. sanctions by exporting U.S. financial services or otherwise facilitating exports to North Korea.

This enforcement action emphasizes that non-U.S. parties engaged in U.S. dollar-denominated transactions involving sanctioned parties or jurisdictions may violate U.S. sanctions, and non-U.S. parties are encouraged to adopt risk-based sanctions compliance programs that adequately address these risks. For U.S. sanctions targeting North Korea in particular, this enforcement action also highlights the prevalence of non-sanctioned intermediaries facilitating prohibited transactions.

OFAC Announces Expansive Sanctions on First Anniversary of Russia's Invasion of Ukraine

On February 24, 2023—the one-year anniversary of Russia's invasion of Ukraine—OFAC issued sanctions against 22 individuals and 83 entities, including numerous Russian banks and wealth management related entities, intended to undermine Russia's ongoing war in Ukraine. These far-reaching sanctions target the financial services sector of the Russian economy, Russia's military supply chains, and sanctions evasion networks. Additionally, OFAC issued a sectoral determination pursuant to Executive Order 14024 that authorizes the imposition of sanctions on any person determined to operate or to have operated in the metals and mining sector of the Russian economy. Although OFAC clarified that this determination does not mean that all persons that are operating or that have operated in Russia's metals and mining sector are automatically subject to U.S. sanctions, the determination signals the heightened risks to U.S. and non-U.S. financial institutions of providing financial services to, or processing payments involving, Russian entities linked to Russia's metals and mining sector. These OFAC actions indicate that it will continue to impose sanctions on Russian and non-Russian actors that enable Russia's war in Ukraine, and it will likely continue to do so in a way that aims to further disrupt Russia's access to global financial markets.

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OFAC Publishes Notice of Fraudulent Communications Requesting Payments Involving OFAC

On March 2, 2023, OFAC issued an alert notifying the public about telephone, email, and letter scams in which individuals falsely claiming to represent OFAC demand payments, such as "taxes" or "fees." The scammers assert that the payments are necessary to return the victim's funds or other property, which has allegedly been seized by the agency. For example, scammers have contacted timeshare owners claiming that OFAC has "blocked" tax payments that they have made, and which can only be released after the timeshare owner makes the requested payment. OFAC clarifies in the alert that these payment requests are fraudulent, and that OFAC does not make these kinds of demands from the public. OFAC further cautions the public not to make these payments or provide the scammers with any personal or confidential information and encourages victims of these scams to contact local, state, or federal law enforcement authorities (among other resources).

CFPB

CFPB Issues Information Request for Biennial CARD Act Report

On January 24, 2023, the CFPB issued a Request for Information (the "Credit Card RFI") about the credit card market for its biennial report mandated by the Credit Card Accountability Responsibility and Disclosure Act ("CARD Act"). It includes specific questions concerning, among other things: (i) the terms of credit card agreements and practices of credit card issuers; (ii) the effectiveness of disclosures of term, fees, and other expenses of credit card plans; (iii) the adequacy of protections against unfair, deceptive, or abusive acts or practices relating to credit cards; (iv) the cost and availability of consumer credit cards; (v) the safety and soundness of credit card issuers; (vi) the use of risk-based pricing for consumer credit cards; and (vii) consumer credit card product innovation and competition. Comments are due by April 24, 2023.

The CFPB also issued market-monitoring orders to a variety of credit card issuers. The market-monitoring orders request information about many topics including applications and approvals, debt collection, and digital account servicing.

CFPB Proposes Changes to Credit Card Late Fee Regulations

On February 1, 2023, the CFPB proposed changes to Regulation Z which would significantly reduce the amount of late fees that credit card companies can charge (the "Proposed Rule"). As justification for these changes, the CFPB pointed to the CARD Act's requirement that late fees be "reasonable and proportional" to the costs of handling the late payments. CFPB Director Rohit Chopra further indicated that the Proposed Rule is part of a larger effort targeting "junk fees" and competition. Currently, Regulation Z provides a safe harbor that allows credit card companies to charge up to $30 for the first late payment and up to $41 for subsequent late payments, adjusted annually for inflation. However, the Proposed Rule would lower the safe harbor amount to $8 and prohibit late fees that exceed 25% of a customer's required minimum payment. The Proposed Rule would also end automatic annual inflation adjustments for maximum late fee amounts. Comments are due within 30 days of the Proposed Rule's publication in the *Federal Register*.

CFPB Releases Supervisory Highlights Focusing on Junk Fees

On March 8, 2023, the CFPB released a special edition of its Supervisory Highlights discussing junk fees in deposit accounts and loan servicing markets as part of its ongoing investigation of junk fees. The CFPB examiners' findings included surprise overdraft fees, inflated estimated auto repossession fees, excessive payment processor fees, and excessive late fees on mortgages and auto loans.

