



March 11, 2026

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street NW
Washington, DC 20006

Re: Regulatory Notice 26-02 – Rule Revisions to Help Member Firms Protect Senior Investors from Financial Exploitation and All Investors from Fraud

Dear Ms. Mitchell,

The American Securities Association¹ (ASA) appreciates the opportunity to comment on Regulatory Notice 26-02, which proposes amendments to FINRA Rules 4512 and 2165 and new Rule 2166 to help firms protect senior investors from financial exploitation and all investors from exploitation. ASA is the voice of Main Street's investors and the financial firms that serve them, with a mission to promote investor trust and confidence and to help small businesses access the U.S. capital markets to grow and create jobs.

ASA believes that protecting senior investors and combating fraud are core objectives, and our comments are aimed at ensuring that any final rules do not unintentionally create new avenues for exploitation or data misuse—particularly for smaller and regional firms that are the ‘boots on the ground’ in detecting and interrupting exploitation.

As we have explained to Congress², even investors who do ‘everything right’ under existing rules can still lose their life savings when criminals exploit technological, jurisdictional, and regulatory gaps, and when regulatory data-collection regimes increase the amount of sensitive information available to bad actors.

I. Rule 4512 – Trusted/Emergency Contacts.

ASA supports allowing firms to use “emergency contact” as an optional alternative to “trusted contact person,” as this terminology is known to many Main Street investors and it should

¹ ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.

² ASA Letter to the House Financial Services Committee outlining recommendations to strengthen financial fraud protections and crack down on foreign exploitation of American investors, dated March 5, 2026, available here: https://15c72067-2929-4106-8883-14b2d4025a5b.usrfiles.com/ugd/15c720_a73f500c109e425eb9f08381e7f892eb.pdf.





encourage broader adoption. We also support allowing customers to designate a single trusted/emergency contact for all current and future accounts, while preserving account-by-account designations where appropriate.

At the same time, ASA urges FINRA to remain focused on limiting the amount of sensitive personal information that is required or encouraged to be collected and stored solely for regulatory purposes. As we have cautioned Congress, large-scale concentration of personally identifiable and financially sensitive data can be exploited by sophisticated fraudsters and foreign adversaries, even when firms and investors comply fully with the rules.

We ask FINRA to: (1) confirm that firms may choose either term or both based on their client base; (2) affirm that firms may comply with the trusted/emergency contact requirements through reasonable operational controls—such as updating contact information when accounts are modified—without the need to repaper existing legacy accounts; and (3) provide sample, plain-language disclosures describing the role and limits of a trusted/emergency contact.

ASA supports prompt notice to customers and trusted/emergency contacts and agrees that clear, timely outreach is critical to effective intervention. We ask FINRA to align its investor-facing educational materials with any new terminology so firms can leverage them in our onboarding and outreach.

Importantly, FINRA should make clear that firms are not expected to collect or retain more information than is reasonably necessary to implement Rule 4512, and that conservative approaches to data collection and retention—particularly for seniors—are consistent with, and supported by, FINRA's objectives.

II. Rule 2165 – Extended Holds for Specified Adults.

ASA recognizes that extending the potential duration of Rule 2165 holds beyond 55 business days may better align with the reality of APS and law-enforcement investigations and, in some cases, give firms meaningful flexibility to protect vulnerable investors. However, we do not believe a 145-business-day cap is necessary in the vast majority of situations and, it risks turning temporary holds into de facto long-term freezes that can impose substantial costs and hardship on seniors and other investors who have done everything right under existing rules.

To that end, FINRA should clarify that the use of the extensions is optional, fact-specific, and subject to a firm's reasonable judgment and supervisory framework. Firms should be encouraged to consider targeted alternatives—such as partial holds, limited trade restrictions, or enhanced monitoring—where appropriate, and to release or narrow a hold promptly once the concerns that prompted it have been resolved.





FINRA could also acknowledge that reasonable firms may differ on whether a shorter or longer cap is preferable for their business models, and that firms may adopt more conservative internal limits within the regulatory maximum if they determine that a shorter cap better balances risk, customer experience, and operational considerations.

