

# FINRA 2018 Annual Budget Summary



**William H. Heyman**  
Chairman



**Robert W. Cook**  
President and  
Chief Executive Officer

## Chairman and CEO Letter

FINRA performs a vital role in the U.S. financial regulatory structure: overseeing securities brokerage firms and individual brokers doing business with the public. Under the supervision of the U.S. Securities and Exchange Commission, FINRA conducts a wide range of regulatory functions every day, including examining firms and individuals for compliance with regulatory requirements; providing tools and resources to aid in achieving compliance; conducting ongoing surveillance of trading in the U.S. securities markets for potential misconduct; bringing enforcement actions to address violations of industry rules and regulations; and providing industry wide utilities such as disclosure and trade reporting facilities. Our mission is to protect investors and promote market integrity in a manner that facilitates vibrant capital markets.

As a not-for-profit, self-regulatory organization whose operations are funded by industry fees – without the support of any taxpayer dollars – FINRA must prudently manage its finances to ensure it can appropriately fund its mission. In connection with our ongoing organizational improvement initiative, FINRA360, the FINRA Board of Governors has reviewed the organization’s overall finances and its projected revenues and expenses for 2018. In the interest of promoting greater transparency regarding our operations, we are publishing – for the first time – a summary of our Financial Guiding Principles, as well as an overview of FINRA’s 2018 annual budget. These forward-looking materials are intended to complement the audited Annual Financial Report that we have published for many years that describes our finances and operations over the prior year.

### Financial Guiding Principles

The Financial Guiding Principles (Principles) set forth the key concepts and considerations that guide FINRA’s longer-term financial planning and the development of our annual budget. Publication of the Principles provides more transparency about how we manage our financial resources in order to fulfill our regulatory responsibilities and further our mission.

Key elements of the Principles, discussed in more detail in the attached document, include:

- ▶ **Fund Our Mission** – As an industry-funded, not-for-profit organization, we must ensure we maintain adequate resources to properly support our mission.
- ▶ **Ensure Financial Transparency** – For many years, we have published an audited Annual Financial Report that reviews our previous year’s financial performance on a GAAP basis and includes reports from the Board’s Investment, Management Compensation and Audit committees. Starting this year, FINRA’s Annual Budget Summary builds on that foundation by describing our anticipated primary sources of income and our primary expenses for the year ahead. This transparency is important to enhancing the opportunities for our member firms to provide informed and meaningful input on our operations.

- ▶ **Manage Expenses Responsibly** – We must carefully manage our expenses while ensuring that we can carry out our regulatory responsibilities effectively. Both employee compensation and capital initiatives, our two biggest expenses, are addressed in the Principles.
- ▶ **Maintain Reasonable Member Fees** – While industry fees are a vital component of our funding model, we must be cognizant of the burdens that fees can place on member firms and registered representatives. Any increase to such fees must be filed with the Securities and Exchange Commission. We will increase such fees only after evaluating other potential sources of funding (including drawing down on reserves) and determining that our expenses are appropriately calibrated to meet our regulatory responsibilities.
- ▶ **Use Fines to Promote Compliance and Improve Markets** – When a member firm or registered representative engages in misconduct, we first seek restitution for any harmed customers. Like other self-regulatory organizations, we also impose fines in order to discourage similar misconduct. When we impose fines, the amounts are based on pre-established guidelines and the facts and circumstances of the individual case, not any revenue targets.

FINRA policy has long required that fine monies be allocated to capital and strategic initiatives. In recent years, fine monies have supported a number of important regulatory projects. For example, we recently carried out a successful multi-year effort to migrate FINRA's technology environment from a data center structure to a cloud-based architecture, reducing expenses and increasing surveillance speeds. We moved our continuing education program online in order to provide representatives with more flexibility to satisfy their requirements. And we launched the TRACE for Treasuries initiative to provide increased understanding and enhanced surveillance of the Treasury market through the reporting of secondary-market transactions in Treasury securities.