CFPB Seeks Information on Data Brokers

On March 15, 2023, the CFPB issued an RFI on data brokers and their business practices (the "Data Brokers RFI"). The Data Brokers RFI seeks a variety of information about data brokers, including information about their business models, the kinds of information they collect, and any potential harm their practices impose on people. The CFPB indicated that its goal was to better understand how data brokers' practices have changed since the enactment of the Fair Credit Reporting Act (among other things). The CFPB will use information gathered from the Data Brokers RFI to inform how it administers the FCRA and to evaluate potential rulemaking. Comments are due by June 13, 2023. ■

**Olivia S. Chap, Jordan Hare, Nate Kurcab, Malka Levitin, and Rebecca K. Tesfaye contributed to this column.*

Watch For

CFTC

CFTC Press Release 8676-23 (March 15, 2023) – The CFTC unanimously approved a proposed rule to codify the no-action position in CFTC Staff Letter No. 19-17 regarding the treatment of separate accounts of a single customer by futures commission merchants that are clearing members of derivatives clearing organizations. The letter included a Division of Clearing and Risk staff no-action position that states a DCO may permit an FCM clearing member to treat the separate accounts of a customer as accounts of separate entities for purposes of CFTC Regulation 39.13(g)(8)(iii), where the clearing member's internal controls and procedures require it to, and it in fact does comply with certain conditions. This regulation requires DCOs to ensure their clearing members do not allow customers to withdraw funds from their accounts if such withdrawal would create or exacerbate an initial margin shortfall, and the no-action conditions are designed to allow DCOs and their clearing members to continue to be able to effectively mitigate such risk. The proposed rule would codify the no-action position regarding that regulation by adding new CFTC Regulation 39.13(j). The proposed rule would modify certain of the no-action conditions, including by adding (i) reporting requirements for clearing members that are required to cease separate account treatment; (ii) an explicit process for clearing members to resume separate account treatment; and (iii) provisions designed to further clarify the no-action condition that separate accounts be on a one-business day margin call. The comment period will be open for 60 days after publication in the *Federal Register*.

CFTC Press Release 8673-23 (March 10, 2023) – CFTC staff announced the publication of modifications to Version 3.1 of the CFTC Technical Specification, issued in August 2022. The Technical Specification provides detailed instructions for swap data reporting and public dissemination requirements under Parts 43 and 45 of CFTC regulations. The Technical Specification includes the definitions, formats, and allowable values for data elements that are to be reported to swap data repositories. Staff is publishing modifications to the Technical Specification related to the CFTC's issuance of an order designating a unique product identifier and product classification system to be used in swap recordkeeping and reporting. [See CFTC Press Release Number No. 8659-23] The modifications in Version 3.2 of the CFTC Technical Specification are: Implement UPI for credit, equity, foreign exchange, and interest rate asset classes to continue aligning reporting requirements with international standards developed by the CFTC and other global regulators; and Provide clarity to market participants with respect to compliance obligations.

CFTC Press Release 8659-23 (February 16, 2023) – The CFTC issued an order to designate a unique product identifier and product classification system to be used in swap recordkeeping and reporting. The Commission has determined the unique product identifiers (UPIs) the Derivatives Service Bureau Limited (DSB) issues for swaps in the credit, equity, foreign exchange, and interest rate asset classes comply with the Commission's requirements for a UPI and product classification system. In the order, the Commission sets January 29, 2024 as the compliance date for registered entities and swap counterparties to use the DSB UPIs for swaps in the credit, equity, foreign exchange, and interest rate asset classes to comply with certain Commission swap recordkeeping and reporting requirements. The Commission expects the use of UPIs will increase transparency in the swaps market and assist in the real-time public reporting of swap transaction and pricing data. Commission staff will publish UPI-related modifications to Parts 43 and 45 Technical Specification in the near future on the Commission's website.

CFTC Press Release 8651-23 (February 2, 2023) – The CFTC's Market Participants Division announced it has issued a time-limited no-action letter replacing CFTC Staff Letter No. 13-70, regarding certain duties imposed on swap dealers (SDs) and major swap participants (MSPs). The letter addresses the CFTC's Business Conduct Standards with Counterparties and certain documentation requirements imposed on SDs and MSPs as stated in CFTC Regulation 23.504 for swaps that are intended to be submitted to clearing contemporaneously with execution (ITBC Swaps). Subject to certain conditions, the letter expands the scope of swaps covered to all ITBC Swaps of a type accepted for clearing by a registered or exempt derivatives clearing organization on the date of execution and ITBC Swaps that are executed on or pursuant to the rules of an exempt swap execution facility. The letter also makes other changes to the no-action positions in Letter 13-70. The letter was issued in response to a request received from the International Swaps and Derivatives Association on behalf of its respective SD members. The no-action positions in the letter will expire on December 31, 2025.

