

New FINRA Supervision Rules May Require Immediate Action

July 08, 2014

The SEC approved FINRA's major reworking of its rules governing broker-dealers firms' supervision of their offices and associated persons. Firms must comply with the new rules by December 1, 2014. This may require some firms to make substantial changes. For example, the rules' Supplementary Material makes clear that the principals designated by broker-dealers to perform supervisory responsibilities at offices of supervisory jurisdiction (OSJs) must have a physical presence on a regular and routine basis at each OSJ for which the principal has supervisory responsibilities. It is evident that this requirement for "regular and routine" physical presence will have teeth because the Supplementary Material also presumes that no person may serve as a designated onsite supervising principal for more than one OSJ at a time. According to FINRA, when evaluating whether an OSJ supervising principal can overcome this presumption, firms should consider factors such as:

- the principal's level of experience and training;
- the amount of time the principal can devote to supervisory responsibilities at each OSJ;
- whether the OSJs are close together enough for the principal to be physically present at each on a regular and routine basis;
- the number and disciplinary history of the firms' personnel assigned to each OSJ and any other indicators of irregularities or misconduct; and
- the volume and complexity of the activities the principal will supervise at each OSJ.

FINRA will probably use similar factors, as appropriate, to determine whether even a principal whose supervisory responsibilities extend to but a single OSJ has a sufficiently "regular and routine" physical presence there. In any event, because of the lead time that these and many other required changes may entail, firms should thoroughly familiarize themselves with the new rules right away.

Authored By



Thomas C. Lauerma

Related Practices

[Securities Litigation and Enforcement](#)

©2024 Carlton Fields, P.A. Carlton Fields practices law in California through Carlton Fields, LLP. Carlton Fields publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information and educational purposes only, and should not be relied on as if it were advice about a particular fact situation. The distribution of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship with Carlton Fields. This publication may not be quoted or referred to in any other publication or proceeding without the prior written consent of the firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our Contact Us form via the link below. The views set forth herein are the personal views of the author and do not necessarily reflect those of the firm. This site may contain hypertext links to information created and maintained by other entities. Carlton Fields does not control or guarantee the accuracy or completeness of this outside information, nor is the inclusion of a link to be intended as an endorsement of those outside sites.