The Principles reflect enhanced governance procedures, restrictions on use, and transparency requirements related to fine monies:

- Fine monies will be accounted for *separately* and are not considered in determining employee compensation and benefits;
  - Any use of fine monies must be approved, separately from other expenditures, by the Board or its Finance, Operations and Technology Committee (Finance Committee);
  - Fine monies will be targeted to one of several enumerated purposes;
  - If fine monies are not fully utilized in a given year, the remaining fine balance will be tracked *separately* for use in future years; and
  - All uses of fine monies will be itemized and disclosed on an annual basis (starting with fines collected in 2018).
- ▶ **Sustain Appropriate Financial Reserves** – Our financial reserves, which originally derived from the sale of NASDAQ that culminated in 2006, are overseen by the Board's Investment Committee and managed to preserve principal and support our regulatory operations. Our investment strategy is described in the Annual Financial Report. The Principles establish a goal of maintaining reserves equal to at least one year of expenditures. Reserves may be used to defer member fee increases or make up cash flow losses, among other uses.

## 2018 Budget

FINRA's regulatory responsibilities are as extensive and complex as ever. Total assets under management by member firms have increased, the number of registered representatives has remained largely constant, and market innovations in financial technology and other areas continue to present new regulatory challenges. At the same time, the Securities and Exchange Commission is relying more heavily on FINRA to supervise broker-dealers.

While we welcome these opportunities, as indicated in the attached FINRA 2018 Annual Budget Summary, projected 2018 operating revenue of approximately \$822 million is flat relative to 2013, when FINRA last implemented fee increases. FINRA derives nearly half of its revenues from industry fees that are primarily assessed according to firms' gross revenue and trading volume, as well as firms' total number of registered representatives. Overall revenue generated through these three fees is projected to decline in 2018 to its lowest level since 2013 – as highlighted in the Budget Summary. Key drivers resulting in flat revenues since 2013 relate to trading volume, gross industry revenue and the number of registered representatives. Average daily trading share volume, which drives the Trading Activity Fee, is projected to fall in 2018 to below the 6.2 billion level seen in 2013. Gross industry revenue, upon which the Gross Income Assessment is based, is projected to continue to increase in 2018, but our rate structure includes provisions that have kept that assessment relatively flat since 2013. And the number of registered representatives, upon which the Personnel Assessment is based, is projected to remain relatively flat compared with 2013.

User fees, which drive approximately one-third of operating revenues, and contract services fees are also projected in 2018 to decrease below 2013 levels, driven by a reduction in continuing education fees, lower corporate financing fees and a decrease in fees to support the mortgage registration system for the Conference of State Bank Supervisors.

FINRA's 2018 budget is designed to meet the evolving challenges posed by our ongoing regulatory responsibilities and flat revenues in ways that reflect the Financial Guiding Principles.

First, despite our revenue challenges, we will **not** seek to increase member firm fees at this time. Instead, in line with the Principles, we will leverage our reserves to support our operations while deferring fee increases. This approach is not new – we have not increased member fee rates since 2013. In fact, we reduced the Gross Income Assessment in 2015, providing relief to approximately 1,400 smaller firms. In addition, the recent migration of our continuing education program to an online format resulted in reduced fee revenue for FINRA and corresponding cost savings for the industry. In the future, we will continue to monitor revenue levels with an eye to determining when it would be appropriate to increase fees.

Second, we will continue to manage our overall expenses without compromising our ability to keep markets safe and investors protected. While we can rely today on reserves to help address shortfalls when necessary, we must remain diligent in carefully managing our expenses. The Board will continue to closely oversee expenses to ensure that, consistent with our Principles, they are appropriately calibrated to our regulatory mission.

Since 2013, expense increases have stayed largely in line with inflation, at an annual rate of approximately 1.5 percent. Cost-saving efforts have been driven by managing our compensation costs without compromising our regulatory responsibilities, among other organizational and process improvements. For example, we have reduced incentive compensation and held senior officer salaries flat for the last two years, and will hold senior officer salaries flat again in 2018. In addition, we have identified further expense reductions for 2018; and through FINRA360, we continue to seek other efficiencies and opportunities to better leverage technology to do our work. Nevertheless, it is important to note that FINRA's ability to fulfill its mission depends on our talented and dedicated team, and it is critical that we offer competitive compensation in order to attract and retain high-performing individuals.