CFTC Press Release 8650-23 (January 25, 2023) – The CFTC unanimously approved a final rule to make non-substantive technical corrections to the CFTC's regulations for swap dealers and major swap participants in Part 23. These technical corrections conform Part 23 to the amendments the Commission approved in September 2020 for Part 45 of the CFTC's regulations. [See CFTC Press Release No. 8247-20] The corrections also address other minor errors in Part 23. The rule is effective 30 days after publication in the *Federal Register*.

Federal Reserve Board

Federal Reserve Press Release (February 9, 2023) – The Federal Reserve Board released the hypothetical scenarios for its annual stress test. This year, 23 banks will be tested against a severe global recession with heightened stress in both commercial and residential real estate markets, as well as in corporate debt markets.

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FINRA

FINRA Regulatory Notice 23-06 (March 28, 2023) – To bring attention to a rising trend in the fraudulent transfer of customer accounts through the Automated Customer Account Transfer Service, FINRA issued *Regulatory Notice* 22-21, which alerted member firms about how bad actors effect fraudulent transfers of customer assets using ACATS (referred to as ACATS fraud). That *Notice* listed several existing regulatory obligations that may apply in connection with ACATS fraud and provided contact information for reporting the fraud. FINRA's regulatory programs—through examinations and investigations, review of customer complaints and member firm engagement—have identified increased instances of ACATS fraud. Through recent industry engagement, FINRA has gained further insights from member firms and other industry representatives about their approaches to detect and mitigate the risk of ACATS fraud. This *Notice* provides an overview of some indicators of ACATS fraud and the practices some firms apply to address it. This *Notice* does not create new legal or regulatory requirements or new interpretations of existing requirements, nor does it relieve firms of any existing obligations under federal securities laws and regulations. Member firms may consider the information in this *Notice* in developing new, or modifying existing, practices that are reasonably designed to achieve compliance with relevant regulatory obligations.

FINRA News Release (March 15, 2023) – FINRA's Board of Directors approved a rule proposal to amend FINRA rules to conform to the SEC's rule changes to shorten the securities settlement cycle to T+1 and discussed a variety of regulatory topics and technology initiatives.

FINRA Information Notice (March 15, 2023) – FINRA has amended Rule 1240.01 (Eligibility of Other Persons to Participate in the Continuing Education Program Specified in Paragraph (c) of the Rule) to provide eligible individuals another opportunity to participate in the Maintaining Qualifications Program (MQP). This new enrollment period begins March 15, 2023, and will end on December 31, 2023.

Joint Press Release

Joint Release (February 23, 2023) – Federal bank regulatory agencies issued a joint statement highlighting liquidity risks to banking organizations associated with certain sources of funding from crypto–asset–related entities and some effective practices to manage those risks. Recent events in the crypto–asset sector have underscored the potential heightened liquidity risks presented by certain sources of funding from crypto–asset–related entities. The joint statement highlights key liquidity risks and some effective practices to monitor and appropriately manage those risks. The statement reminds banking organizations to apply existing risk management principles; it does not create new risk management principles. Banking organizations are neither prohibited nor discouraged from providing banking services to customers of any specific class or type, as permitted by law or regulation.

MSRB

May 28, 2023 – The Municipal Securities Rulemaking Board filed proposed rule amendments with the Securities and Exchange Commission to MSRB Rules G-12, on Uniform Practice, and G-15, on Confirmation, Clearance, Settlement and Other Uniform Practice Requirements with Respect to Transactions with Customers, to shorten the settlement cycle from the current trade date plus two days (T+2) to trade date plus one day (T+1). The proposed amendments would align with recent SEC amendments to shorten the regular-way settlement cycle to T+1 for equities and corporate bonds. The MSRB has proposed an implementation date of May 28, 2024, which would align with the implementation date of the SEC's amendments.

MSRB Press Release (February 16, 2023) – The MSRB issued a Request for Comment on draft amendments to its rules regarding time of trade disclosure and sophisticated municipal market professionals to assess whether the rules are meeting their intended investor protection objectives and to assist brokers, dealers and municipal securities dealers in understanding and complying with MSRB rules relating to information that must be disclosed to an investor at or prior to the time of trade. Comments should be submitted no later than April 17, 2023.

OCC

OCC News Release 2023-14 (February 9, 2023) – The OCC released economic and financial market scenarios for use in the upcoming stress tests for covered institutions. Covered institutions are required to use the scenarios to conduct stress tests. The results of the company-run stress tests provide the OCC with forward-looking information used in bank supervision and assist the agency in assessing a covered institution's risk profile and capital adequacy. The 2023 scenario and background information can be found on the OCC's stress testing website.

OCC News Release 2023-10 (January 23, 2023) – The OCC is soliciting academic research papers on emerging risks in the banking system or related policy and supervisory issues for submission by March 3, 2023. Interested parties are invited to submit papers to EconomicsSymposium@occ.treas.gov. Submitted papers must represent original and unpublished research. Those interested in acting as a discussant may express their interest in doing so in their submission email. Additional information about submitting a paper or research, and partici-

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pating in the June meeting as a discussant, is available below and on the OCC's website.

