

Putting Investors First

An Overview of FINRA

September 12, 2013



FINRA

- Who we are
- What we do
- Resources you can use
- Questions

Who We Are

- Independent, non-governmental regulator of brokers
- Created under federal law (Maloney Act of 1938)
- Works in partnership with, and is overseen by, SEC
- Mission:
 - Investor protection
 - Market integrity

WE ARE FINRA
We believe in protecting America's 90 million investors. That's our job. Because if people don't trust in the markets, they won't invest in the markets.

We believe in thinking big.
We oversee every brokerage firm and broker doing business with the U.S. public. That's more than 4,200 firms and nearly 650,000 brokers.

We believe in being aggressively vigilant.
If brokers break the rules, we have the power to fine them, suspend them or bar them from the industry.

We believe in independence.
We're not a government agency. We're an independent regulator authorized by Congress to do our job.

We believe in setting standards.
All brokers must pass our qualification exams and satisfy continuing education requirements.

We believe in a boots-on-the-ground approach.
We work in communities across the country.

Our technology is powerful enough to look across markets and detect potential fraud. We monitor **6 billion** shares traded every day.

In 2012, we expelled 30 firms from the industry, suspended 549 brokers and barred 294 brokers from doing business. We also fined firms more than \$68 million, and ordered restitution of **\$34 million** to investors who had been harmed.

Every brokerage firm and broker that does business with the U.S. public must be licensed and registered by FINRA.

Investors can use our free online tool—BrokerCheck®—to check the background of brokers and firms.

We educate and protect investors from **20 offices** in **17 cities** around the United States.

What We Do

■ FINRA touches virtually every aspect of the securities business

- Registering and licensing industry participants
- Writing rules
- Examining securities firms for compliance with rules
- Enforcing those rules and federal securities laws
- Informing and educating investing public
- Providing trade reporting and other industry utilities
- Administering the largest dispute resolution forum for investors and registered firms
- Performing market regulation under contract for exchanges

Statistical Overview

- **3,200 FINRA employees in 20 offices**
- **4,200 member firms with 163,000 branch offices**
- **630,000 registered representatives**

Governance and Funding

- **Funded entirely by fees paid by broker-dealers**
- **Governed by Board of Governors**
 - Board must include majority of public (non-industry) Governors
 - Industry seats represent cross-section of firm sizes and business models
- **Autonomous staff subject to Board supervision**
- **Advisory industry committees**

SEC Oversight

- **SEC must find that FINRA rules and operations protect investors and prevent fraud and manipulation**
- **SEC oversight includes:**
 - Review and approval of all FINRA rules
 - Review of all FINRA disciplinary actions
 - Requiring FINRA to keep records and file reports with SEC
 - Examination and inspection of FINRA offices and operations
 - Potential to limit, suspend or revoke FINRA registration as national securities association, and to remove or censure FINRA officers

Examinations

- **More than 1,000 FINRA employees in exam program**
- **2012 Statistics:**
 - 1,846 routine examinations in 2012
 - 800 branch office exams
 - 5,100 “cause” exams (customer complaints, tips, etc.)
- **Shift to a more risked-based approach**