With respect to our capital initiatives, as required by the Principles, we are closely reviewing the different types of projects that will require funding for 2018. Overall, we anticipate capital initiatives of \$90 million for 2018, down from a budgeted amount of \$109 million for 2017.

The presentation of our revenues and expenses in the attached Budget Summary reflects an intentionally conservative methodology. In particular, the budget presentation assumes that during 2018, there are no fine monies to support our capital initiatives and that there are no investment gains (or losses) on our reserves. Accordingly, as presented, the difference between our projected 2018 revenues and expenses could result in a draw on reserves of \$136 million (referred to as the Potential Reserve Reliance). Budgeting zero fines for 2018 is consistent with our Principles – to underscore that enforcement decisions are not driven by revenue targets – and budgeting zero investment gains is appropriately cautious for an organization like FINRA. In addition, this presentation helps us understand at the beginning of the year, for budgeting purposes, how reliant we may have to be on our reserves during the course of the year. In practice, however, our net income as reflected in our 2018 Annual Financial Report will ultimately include fines, investment returns, and other accounting adjustments. For reference, our budget for 2016, presented in accordance with this conservative approach in the Budget Summary, included a Potential Reserve Reliance of \$102.8 million, while we reported GAAP net income in our 2016 Annual Financial Report of \$57.7 million.

Pursuant to the Principles, any fine monies collected in 2018 may be used only with the prior approval of the Board. At our December 2017 meeting, the Board identified several projects for which fine monies – if collected – may be used in 2018. Among them is a project to enhance FINRA’s tools for monitoring trading in U.S. Treasury securities, building on the successful launch last year of the TRACE for Treasuries initiative. The enhancements to the initiative involve developing and deploying a variety of additional customer protection surveillance patterns and market integrity patterns, building on the data integrity surveillance patterns that were launched as part of the effort in 2017.

The Board also approved the use of any fine monies that may be collected to transform the technological infrastructure of the registration systems for member firms and individuals, providing a significant upgrade to a core tool that is used by FINRA, the SEC, state regulators, the industry and – through BrokerCheck – the investing public. The enhancements will transform the legacy registration systems to modern systems using open-source architecture and cloud-based infrastructure to deliver increased usefulness and efficiency. If fine monies are not collected in amounts sufficient to fully fund these projects, the Board authorized the use of reserves. A full accounting of our use of fine monies in 2018 will be provided within the 2018 Annual Financial Report.

Finally, as noted in our 2018 Annual Budget Summary, FINRA charges fees for the work we are performing for various exchanges and other parties on a contract basis (*e.g.*, to protect markets through coordinated cross-market surveillance) and this work is not being supported by member fee revenue.

In closing, FINRA remains committed to ensuring that it can properly execute its regulatory responsibilities with adequate funding in 2018 and beyond. Our Financial Guiding Principles – as reviewed by the Board on an annual basis – provide a transparent, responsible budgeting framework that will allow us to support a fair, safe marketplace for investors and our member firms. As always, we welcome comments or suggestions from our member firms and other relevant stakeholders regarding our financial and transparency initiatives.