Janury 31, 2023 – The MSRB filed two proposed rule changes with the SEC relating to municipal advisory activities. The first proposed rule change seeks to amend MSRB Rule G-40 on advertising by municipal advisors to permit them to use testimonials in advertisements, subject to certain conditions. In addition, the proposed rule change would amend a municipal advisor's recordkeeping obligations under MSRB Rule G-8 to specify the obligation for municipal advisors to keep records relating to the supervision of advertisements and, as applicable, records of any payment for a testimonial. The second proposed rule change seeks the adoption of a new rule, MSRB Rule G-46, on duties of solicitor municipal advisors. This new rule would establish the core standards of conduct and duties of solicitor municipal advisors and codify certain previous MSRB statements pertaining to the application of MSRB rules to solicitor municipal advisors. In addition, the proposed rule change would amend MSRB Rule G-8 to require solicitor municipal advisors to make and keep certain records relating to their solicitation activities. The proposed rule changes are both designed, in part, to harmonize with certain aspects of the SEC's marketing rule for investment advisers, SEC Rule 206(4)-1.

SEC

SEC Press Release 2023-58 (March 22, 2023) – The SEC proposed amendments designed to modernize its information collection and analysis methods by, among other things, proposing that a number of filings be submitted to the Commission electronically on EDGAR using structured data where appropriate. Under current rules, registrants are required to file or otherwise submit many Exchange Act forms, filings, or other submissions in paper form. During the COVID-19 pandemic, many submissions were made in electronic rather than paper form. As part of its efforts to modernize the methods by which it collects and analyzes information from registrants, the proposed amendments would require registrants to make these submissions to the Commission electronically. Specifically, the proposed amendments would require the electronic filing, submission, or posting of certain forms, filings, and other submissions that national securities exchanges, national securities associations, clearing agencies, broker-dealers, security-based swap dealers, and major security-based swap participants make with the Commission. The proposed amendments would also make certain amendments regarding the Financial and Operational Combined Uniform Single ("FOCUS") Report to harmonize it with other rules, make technical corrections, and provide clarifications. In addition, the proposed amendments would require withdrawal of notices filed in connection with an exception to counting certain dealing transactions toward determining whether a person is a security-based swap dealer in specified circumstances. The public comment period will remain open for 30 days after publication in the *Federal Register* or until May 22, 2023, whichever is later.

SEC Press Release 2023-56 (March 20, 2023) – The SEC's Office of Municipal Securities announced that it updated its Registration of Municipal Advisors Frequently Asked Questions webpage to add a section, entitled Completion of Form MA, Form MA-I, and Form MA-NR, which provides additional staff guidance on the required information and timelines regarding: Form MA, for an application for municipal advisor registration, annual update of municipal advisor registration, and an amendment of a prior application for registration; Form MA-I, for information regarding natural persons who engage in municipal advisor activities; and Form MA-NR, for designation of U.S. agent for service of process for non-residents. State and local governments frequently use advisors to help them decide how and when to issue municipal securities and how to invest proceeds from the sale of such securities. The 2010 Dodd-Frank Act required these advisors to register with the SEC like other market intermediaries. On September 20, 2013, the Commission adopted final rules for municipal advisor registration and municipal advisor registration forms, including Form-MA, Form MA-I, and Form MA-NR.

SEC Press Release 2023-54 (March 15, 2023) – The SEC reopened the comment period on proposed rules and amendments related to cybersecurity risk management and cybersecurity-related disclosure for registered investment advisers, registered investment companies, and business development companies that were proposed by the Commission on February 9, 2022. The initial comment period ended on April 11, 2022. The reopened comment period will allow interested persons additional time to analyze the issues and prepare comments in light of other regulatory developments, including whether there would be any effects of other Commission proposals related to cybersecurity risk management and disclosure that the Commission should consider. The comment period will remain open until 60 days after the date of publication of the reopening release in the *Federal Register*.

SEC Press Release 2023-53 (March 15, 2023) – The SEC proposed amendments to expand and update Regulation Systems Compliance and Integrity (SCI), the set of rules adopted in 2014 to help address technological vulnerabilities in the U.S. securities markets and improve Commission oversight of the core technology of key U.S. securities markets entities (SCI entities). To reflect technological developments in the markets, the proposed amendments would expand the scope of SCI entities to include registered security-based swap data repositories; all clearing agencies that are exempt from registration; and certain large broker-dealers, in particular, those that exceed a total assets threshold or a transaction activity threshold in national market system stocks, exchange-listed options con-

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tracts, US Treasury securities, or Agency securities. The proposed amendments would also strengthen the requirements Regulation SCI imposes on SCI entities, including by requiring that an SCI entity's policies and procedures include the maintenance of a written inventory and classification of all SCI systems and a program for life cycle management; a program to prevent the unauthorized access to such systems and information therein; and a program to manage and oversee certain third-party providers, including cloud service providers, of covered systems. The proposed amendments would also expand the types of SCI events experienced by an SCI entity that would trigger immediate notification to the Commission, update the rule's annual SCI review and business continuity and disaster recovery testing requirements, and update certain of the regulation's recordkeeping provisions. The proposing release will be published in the *Federal Register*. The public comment period will remain open until 60 days after the date of publication of the proposing release in the *Federal Register*.