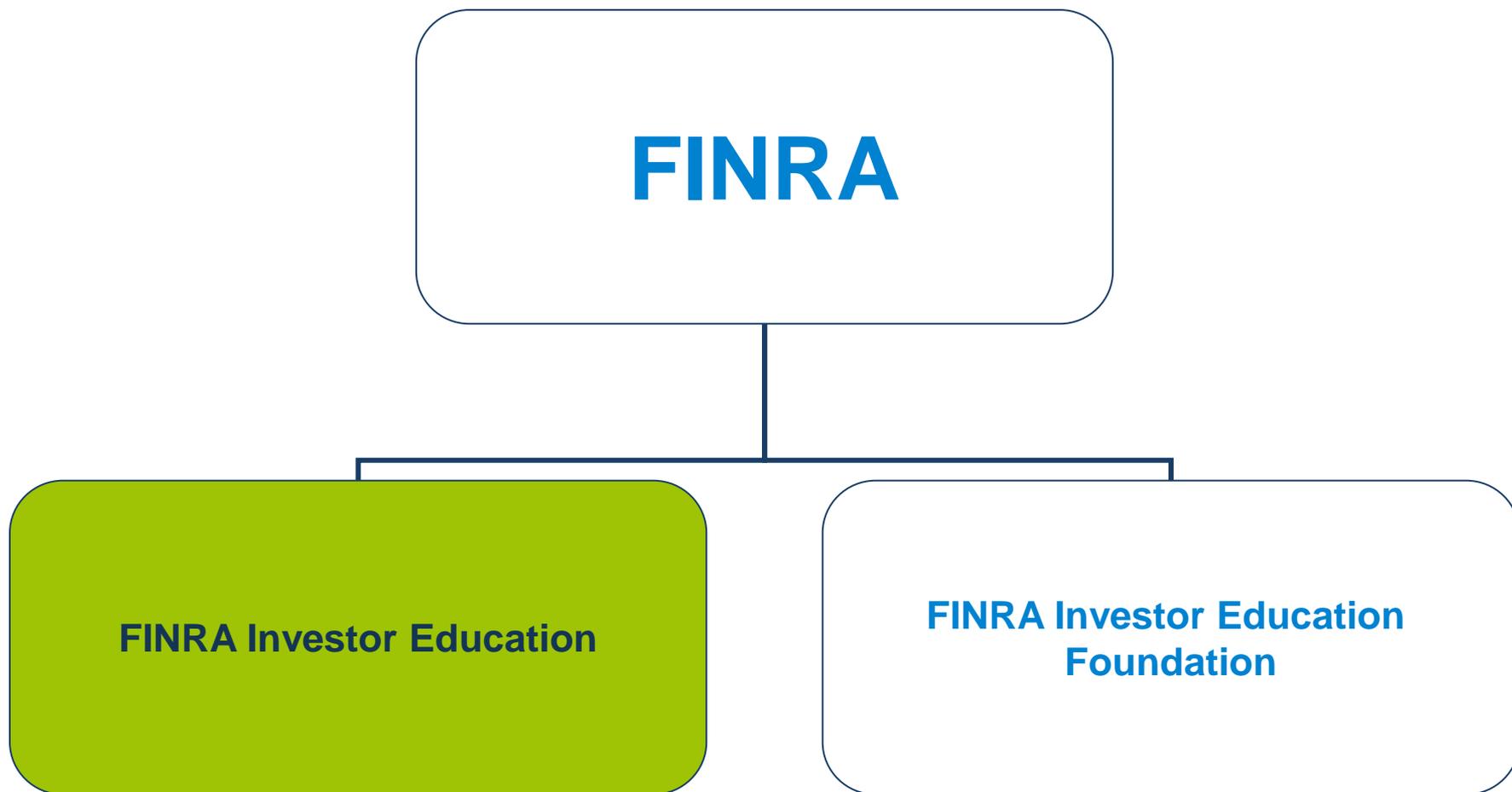
Enforcement

- **Formal disciplinary actions taken against firms and individuals for violations of securities laws and FINRA rules**
- **Can result in fines, suspensions and expulsions from industry**
- **Fair disciplinary process with rights of appeal to the National Adjudicatory Council (NAC), and SEC and federal appeals courts**
- **2012 Record:**
 - 1,541 disciplinary cases
 - More than \$68 million in fines, including restitution of \$34 million
 - Expelled or suspended 30 firms, barred 294 individuals from industry and suspended 549 others

Registration and Licensing

- **FINRA administers qualification examinations for securities professionals**
- **44 different qualification exams to over 190,000 persons each year**
- **Continuing education program for registered representatives**
- **Central Registration Depository (CRD) program**
 - Qualification, employment and disciplinary histories for nearly 17,400 current and former firms and 1.3 million current and former registered individuals
 - Used by SEC and state securities regulators

Investor Education at FINRA



Investor Education

- Alerts and Publications
- Tools and Podcasts
- Coordination with Other Departments and Agencies

U.S. News
& WORLD REPORT

Are Alternative Mutual Funds Too Risky?

