



Financial Industry Regulatory Authority (FINRA)



Roles and Responsibilities:

- **Regulation:** FINRA is responsible for writing and enforcing rules governing the ethical activities of registered broker-dealer firms and registered brokers in the U.S. It focuses on market integrity and investor protection.
- **Licensing and Testing:** It administers the licensing of firms and their employees, including qualification exams for securities professionals.
- **Market Surveillance:** The organization monitors trading on U.S. stock markets to detect and prevent fraud and market manipulation.
- **Investor Education:** FINRA provides educational resources to help investors make informed decisions and understand the markets.
- **Dispute Resolution:** It offers a forum for resolving disputes between investors and brokers, as well as between brokerage firms, through arbitration and mediation.
- **Compliance and Enforcement:** FINRA oversees the compliance of member firms with the rules set forth by itself, as well as federal securities laws, taking disciplinary actions against firms or individuals who breach these rules.

Impact on Financial Industry:

- **Investor Protection:** By regulating broker-dealers, FINRA plays a crucial role in protecting investors from fraud and unethical practices.
- **Market Confidence:** Its regulatory activities help maintain the integrity of the securities markets, which is essential for investor confidence.
- **Industry Standards:** FINRA sets professional standards in the securities industry and ensures that market participants act in a fair and honest manner.

In essence, FINRA serves as a guardian of market integrity and investor protection in the U.S. financial markets, operating under the oversight of the SEC. Its wide-ranging responsibilities include enforcing ethical standards, supervising market activities, educating investors, and resolving disputes.



FINRA SEA Rule 17a-4

FINRA SEA Rule 17a-4 is a regulation under the United States Securities Exchange Act of 1934, primarily focused on the preservation and maintenance of records by registered broker-dealers. It's essential for ensuring the integrity and transparency of financial records in the securities industry. Let's break it down into its key components:

- **Record Preservation:** It mandates that broker-dealers must create and preserve certain business-related records. This is to ensure that a complete and accurate record of all business activities is maintained.
- **Format and Accessibility:** The rule specifies the format in which these records should be kept (e.g., electronic storage media) and dictates that they must be easily accessible for examination by regulatory bodies.
- **Retention Period:** It sets out specific timeframes for how long various types of records need to be retained. For example, some records must be kept for a lifetime of the firm, while others may have shorter retention periods.
- **Write-Once, Read-Many (WORM) Format:** Records must be maintained in a non-rewriteable and non-erasable format.
- **Audit-trail alternative to the WORM requirement:** Under the audit-trail alternative, a broker-dealer must use an electronic recordkeeping system that maintains and preserves electronic records in a manner that permits the recreation of an original record if it is modified or deleted.
- **Third-Party Access:** In cases where records are stored with a third party, an undertaking (known as a "Letter of Undertaking") must be submitted to FINRA, ensuring that the third party will provide access to these records upon request.

Who Needs to Comply?

- **Registered Broker-Dealers:** Any firm registered as a broker-dealer under the Securities Exchange Act of 1934 is required to comply with Rule 17a-4.
- **Associated Persons:** Individuals associated with a broker-dealer, who are involved in the brokerage firm's business activities, also fall under the purview of this rule.

Sanction for Breaking FINRA Rules?

Sanctions for wrongdoing include fines, suspensions, and, in cases of serious misconduct, bars from the brokerage industry. FINRA publishes its Sanction Guidelines so that members, associated persons and their counsel understand the types of disciplinary sanctions that may be applicable to various violations.

FINRA reports that the institution issued over **\$48 million** in fines in 2022.

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Benefits of Compliance

- **Regulatory Compliance:** Adherence to Rule 17a-4 helps firms avoid penalties and sanctions from regulatory authorities like the SEC and FINRA.
- **Enhanced Record Integrity:** Compliance ensures that records are tamper-proof and reliable, which is crucial for audits and legal investigations.
- **Operational Efficiency:** Proper record-keeping can streamline business operations and make it easier to retrieve important documents.
- **Investor Confidence:** Compliance with such regulations boosts investor confidence in the transparency and integrity of the financial markets.
- **Risk Mitigation:** By maintaining accurate and accessible records, firms can better manage risks related to legal challenges or regulatory inquiries.

How can ASC Help with Compliance?

Aside from compliance regulations set by organizations like FINRA and rules under MiFID II, Dodd-Frank, and PCI DSS, companies also need to comply with data security regulations like the GDPR. ASC's solutions makes sure that companies meet both regulatory requirements. Designed for today's modern communications environments ASC make it secure and easy to comply with the highest data security standards and sets its solutions apart from others.

- AI helps instantly detect potential compliance breaches
- Configurable recording rules, access rights
- Secure and selectable storage & archiving options
- Tenant-specific data encryption / bring your own key
- Approval process for access and replay
- Customizable retention times & secure deletion process
- Audit-log reports

About ASC Technologies

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