SEC Press Release 2023-52 (March 15, 2023) – The SEC proposed requirements for broker-dealers, clearing agencies, major security-based swap participants, the Municipal Securities Rulemaking Board, national securities associations, national securities exchanges, security-based swap data repositories, security-based swap dealers, and transfer agents (collectively, "Market Entities") to address their cybersecurity risks. The proposal would require all Market Entities to implement policies and procedures that are reasonably designed to address their cybersecurity risks and, at least annually, review and assess the design and effectiveness of their cybersecurity policies and procedures, including whether they reflect changes in cybersecurity risk over the time period covered by the review. The proposal — through new notification requirements applicable to all Market Entities and additional reporting requirements applicable to Market Entities other than certain types of small broker-dealers (collectively, "Covered Entities") — would improve the Commission's ability to obtain information about significant cybersecurity incidents affecting these entities. Further, new public disclosure requirements for Covered Entities would improve transparency about the cybersecurity risks that can cause adverse impacts to the U.S. securities markets. The proposing release will be published in the *Federal Register*. The public comment period will remain open until 60 days after the date of publication of the proposing release in the *Federal Register*.

SEC Press Release 2023-51 (March15, 2023) – The SEC proposed amendments to Regulation S-P that would enhance the protection of customer information by, among other things, requiring broker-dealers, investment companies, registered investment advisers, and transfer agents to provide notice to individuals affected by certain types of data breaches that may put them at risk of identity theft or other harm. Regulation S-P currently requires broker-dealers, investment companies, and registered investment advisers to adopt written policies and procedures for the protection of customer records and information ("safeguards rule"). Regulation S-P also requires the proper disposal of consumer report information ("disposal rule"). The proposal, if adopted, would update the rule's requirements to address the expanded use of technology and corresponding risks since the Commission originally adopted Regulation S-P in 2000. The Commission's proposal would require broker-dealers, investment companies, registered investment advisers, and transfer agents (collectively, "covered institutions") to adopt written policies and procedures for an incident response program to address unauthorized access to or use of customer information. The proposed amendments would also require, with certain limited exceptions, covered institutions to provide notice to individuals whose sensitive customer information was or is reasonably likely to have been accessed or used without authorization. The proposal would require a covered institution to provide this notice as soon as practicable, but not later than 30 days after the covered institution becomes aware that an incident involving unauthorized access to or use of customer information has occurred or is reasonably likely to have occurred. The proposed amendments would also make a number of additional changes to Regulation S-P. The proposing release will be published in the *Federal Register*. The public comment period will remain open until 60 days after the date of publication of the proposing release in the *Federal Register*.

SEC Press Release 2023-29 (February 15, 2023) – The SEC adopted rule changes to shorten the standard settlement cycle for most broker-dealer transactions in securities from two business days after the trade date (T+2) to one (T+1). The final rule is designed to benefit investors and reduce the credit, market, and liquidity risks in securities transactions faced by market participants. In addition to shortening the standard settlement cycle, the final rules will improve the processing of institutional trades. Specifically, the final rules will require a broker-dealer to either enter into written agreements or establish, maintain, and enforce written policies and procedures reasonably designed to ensure the completion of allocations, confirmations, and affirmations as soon as technologically practicable and no later than the end of trade date. The final rules also require registered investment advisers to make and keep records of the allocations, confirmations, and affirmations for certain securities transactions. Further, the final rules add a new requirement to facilitate straight-through processing, which applies to certain types of clearing agencies that provide central matching services. The final rules will require central matching service providers to establish, implement, maintain, and enforce new policies and procedures reasonably designed to facilitate straight-through processing and require them to submit an annual report to the Commission that describes and quantifies progress with respect to straight-through processing. The adopting release is published on SEC.gov and will be published in the *Federal Register*. The final rules will become effective

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Watch For

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60 days after publication in the *Federal Register*. The compliance date for the final rules is May 28, 2024.