Sincerely,



**William H. Heyman**  
Chairman



**Robert W. Cook**  
President and Chief Executive Officer

## Financial Guiding Principles

1. **Fund Our Mission** – As a not-for-profit organization, we target break-even cash flows that allow us to appropriately fund our mission of protecting investors and promoting market integrity while facilitating vibrant capital markets. Operating expenses are primarily funded through operating revenues. We rely on our financial reserves (discussed below) to support our mission, and draw upon the principal as needed.
2. **Ensure Financial Transparency** – We publish an Annual Financial Report that is prepared and presented in accordance with GAAP and audited by an independent public accounting firm. We also publish a top-line annual budget that demonstrates our primary sources of income and our primary expenses for the coming year. Following each fiscal year, we provide an accounting of the approved uses of fine monies (discussed below) during that year.
3. **Manage Expenses Responsibly** – We carefully manage expenses while ensuring that we can carry out our regulatory responsibilities effectively.
  - 3.1 **Compensation Oversight** – Our employees are our most important asset. We seek to offer compensation in line with the competitive market in order to attract, develop and retain high-performing individuals who can help us achieve our mission. The Board’s Management Compensation Committee reviews and approves the salary structure and the annual incentive compensation pool for the organization, as well as the individual incentive compensation awards for the most senior executives. Each year, the Committee provides a report that is included in our Annual Financial Report. Although a variety of factors are considered when determining compensation levels for individual employees and the organization as a whole, no compensation determinations are based on fines or other sanctions imposed on the industry.
  - 3.2 **Capital Initiatives Oversight** – Appropriate investments in capital initiatives to enhance our technology and regulatory capabilities are critical to our mission. These projects are non-recurring expenditures that improve the effectiveness and efficiency of our operations; they must undergo a senior management review and approval process, with projects above defined thresholds requiring special approval by the Board or its Finance, Operations and Technology Committee (Finance Committee). These projects fall into several categories:
    - **Capital Maintenance** – Necessary expenditures for items such as building/leasehold improvements or hardware/software (such as servers, storage devices or network equipment).
    - **Mandatory Initiatives** – Regulatory expectations driven by the SEC or other legal, regulatory, audit or contractual requirements; initiatives required by technology obsolescence (such as software no longer supported by vendors); and required infrastructure support (such as cybersecurity improvements).
    - **Carryover Initiatives** – Projects in one of the former categories that carry over from a prior year are evaluated for continued funding.
    - **New Initiatives/Enhancements:**
      - **Minor Enhancements** – Funding to provide capacity for minor enhancements to existing technology (*i.e.*, software improvements).
      - **New Initiatives** – Investments in new systems or technology that will improve our regulatory capabilities or services. These initiatives are assessed for their contribution to our operational efficiency and effectiveness, including their ability to provide demonstrable improvements to the quality of FINRA’s regulatory program, tangible benefits for member firm compliance, or a measurable and acceptable financial return.

4. **Maintain Reasonable Member Fee Levels** – We increase member fees only after evaluating other potential sources of funding (*including* drawing down on excess reserves) and determining that our expenses are appropriately calibrated to our regulatory responsibilities.
5. **Use Fines to Promote Compliance and Improve Markets** – When a member firm or registered representative engages in misconduct, restitution for harmed customers is our highest priority, although there are many cases in which it is not practical. We also assess whether a sanction should be imposed in order to discourage similar conduct by the firm, registered representative, or others. When we impose fines, the amounts are based on the facts and circumstances of the misconduct and the principles set forth in our Sanction Guidelines; fines are not based on revenue considerations, and we do not establish any minimum amount of fines that must be collected for purposes of our annual budget.

Fines collected are accounted for separately, and the use of these monies is subject to special governance procedures, restrictions on use and transparency requirements.

- Any use of fine monies, regardless of amount, must be separately approved by the Board or its Finance Committee. These monies are not considered in determining employee compensation and benefits.
  - The Board or Finance Committee may authorize the use of these funds for: (i) capital/initiatives or non-recurring strategic expenditures that promote more effective and efficient regulatory oversight by FINRA (including leveraging technology and data in a secure manner) or that enable improved compliance by member firms; (ii) activities to educate investors, promote compliance by member firms through education, compliance resources or similar projects, or ensure our employees are highly trained in the markets, products and businesses we regulate; (iii) capital/initiatives required by new legal, regulatory or audit requirements; or (iv) replenishing reserves (described below) in years where such reserves drop below levels reasonably appropriate to preserve FINRA’s long-term ability to fund its regulatory obligations.
  - On an annual basis, we make public a description of the Board or Finance Committee-approved uses of fine monies during the prior year.
6. **Sustain Appropriate Reserves** – We rely on our financial reserves, which originally derived from the sale of NASDAQ, to support our regulatory mission. We strive to maintain an appropriate level of reserves; currently, the Board believes that level is at least one year of expenditures. Reserves are invested at the direction of the Board’s Investment Committee, which provides a report that is included in our Annual Financial Report. The Board may draw upon the principal as needed, including to cover cash flow losses, defer fee increases, support FINRA’s regulatory operations, enhance member firm compliance or otherwise improve markets.