Why FINRA is telling investors to be careful

Rob Silverblatt
June 17, 2013



THE WALL STREET JOURNAL
WSJ.com

Dow Jones Newswires

June 12, 2013

SEC, Finra Warn of Rising Spam Promoting Stock Pump-And-Dump Schemes

AdvisorOne
Start. Finish. Succeed. Every day.

TAKE A NEW LINE WITH YOUR EQUITY INVESTMENTS

SPDRs ROLLOVER to get started

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FINRA Warns on Bonds' Duration Risk

Duration is not simply a measure of time, FINRA says; it also signals price fluctuation

BY MELANIE WADDELL, ADVISORONE
February 14, 2013 • Reprints



The Financial Industry Regulatory Authority issued an alert Thursday underscoring the importance of a bond's duration risk in the current low interest-rate environment.

"With interest rates hovering near all-time lows, investors should make sure they know their duration numbers," said Gerri Walsh, FINRA's vice president of investor education, in a statement.

"Whether investors own individual

Investor Education

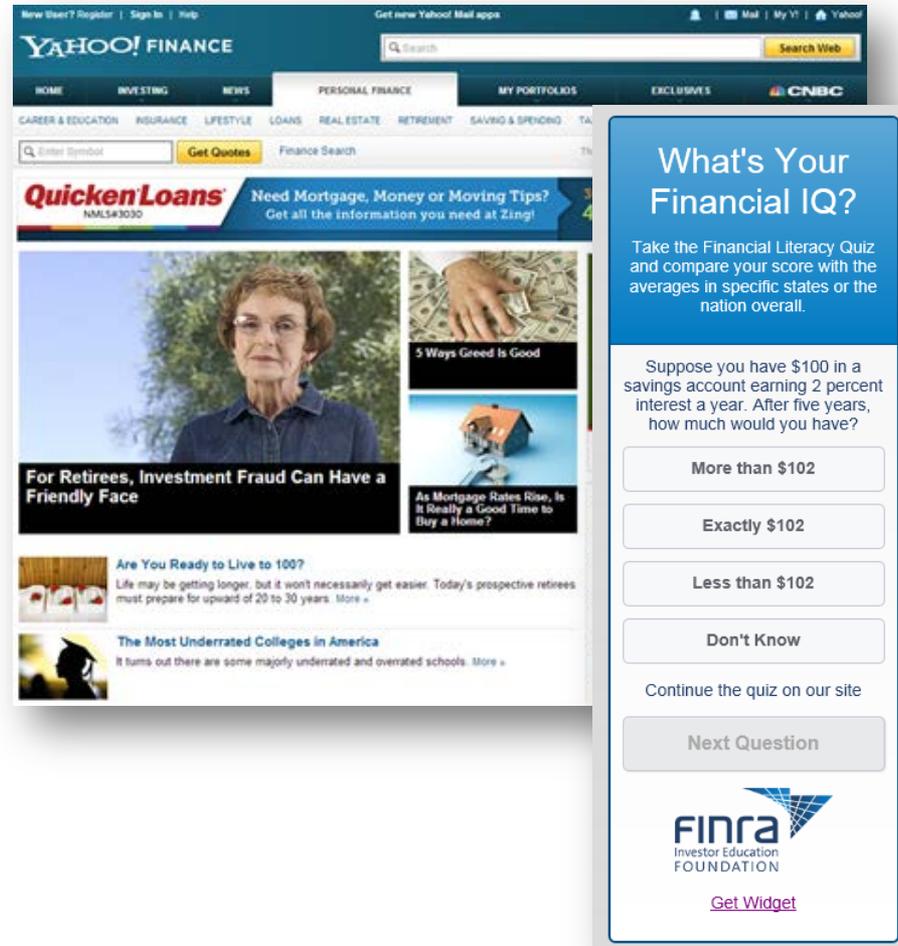
■ Content Syndication

- Yahoo! Finance
- Motley Fool
- Microsoft

■ Embeddable Widgets

- Professional Designations
- Investor Quiz
- BrokerCheck*

* In Development



The image shows a screenshot of the Yahoo! Finance website. The main content area features several articles, including one titled "For Retirees, Investment Fraud Can Have a Friendly Face" and another "Are You Ready to Live to 100?". Overlaid on the right side of the screenshot is a blue widget titled "What's Your Financial IQ?". The widget contains a quiz question: "Suppose you have \$100 in a savings account earning 2 percent interest a year. After five years, how much would you have?". Below the question