SEC Press Release 2023-24 (February 7, 2023) – The SEC's Division of Examinations announced its 2023 examination priorities. The Division publishes its examination priorities annually to provide insights into its risk-based approach, including the areas it believes present potential risks to investors and the integrity of the U.S. capital markets. The following are a selection of the Division's 2023 priorities: **New Investment Adviser and Investment Company Rules; RIAs to Private Funds; Retail Investors and Working Families; Environmental, Social, and Governance (ESG); Information Security and Operational Resiliency; and Emerging Technologies and Crypto-Assets**. The published priorities are not exhaustive of the focus areas of the Division in its examinations, risk alerts, and outreach. The scope of any examination includes analysis of an entity's history, operations, services, products offered, and other risk factors. The collaborative effort to formulate the annual examination priorities starts with feedback from examination staff who are uniquely positioned to identify the practices, products, services, and other factors that may pose risk to investors or the financial markets. The Division also gathers input and advice from the Chair and other Commissioners, staff from other SEC divisions and offices, other federal financial regulators, investors, and industry groups.

SEC Press Release 2023-21 (February 2, 2023) – The SEC published a staff report that provides a summary of the staff's examinations of nationally recognized statistical rating organizations and discusses the state of competition, transparency, and conflicts of interest among NRSROs. As described in the report, the staff's NRSRO examinations during 2022 considered a number of factors, including: Rating surveillance practices; The impact of COVID-19 on commercial real estate credit ratings; Whether business communications are conducted through unauthorized means; Securities ownership by NRSRO employees; The effect on credit ratings from the marketing and development of stand-alone ESG products; and Ratings of firms based in China.

SEC Press Release 2023-17 (January 25, 2023) – The SEC proposed a rule to implement Section 27B of the Securities Act of 1933, a provision added by Section 621 of the Dodd-Frank Act. The rule is intended to prevent the sale of asset-backed securities that are tainted by material conflicts of interest. Specifically, the rule would prohibit securitization participants from engaging in certain transactions that could incentivize a securitization participant to structure an ABS in a way that would put the securitization participant's interests ahead of those of ABS investors. The Commission originally proposed a rule to implement Section 27B in September 2011. If adopted, new Securities Act Rule 192 would prohibit an underwriter, placement agent, initial purchaser, or sponsor of an ABS, including affiliates or subsidiaries of those entities, from engaging, directly or indirectly, in any transaction that would involve or result in any material conflict of interest between the securitization participant and an investor in such ABS. Under the proposed rule, such transactions would be "conflicted transactions." They include, for example, a short sale of the ABS or the purchase of a credit default swap or other credit derivative that entitles the securitization participant to receive payments upon the occurrence of specified credit events in respect of the ABS. The prohibition on conflicted transactions would commence on the date on which a person has reached, or has taken substantial steps to reach, an agreement that such person will become a securitization participant with respect to an ABS, and it would end one year after the date of the first closing of the sale of the relevant ABS. The proposed rule would provide certain exceptions for risk-mitigating hedging activities, bona fide market-making activities, and certain commitments by a securitization participant to provide liquidity for the relevant ABS. The proposed exceptions would focus on distinguishing the characteristics of such activities from speculative trading. The proposed exceptions would also seek to avoid disrupting current liquidity commitment, market-making, and balance sheet management activities. The public comment period will remain open for 60 days following publication of the proposing release on the SEC's website or 30 days following publication of the proposing release in the *Federal Register*, whichever period is longer.

Available Publication

MSRB Press Release (March 1, 2023) – The MSRB published its annual *Fact Book*, the definitive compilation of the most recent five years of statistics on municipal market trading, interest rate resets and disclosures. The data in the 2022 *Fact Book* can be further analyzed to identify market trends. ■

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Who's News

Asher Ailey joined Summit Rock Advisors in late 2021 as General Counsel and Chief Compliance Officer. Previously, Asher was Chief Administrative Officer and General Counsel at Research Affiliates.

Kristen Baldwin has been named Chief Information Officer at the OCC, effective February 26, 2023. As CIO, Ms. Baldwin will lead all OCC information technology programs.

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Program Update

2023 Securities Compliance Seminar

*** *Last chance to register!* ***

Registrations are still being accepted for FMA's Securities Compliance Seminar taking place **May 3-5 at the GALLERYone, a DoubleTree Suites by Hilton**. This annual program is a 3-day educational and networking experience for securities compliance professionals, internal auditors, risk managers, attorneys, regulators and service providers.

The Planning Committee has been hard at work developing varied agenda topics and inviting noted industry leaders and regulators as speakers. Members include: **Carlos Arias** (*U.S. Bancorp Investments*); **James Connors** (*Wells Fargo Audit*); **Michael Gilliland** (*MassMutual*); **Ernesto Lanza** (*Ballard Spahr LLP*); **Kimberly Prior** (*Winston & Strawn LLP*); **Bill Reilly** (*Oyster Consulting, LLC*); and **Susan Terenzio** (*Renaissance Regulatory Services*).