The FINRA Board will review these Principles on an annual basis.

# FINRA 2018 Annual Budget Summary

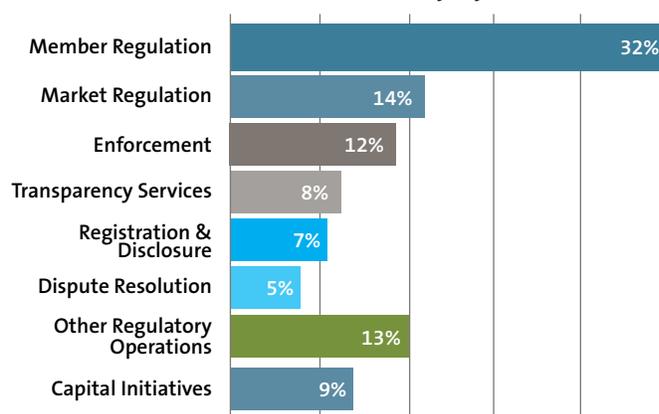
Budget summaries reflect management's internal reporting framework and differ from generally accepted accounting principles. Annual budgets are subject to change during the year as circumstances arise.

Budget Trend <i>(in millions)</i>	2016 Budget	2017 Budget	2018 Budget
Operating Expenses	\$ 863.7	\$ 890.1	\$ 888.0
Capital Initiatives	\$ 115.1	\$ 109.1	\$ 90.0
<b>Total Cash Flow Uses</b>	<b>\$ 978.8</b>	<b>\$ 999.2</b>	<b>\$ 978.0</b>
Operating Revenues	\$ 849.3	\$ 828.7	\$ 822.0
Interest and Dividend Income	\$ 26.7	\$ 27.7	\$ 20.0
Potential Reserve Reliance <sup>1</sup>	\$ 102.8	\$ 142.8	\$ 136.0
<b>Total Cash Flow Sources</b>	<b>\$ 978.8</b>	<b>\$ 999.2</b>	<b>\$ 978.0</b>

1. The Potential Reserve Reliance excludes the impact of any Board-approved use of fine monies and investment gains/losses.

Cash Flow Uses <i>(in millions)</i>	2018
Member Regulation	\$309.1
Market Regulation	\$137.7
Enforcement	\$117.3
Transparency Services	\$76.9
Registration and Disclosure	\$67.5
Dispute Resolution	\$48.6
Other Regulatory Operations <sup>2</sup>	\$130.9
<b>Total Operating Expenses<sup>3</sup></b>	<b>\$888.0</b>
Capital Initiatives	\$90.0
<b>Total Cash Flow Uses</b>	<b>\$978.0</b>

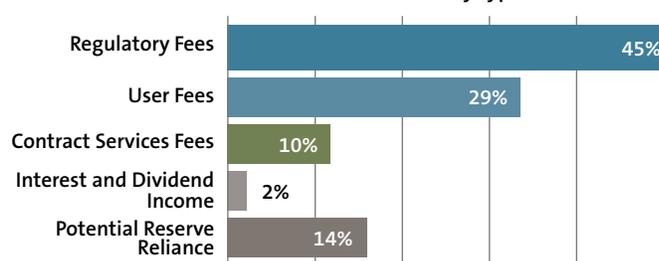
2018 Cash Flow Uses by Key Function



2. Other Regulatory Operations include the Office of General Counsel, the Office of Fraud Detection and Market Intelligence, Advertising Regulation, Corporate Financing, the Office of Hearing Officers, the Office of Member Relations and Education, the Office of Investor Education and other regulatory support functions.
3. Operating Expenses reflect an allocation to each key function for compensation and benefits, contract services, technology and occupancy, as well as costs attributed to other general and administrative services.