are five radio button options: "More than \$102", "Exactly \$102", "Less than \$102", "Don't Know", and "Continue the quiz on our site". At the bottom of the widget is a "Next Question" button and the FINRA Investor Education Foundation logo with a "Get Widget" link.

FINRA.org/Investors



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Investor Alerts | Before You Invest | After You Invest | Avoid Investment Fraud

Smart Investing

Getting Started | Choosing Investments | Advanced Investing | Retirement | Smart Saving for College

Market Data

Company Information | Equities & Options | Bonds | Mutual Funds | Watchlists

INVESTOR PUBLICATIONS



INVESTOR EDUCATION



What's New

Podcast
6 Tips for Working With Your Investment Professional

Alert
Marijuana Stock Scams

News Release
Military Spouses Receive Fellowships to Conduct Financial Counseling

Alert
Cold Calls from Brokerage Firm Imposters—Beware of Old-Fashioned Phishing

Podcast
Alternative Funds Are Not Your

Investment Choices

Resources organized by investment vehicle

- Annuities & Insurance
- Auction Rate Securities
- Bank Products
- Bonds
- College Savings Plans
- Futures & Options
- Mutual Funds
- Stocks

More Resources

- Military
- Investor Protection Campaign
- Tricks of the Trade DVD
- Employers & HR

Most Viewed

- FINRA BrokerCheck
- Fund Analyzer
- Retirement Calculator
- Required Minimum Distribution Calculator
- Loan Calculator
- Understanding Professional Designations
- Smart Bond Investing
- Investor Alert: Duration—What an Interest Rate Hike Could Do to Your Bond Portfolio
- Savings Calculator
- Risk Meter
- Day Trading Margin Requirements: Know the Rules
- Complaint Center
- Office of the Whistleblower