The current agenda (which can be viewed/downloaded at ***www.fmaweb.org***) includes these sessions and confirmed speakers:

Key 2023 (and Beyond) Legislative and Regulatory Initiatives x

Moderator & Speaker: **Scott Diamond | Ballard Spahr LLP**

- **Eric Bustillo** — **SEC, Miami Regional Office**
- **Conway Dodge** — **Promontory Financial Group, a Business Unit of IBM Consulting**
- **Michael Parrish** — **SMBC Nikko Securities America**

The Future of Digital Assets

Moderator : **Kimberly Prior | Winston & Strawn LLP**

- **David Brill** — **Voyager**
- **Jessica de Brignac** — **FTI Consulting**
- **Peter Gaffney** — **Security Token Advisors**
- **Adrian Gonzalez** — **SEC, Miami Regional Office**

Audit Hot Topics

Moderator : **James Connors | Wells Fargo Audit**

- **Jay Simmons** — **Wells Fargo Audit**
- **Additional Speakers to be Announced**

SEC Marketing and Solicitation Rule 206(4)-1

Moderator & Speaker : **Michael Wheatley | Paul Hastings**

- **Gabriel Borthwick** — **Mass Mutual**
- **Jason Gibson** — **Lincoln Financial Network**

2-for-1, first-timer and government/regulatory/SRO registration discounts…plus a special offer for 'locals' (Florida attendees only) are available.

Courtesy of Greater Fort Lauderdale CVB

Reg BI and DOL Rule

Moderator : **Carlos Arias | U.S. Bancorp Investments**

- **Joshua Glood** — **U.S. Bancorp Investments**
- **Jason Minard** — **Wells Fargo**
- **Shawn O'Neill** — **FINRA**
- **Jeffrey Seplak** — **Ameriprise Financial**

New Considerations for Alternative and ESG Investing

Moderator : **Hope Newsome | Virtus LLP**

- **Kathy Boyce** — **CNL Securities**
- **Phil Martin** — **Raymond James**
- **Daniel Newman** — **Nelson Mullins**

Digital Platforms and Digital Engagement

Moderator : **Ernesto Lanza | Ballard Spahr LLP**

- **Norm Ashkenas** — **Robinhood Financial**
- **Tara Tune** — **Charles Schwab**
- **Zachary Zweihorn** — **Davis Polk & Wardwell LLP**

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Program Update

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Compliance Challenges and Strategies for Remote Supervision and Electronic Communications

Moderator & Speaker: **Bill Reilly | Oyster Consulting, LLC**

- **Marc Abramson** — **Financial Services Independent Counsel, PLLC**
- **Nikki Brinkerhoff** — **TradeStation Securities, Inc.**
- **Greta Trotman** — **Shutts & Bowen LLP**

Evolving Market Structure

Moderator : **Ernesto Lanza | Ballard Spahr LLP**

- **Conway Dodge** — **Promontory Financial Group, a Business Unit of IBM Consulting**
- **Racquel Russell** — **FINRA**
- **David Shillman** — **SEC**

Vendor Onboarding and Outsourcing Best Practices

Moderator : **Neil Bloomfield | Moore & Van Allen PLLC**

- **Sarah Friedricks** — **Wells Fargo**
- **Melissa Loner** — **Avantax**
- **Phil Martin** — **Raymond James**
- **Shawn O'Neill** — **FINRA**

Risk Assessments: Development, Implementation and Testing

Moderator : **Bill Reilly | Oyster Consulting, LLC**

- **Shelly Davis** — **FINRA**
- **Trish Flynn** — **PGIM Portfolio Advisory**
- **Rick Slavik** — **Kovack Securities, Inc.**

Elder and Vulnerable Adult Financial Exploitation

Moderator & Speaker: **Louis Dempsey | Renaissance Regulatory Services**

- **Deborah Royster** — **CFPB**
- **Alex Sabo** — **Bressler, Amery & Ross, P.C.**
- **Elizabeth Yoka** — **FINRA**

Regulatory Developments in Cybersecurity

Moderator : **Richard Weber | Winston & Strawn LLP**

- **Bryan Barnhart** — **Infiltration Labs, LLC**
- **S. Marshall Martin** — **Amerant Bank, N.A.**
- **Jorge Rey** — **Kaufman Rossin & Co.**
- **Kevin Rosen** — **Blue Water Advisors LP**

Regulatory Forum

Moderator & Speaker: **Cynthia Friedlander | FINRA**

- **Glenn Gordon** — **SEC, Miami Regional Office**
- **Donald Litteau** — **FINRA**
- **Saliha Olgun** — **MSRB**
- **Amanda Senn** — **Alabama Securities Commission**

Courtesy of Greater Fort Lauderdale CVB

Informal group dinners will take place Wednesday and Thursday evenings. Let Dorcas Pearce know if you'd like to sign up for these casual networking opportunities. Please note the cost is not included in the registration fee…everyone will be on their own.

FMA's room block at the GALLERYone expires **April 11**. After that date, room rates will increase and there's also a good chance the block could sell out well before then.