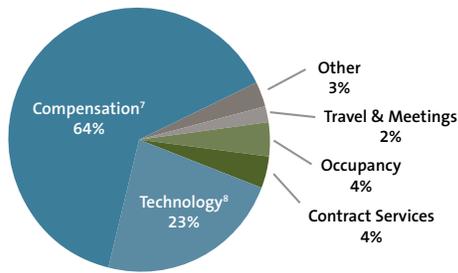
Cash Flow Sources <i>(in millions)</i>	2018
Regulatory Fees <sup>4</sup>	\$437.2
User Fees <sup>5</sup>	\$285.2
Contract Services Fees <sup>6</sup>	\$99.6
<b>Total Operating Revenues</b>	<b>\$822.0</b>
Interest and Dividend Income	\$20.0
Potential Reserve Reliance	\$136.0
<b>Total Cash Flow Sources</b>	<b>\$978.0</b>

2018 Cash Flow Sources by Type



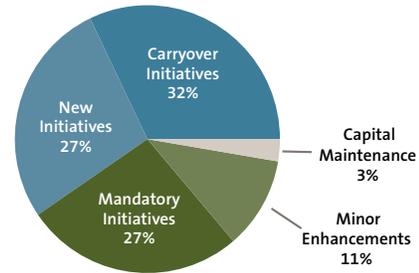
4. Regulatory Fees primarily include the Gross Income Assessment, Personnel Assessment and Trading Activity Fee.
5. User Fees primarily include Registration Fees, Transparency Services Fees, Dispute Resolution Fees, Qualification Fees, Continuing Education Fees, Corporate Financing Fees and Advertising Fees.
6. Contract Services Fees represent amounts charged for regulatory services provided primarily to markets operated by NASDAQ, NYSE, Cboe and other exchanges. These services include surveillance, investigations, examinations and disciplinary work. Contract Services Fees also include fees for the mortgage licensing system FINRA developed and maintains on behalf of the Conference of State Bank Supervisors, and fees for implementing and maintaining the Bluesheets system on behalf of the SEC. Contract Services Fees cover the cost of the services being provided.

Operating Expenses



- 7. Compensation includes only non-Technology staff.
- 8. Technology includes costs for employees and contractors; security; and hardware, cloud hosting and software support required to maintain and operate the applications and environments that enable FINRA's regulatory activities.

Capital Initiatives by Type<sup>9</sup>



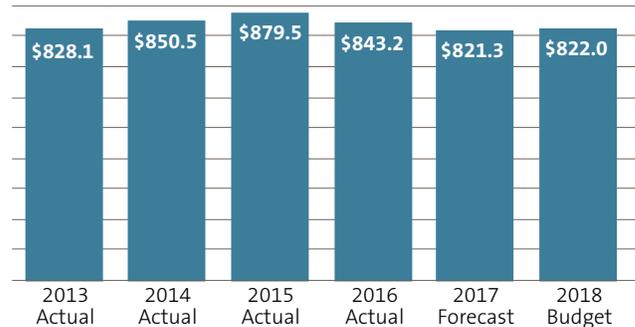
- 9. Refer to the Financial Guiding Principles for a description of the different categories of Capital Initiatives.

Historical Trends

Operating Revenues\*

Operating revenue in 2018 is projected to remain flat with 2017. FINRA derives nearly half of its revenues from industry fees that are assessed according to firms' gross revenue and trading volume, as well as firms' total number of registered representatives. Overall revenue generated through these three fees is projected to decline in 2018 to its lowest level since 2013. At the same time, user fees, including continuing education fees and corporate financing fees, and contract services fees have also decreased since 2013. More detail is available on the next page. Total operating revenues for 2013 and 2014 are each net of rebates of \$20 million.