Timely Investor Alerts

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Employer Resources

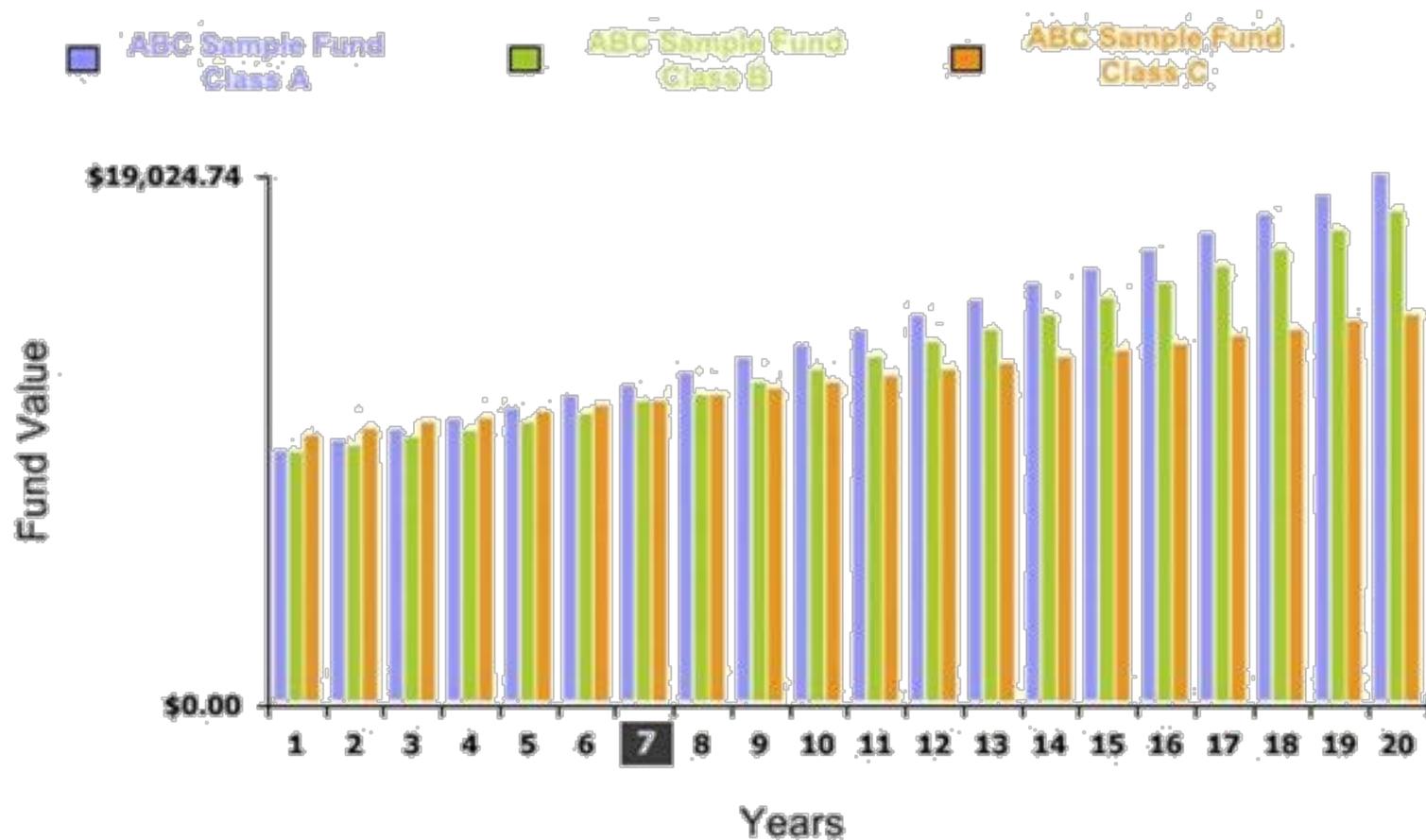
Check a Broker's History

File a Complaint

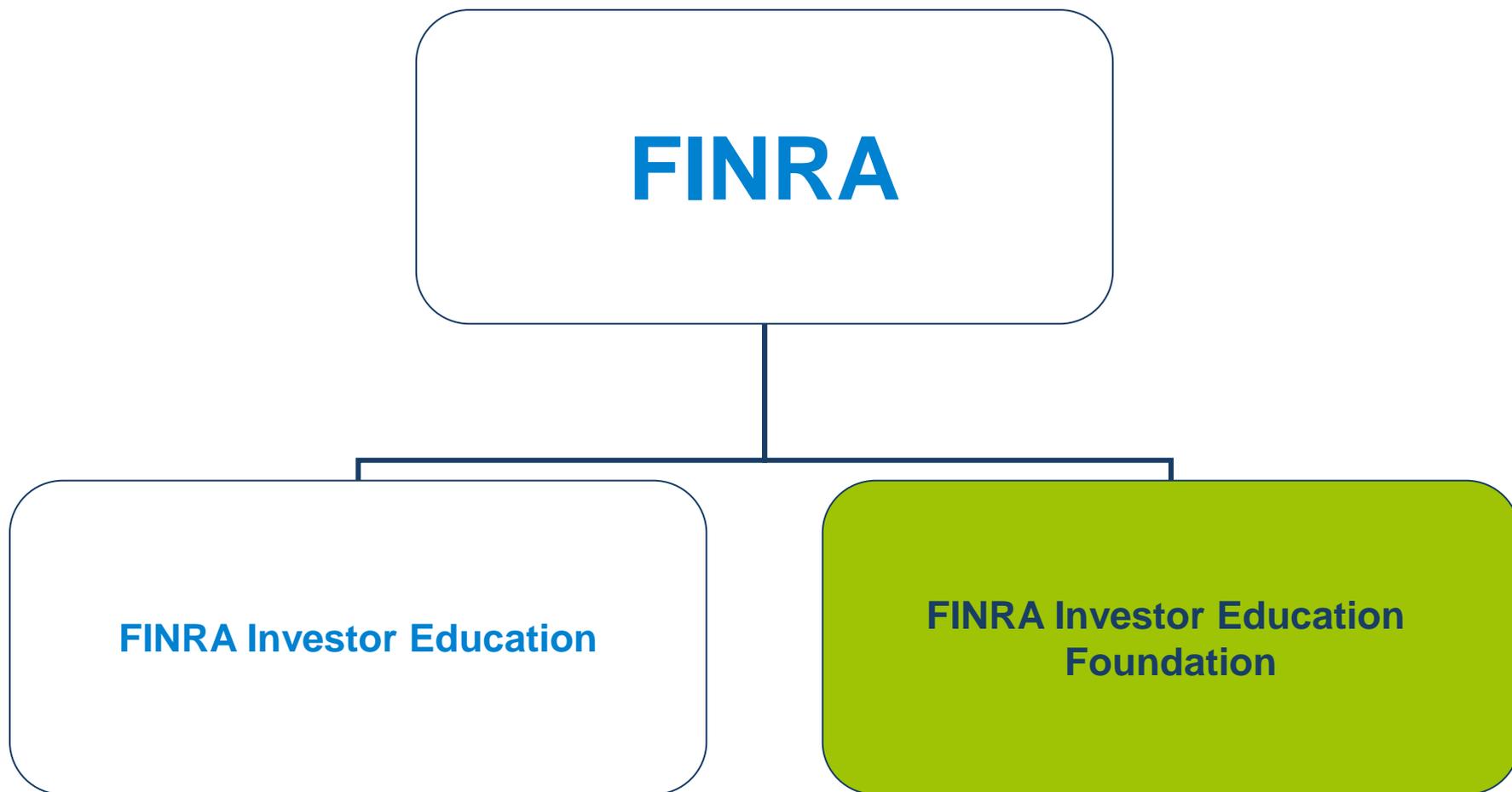


Fund Analyzer: Impact of Fees on Investing Returns

www.finra.org/FundAnalyzer



Investor Education at FINRA



General Grant Program & Outcomes

Foundation Grantees Are Reshaping Investor Education



■ Published Research

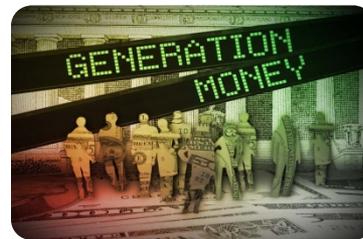
- Evaluation of the Stock Market Game®
- Analyzing employer-provided pre-retirement education
- Using non-financial measures to detect financial fraud

■ Educational Resources in Broad Use

- Learning, Earning and Investing: the Game
- Online investor education for farm families
- Learning materials for Native Americans

Beyond Grant Making – Targeted Projects

- National Financial Capability Study
- Generation Money — Financial Literacy for Teens
- Military Financial Education Project
- Outsmarting Investment Fraud—Investor Protection Campaign



Where to Learn More

- **FINRA Web Site:**
www.finra.org
- **Foundation Web Site:**
www.finrafoundation.org