Click here to make a reservation – **https://www.hilton.com/en/book/reservation/deeplink/?ctyhocn=FLLTSDT&groupCode=CDTFMA&arrivaldate=2023-05-02&departuredate=2023-05-07&cid=OM,WW,HILTONLINK,EN,DirectLink&fromId=HILTONLINKDIRECT** (dedicated weblink; you can also copy/paste this link into your web browser) or use main website – www.galleryone.doubletree.com & enter seminar dates and our group code – FMA. You can also call 800/222-TREE (8733) and ask for the group rate ($205 single/double, water view; $190 single/double, city view) under the code—**FMA COMPLIANCE 2023**. The main hotel # is 954/565-3800.

Once the block is gone, contact Dorcas Pearce. FMA may have a few rooms in reserve at the group rate that will be given out on a first-come, first-served basis.

Register today for this important spring conference – CLE accreditation and multiple registration discounts (2-for-1, 'locals', first-timers and govt/regulatory) are available. Contact Dorcas Pearce at ***dp-fma@starpower.net*** or 919/494-7479 with questions and/or to register.

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Program Update

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FMA gratefully acknowledges these sponsors of FMA's 2023 Securities Compliance Seminar

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FSDA

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Program Update

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2023 Legal and Legislative Issues Conference

FMA's 32nd **Legal and Legislative Issues Conference** is set to take place **November 2-3** at the Washington Marriott Georgetown Hotel in Washington, DC…the same hotel we were at last year. Additional information will appear in future issues of *Market Solutions* and targeted e-blasts.

FMA needs your input! A survey will be emailed in April or May asking for hot topic/best practice ideas and speaker recommendations…you may even choose to volunteer! Please email your thoughts to Dorcas Pearce (***dp-fma@starpower.net***) within 72 hours of receipt.

CLE accreditation (among others) will be available, so be sure to budget for, and plan to attend, FMA's annual Legal and Legislative Issues Conference in November.

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Who's News

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Ryan Billingsley has been appointed Deputy Director of Capital Markets and Accounting Policy and **Lisa D. Arquette** will serve as Deputy Director of Operational Risk, both at the FDIC. Mr. Billingsley succeeds **Bobby R. Bean** who retired at the end of January after serving for more than 30 years in multiple roles in the public and private sector. Ms. Arquette will succeed **Martin D. Henning** who will retire in September after 32 years of service at the FDIC in multiple safety and soundness examination positions.

James Burns has joined Cleary Gottlieb Steen & Hamilton LLP as Partner. Previously, Jamie was a Partner at Willkie Farr & Gallagher LLP.

Cindy Ellis has joined Raymond James as Senior Advisor, Supervision-Trade Review. Previously, Cindy was an Analyst at LPL Financial.

Dionne Fajardo has joined Englander Fischer, LLP as a Partner, Regulatory & Compliance. Previously, Dionne was CCO & General Counsel at Element Pointe Family Office.

Gary Goldsholle has joined Charles Schwab as Managing Director, Legal – Trading, Markets, and Operations. Previously, Gary was General Counsel and Chief Regulatory Officer at Long-Term Stock Exchange.

Jessica Hopper has joined Edward Jones as Head of Regulatory Strategies. Previously, Jessica Hopper was the Head of Enforcement at FINRA.

Tim Keeton has been promoted to Senior Director, Chief Client Marketing Compliance Officer at TIAA.

Christopher Kelly, Senior Vice President and Deputy Head of Enforcement, has been named the Acting Head of Enforcement at FINRA until a new Head of Enforcement is selected.

Melissa Loner has joined Avantax as VP, Chief Compliance Officer. Previously, she was EVP of Advisor Services at Premier Wealth Management.

Jordan Milev has been named Director (Partner) at NERA Economic Consulting.

Kyle Moffatt has been named Professional Practice Group Leader in PwC's national office.

Diane Novak, SVP, Chief Risk Officer/Chief Ethics Officer at HomeStreet Bank, has completed the Executive Risk Management Program at Texas A&M University, Mays Business School.

Inessa Owens has been promoted to Associate General Counsel & Senior Vice President at Bank of America.

Frank Schiavulli has joined SAS as a Principal Customer Success Manager working with banking fraud, risk and AML solution products. Previously, Frank was a Customer Success Executive at CognitiveScale.

James Waltenburg has been named VP – Financial Security Risk Assessment Coordinator – Americas Region at BNP Paribas.

Richard Weber has joined Winston & Strawn LLP as a Partner in their White Collar, Regulatory Defense & Investigations Practice. Previously, Rich was General Counsel of the New York State Department of Financial Services and Chief, Criminal Investigations at the IRS.

Julie L. Williams has joined WilmerHale as Senior Counsel in their Financial Institutions Practice. Previously, Julie was Managing Director at Promontory, a Business Unit of IBM Consulting and, before that, longtime Chief Counsel and First Senior Deputy Comptroller at the Office of the Comptroller of the Currency.