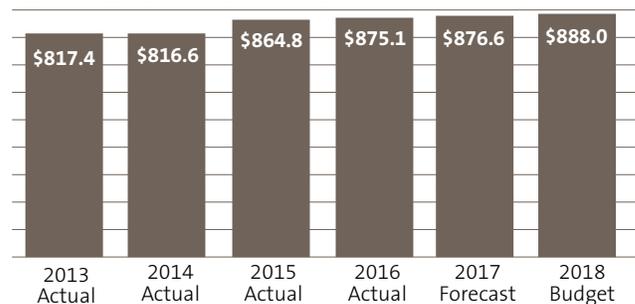
Operating Revenues (in millions)



Operating Expenses\*

Operating expense increases have stayed largely in line with inflation, at an annual rate of approximately 1.5 percent since 2013. Cost-saving efforts have been driven by managing our compensation costs without compromising our regulatory responsibilities, among other organizational and process improvements. For example, we have reduced incentive compensation and held senior officer salaries flat for the last two years and will hold senior officer salaries flat again in 2018. In addition, for 2018, we have identified further expense reductions; and through FINRA360, we continue to seek other efficiencies and opportunities to better leverage technology to do our work.

Operating Expenses (in millions)



Capital Initiatives\*

Capital initiative spending varies from year to year based on the need to enhance regulatory and related technology capabilities. We anticipate capital initiatives of \$90 million for 2018, down from a forecasted amount of \$103.7 million for 2017. The increased spending in 2015 and 2016 was largely due to a decision to migrate FINRA's Market Regulation technology environment from a data center structure to a cloud-based architecture, in addition to the one-time integration of Cboe surveillance patterns and other regulatory tools into the FINRA environment as part of FINRA providing certain services to Cboe.

Capital Initiatives (in millions)

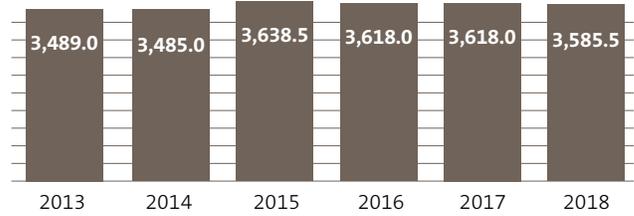


\*Historical results reflect internal management reporting and will differ from GAAP.

**Workforce**

FINRA's fluctuations in headcount since 2013 are largely attributable to changes in regulatory services provided to NYSE, Cboe and ORSA. In addition, to manage our workforce more effectively, nearly 120 contractors or temporary employees have been converted to full-time staff in recent years.

**Headcount**



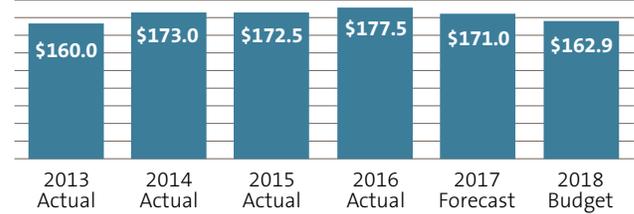
**Historical Operating Revenue Trends**

The following provides a five-year look back at the four fees that represent FINRA's largest sources of operating revenue.

**Trading Activity Fee**

The Trading Activity Fee is a transaction-based fee that is assessed monthly on firm trading activity in covered securities across all markets.

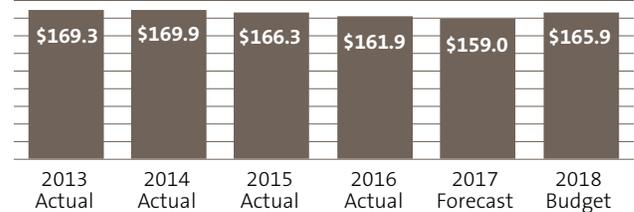
**Trading Activity Fee (in millions)**



**Gross Income Assessment**

The Gross Income Assessment is an annual fee that is assessed based on the firm's prior year's total gross revenue less commodities revenue. The assessment is based on a tiered rate structure that includes provisions that have kept it relatively flat since 2013.

**Gross Income Assessment (in millions)**



**Personnel Assessment**

The Personnel Assessment is an annual fee that is assessed based on the firm's number of registered representatives as of December 31 of the previous year and is applied to a regressive tiered rate structure.

