

September 30, 2026

Via Email Only @ rule-comments@sec.gov

Ms. Sherry Haywood
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: SR-FINRA-2026-018 – Proposed Rule Change to Amend FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2165 (Financial Exploitation of Specified Adults) and 4512 (Customer Account Information) and to Adopt FINRA Rule 2166

Dear Ms. Haywood:

I write on behalf of the Public Investors Advocate Bar Association ("PIABA"), an international bar association comprised of attorneys who represent investors in securities arbitrations and litigation. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums, while also advocating for public education regarding investment fraud and industry misconduct. Our members and their clients have a strong interest in rules promulgated by the Financial Industry Regulatory Authority ("FINRA") relating to both investor protection and disclosure. In particular, our members are on the front lines of responding with clients who have been decimated by financial exploitation and scams. Our members have seen firsthand not just the severe financial toll but the mental and emotional toll that these losses cause to retail investors from all walks of life.

Pursuant to Rule of Practice 192(a) of the Securities and Exchange Commission, PIABA submits this comment to the SEC concerning FINRA's recent filing with the Securities and Exchange Commission ("SEC" or "Commission") a proposed rule change to amend FINRA Rules 0150 (Application of Rules to Exempted Securities Except Municipal Securities), 2165 (Financial Exploitation of Specified Adults) and 4512 (Customer Account Information) and to Adopt FINRA Rule 2166. Broadly, PIABA supports efforts to increase the tools and make clearer the expectations and requirements to detect and prevent fraud and financial exploitation. As to the specific proposals, PIABA supports some parts of the proposed rule amendments, and opposes other aspects.

Background

PIABA provided extensive feedback in response to FINRA's request for comment on this issue in Regulatory Notice 26-02.¹ In general, PIABA strongly supports reducing the amount of

¹ See generally, PIABA Comment Letter dated March 9, 2026, located at <https://piaba.org/wp-content/uploads/2026/03/PIABA-Comment-FINRA-26-02.pdf>

financial exploitation, fraud, and scams that victimize retirees, seniors, veterans, and investors nationwide. PIABA agrees with FINRA that member firms “are on the front line of protecting customers from threat actors.” FINRA member firms must serve as gatekeepers to effectively fight fraud and help protect their customers and the financial system generally.

However, PIABA believes that these rules do not go far enough to require FINRA members to detect and prevent financial exploitation and related fraud. Financial exploitation and scams are reaching an epidemic level, and FINRA members should be armed with a full suite of tools to step up to fight this ongoing crisis. Rather than repeat the policy concerns and considerations at length here, PIABA incorporates by reference its prior comment to RN 26-02, as those are unchanged. The balance of this comment will focus on the changes to the proposal between RN 26-02 and SR-FINRA-2026-18.

Temporary Disbursement Hold (Rule 2166)

Proposed Rule 2166 changes the permissible transaction hold period where the member firm has a reasonable belief that fraud is taking place, from five business days to ten business days. PIABA expressly supported five business days being sufficient and opposed, and still does, substantially longer hold periods as being counterproductive. Firms must also be required to act in good faith in delaying disbursement and must be held accountable if they issue such a hold in bad faith. When holds are implemented in bad faith or in a lackadaisical manner, consumers can suffer substantial harm when they lose access to money for expenditures for as long as two full weeks. Mortgages may go unpaid, credit card bills don’t get paid, medical treatments get missed, etc. This is not hypothetical, as PIABA members already get contacted by brokerage customers complaining of the consequences of unexpected loss of access to their brokerage accounts. PIABA recognizes the benefit of a temporary hold tool wielded properly, but FINRA should require firms to engage in efficient reviews of temporary holds and to clearly document the findings, conclusions, and bases for ongoing holds.

SR-FINRA-2026-018 further changed the proposed text of Rule 2166 to remove the requirement to notify the trusted contact about the account restriction and the basis for it. This removal makes no sense in the real world. FINRA is including this push to get more adoption for trusted contacts as an important tool to help prevent customers from being victims of fraud. But FINRA has not made it clear enough that FINRA members are compelled in **any** circumstances to actually use that tool. If the trusted contact exists so that a trusted person of the account holder is to be involved when there are concerns that the customer might be the victim of fraud (as FINRA acknowledges), then there is no reason for the firm to not notify that person under these circumstances. Of course, if the Trusted Contact themselves is suspected of engaging in the financial exploitation at issue, such an exception makes sense. Simply having a “Trusted Contact” in the file is mere window dressing if firms are not utilizing the Trusted Contact to protect their customers and prevent fraud. This notification should be required – if a customer is going to identify a trusted contact with an expectation that the firm will contact that person if there are concerns or problems, then it is entirely reasonable that the firm be **required** to do so, unless there is a justifiable reason not to do so. Moreover, there is no downside to that notification. The member firm is not harmed in any way by being required to reach out to the Trusted Contact in every instance where fraud is suspected.

Trusted Contact (Rule 4512)

SR-FINRA-2026-018 changed from the prior version in RN 26-02 to expressly allows member firms to permit a customer to identify multiple trusted contacts. PIABA supports this change. It provides greater flexibility for the customer, and it also provides firms with more options for potentially time sensitive investigations, like for example, if a customer identifies multiple children as trusted contacts, if one is unreachable for whatever reason, there is another person that can be reached to address a situation in a timely manner. PIABA also suggests that customers with multiple accounts be provided with easier ways to identify a Trusted Contact throughout the entire relationship, as opposed to on an account-by-account basis. While some customers might choose to designate multiple trusted contacts, or even multiple trusted accounts who vary by account, PIABA believes that most retail customers typically designate the same Trusted Contact across all of their accounts with a member firm. PIABA members have seen a pattern of situations where clients with multiple accounts may designate a Trusted Contact for one account, but not other accounts opened later in time. PIABA would suggest that the standard process should be to designate Trusted Contacts across a FINRA member's relationship with the customer, unless the customer specifically directs otherwise.

Finally, PIABA is seriously concerned at the disconnect between FINRA enforcement actions and the amount of criminal fraud impacting investors. According to PIABA's analysis of FINRA Enforcement actions to date, there has not been one public enforcement proceeding by FINRA levied against a brokerage firm for a member firm's role in failing to respond to red flags of financial exploitation affecting their customers and involving their brokerage platform. In fact, there has not even been an enforcement action regarding a firm's failure to reasonably attempt to obtain or utilize Trusted Contacts. This is the case despite the fact that FINRA made exam findings in the past that firms were making "No Reasonable Attempt to Obtain TCP Information." If FINRA wants to be taken seriously and if its platitudes about taking real steps to protect Americans from this raging wave of fraud are to be believed, then FINRA's enforcement priorities need to reflect this priority. Many brokerage firms are unlikely to take the obligations to detect fraud and scams and protect their customers from this type of misconduct seriously until FINRA shows willingness to hold these firms accountable to these obligations.

PIABA commends FINRA for its focus on addressing the serious threat of fraud to the American investing public and encourages FINRA to continue to focus on how to better implement investor protection and safeguards for customers. PIABA thanks the Commission and FINRA for the opportunity to comment on this proposal.

Very Truly Yours,

A handwritten signature in black ink, appearing to read "Michael C. Bixby".

Michael C. Bixby, President
Public Investors Advocate Bar Association