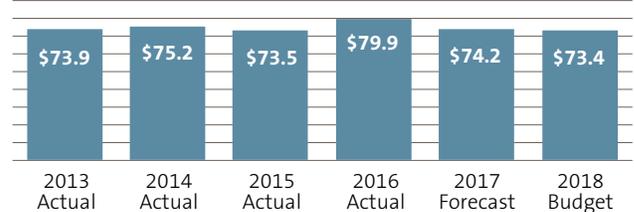
**Personnel Assessment (in millions)**



**Registration Fees**

Registration Fees include fees for various registration-related requirements for firms and registered securities representatives in the industry such as initial registration, fingerprinting, disclosures and terminations.

**Registration Fees (in millions)**



## Key Functions

The 2018 budget is allocated according to the following key functions.<sup>10</sup>

### Member Regulation

FINRA's Member Regulation Department (Risk Oversight and Operational Regulation, and Sales Practice) monitors and examines for member compliance with industry rules and regulations.

32%

### Market Regulation

FINRA's Market Regulation Department conducts automated surveillance, examinations and investigations of trading activity in U.S. equities, options and fixed income markets.

14%

### Enforcement

FINRA's Enforcement Department investigates possible misconduct and brings disciplinary actions for violations of industry rules and regulations.

12%

### Transparency Services

FINRA's Transparency Services Department operates facilities that disseminate real-time and historical market information for over-the-counter (OTC) trading in the equity and fixed income markets, and maintains the databases FINRA uses to oversee OTC securities.

8%

### Registration and Disclosure

FINRA's Registration and Disclosure Department operates FINRA's utilities to register and test securities industry personnel, and provides those same services under contract for the benefit of investment advisers and mortgage brokers.

7%

### Dispute Resolution

FINRA's Office of Dispute Resolution operates a dispute resolution forum for investors, brokerage firms and their registered employees, and administers arbitrations and mediations through a network of four regional offices, with 71 hearing locations, including one in each state and Puerto Rico.

5%

### Capital Initiatives

Capital initiatives projects are non-recurring expenditures that improve the effectiveness and efficiency of our operations.

9%

### Other Regulatory Operations

FINRA's other regulatory operations include the Office of General Counsel, the Office of Fraud Detection and Market Intelligence, Advertising Regulation, Corporate Financing, the Office of Hearing Officers, the Office of Member Relations and Education, the Office of Investor Education and other regulatory support functions.

13%

FINRA's **Office of General Counsel** assists FINRA in adopting and interpreting rules applicable to securities firms and brokers. FINRA solicits comment on its proposed rules from its members, investors and other interested parties, and, with limited exceptions, all FINRA rules must be approved by the SEC.

The **Office of Fraud Detection and Market Intelligence** centralizes FINRA's review of allegations of serious fraud and significant investor harm, analyzes trading activity across U.S. markets for evidence of insider trading, and analyzes tips and complaints of possible fraud or other misconduct that are submitted to FINRA's Whistleblower hotline or mailbox.

**Advertising Regulation** oversees compliance with rules intended to ensure that member communications to the public are fair, balanced and not misleading.

**Corporate Financing** regulates corporate offerings to address fraudulent private placements and ensure underwriting compensation is fair.

The **Office of Hearing Officers** is an office of impartial adjudicators of disciplinary cases brought by FINRA's Enforcement Department against FINRA members.

The **Office of Member Relations and Education** is responsible for maintaining and enhancing open and effective dialogue with FINRA member firms, and oversees FINRA conferences and the FINRA Institute at Georgetown Certified Regulatory and Compliance Professional™ program.

The **Office of Investor Education** provides investors with financial tools and resources; and through the FINRA Investor Education Foundation®, FINRA supports important research and financial education initiatives.



### FINRA Investor Education Foundation

The Foundation empowers underserved Americans with the knowledge, skills and tools to make sound financial decisions throughout life. The Foundation supports innovative research and educational projects aimed at segments of the investing public that could benefit from additional resources. The Annual Budget Summary does not include the FINRA Foundation. FINRA's Annual Financial Report includes the consolidated results of both FINRA and the Foundation.

10. The 2018 budget by key function represents an allocation of operating expenses for compensation and benefits, contract services, technology and occupancy, as well as costs attributed to other general and administrative services.



Investor protection. Market integrity.

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