FINRA should also acknowledge that prolonged holds can be exploited by fraudsters or foreign actors who have already moved funds or compromised data elsewhere, leaving innocent investors effectively locked out of their own savings without materially improving their protection. Any guidance should therefore stress proportionality, tight internal limits, and prompt lifting of holds once the specific red flags have been addressed.

ASA supports reasonable follow-up obligations with authorities but requests clear guidance on what constitutes “reasonable efforts,” including acceptance of email, portals, and automated acknowledgments as sufficient documentation. FINRA should confirm that a lack of response may be documented with standard internal notes and attestations, without imposing heightened evidentiary standards that are difficult for smaller firms to comply with.

We also support expanding eligible personnel to include associated persons in specialized senior-investor-protection or fraud-prevention roles and ask FINRA to confirm that firms may centralize these functions across affiliates, as well as allow smaller firms to satisfy the rule by designating appropriately trained supervisory or compliance personnel rather than creating new roles.

III. Proposed Rule 2166 – Temporary Delays for Suspected Fraud and Exploitation.

ASA recognizes the potential value of proposed Rule 2166, which would provide an optional safe harbor to briefly (up to five business days) delay disbursements or securities transactions when there is a reasonable belief of exploitation involving any adult customer.

Fraud targets investors of all ages, and a short “speed bump” can be critical to disrupting schemes such as account takeovers, imposter scams, and technology-enabled exploitation, but it cannot substitute for closing the deeper technological, jurisdictional, and regulatory gaps that sophisticated fraudsters and foreign adversaries exploit.

We recommend that FINRA retain the five-business-day baseline and allow one or two short extensions where law enforcement or another authority, with appropriate documentation, specifically requests more time.

FINRA should also clarify that Rule 2166 operates as an additional safe harbor and does not limit otherwise lawful contractual hold provisions, and that firms may convert a Rule 2166 delay into a Rule 2165 hold when the customer is later determined to be a Specified Adult, with guidance on





notice and documentation expectations. Any extensions should be tightly cabined to circumstances where there is specific, documented engagement with law enforcement or another authority, and should not evolve into routine delays that burden legitimate customer activity and mask the need for broader policy solutions.

ASA supports prompt notice to customers and trusted/emergency contacts and agrees that clear, timely outreach is important, particularly when dealing with Specified Adults. At the same time, we support FINRA's approach that outreach to a trusted/emergency contact is not required for non-Specified Adults; trusted contact outreach is already sensitive in the Specified Adult context, and making it mandatory where no cognitive or vulnerability concerns exists could chill firms' willingness to adopt and rely on the safe harbor.

We ask FINRA to: (1) recognize multi-channel outreach (calls, secure messages, texts, email) as acceptable; (2) allow flexibility where immediate notice may tip off a fraudster who controls or monitors the customer's devices; and (3) acknowledge that firms acting in good faith under the safe harbor should not be second-guessed solely because a delayed transaction later proves legitimate.

FINRA should specifically emphasize that firms exercising Rule 2166 authority must calibrate their use of holds so that Americans are not effectively penalized for following existing rules, only to find their accounts frozen for extended periods while criminals exploit weaknesses elsewhere in the system.

Lastly, ASA supports ongoing efforts to clarify how complaints related to Rule 2165 and proposed Rule 2166 activity are treated for regulatory-reporting and Form U4 purposes. In particular, the promise of a safe harbor is undermined if associated persons acting in good faith to protect customers can still face Form U4 marks or other adverse consequences when a disgruntled customer later complains. FINRA should require that good-faith reliance on the Rule 2165 and 2166 safe harbors will *not*, standing alone, result in reportable events or "U4 dings" when a victim or other complainant lashes out. The promise of a safe harbor is undermined—and incentives to report and intervene promptly are weakened—if associated persons acting in good faith to protect customers can still face Form U4 marks or other adverse consequences when a disgruntled customer later complains. Regulators need to align their reporting frameworks with the broader public-policy imperative of encouraging firms to immediately surface emerging frauds and not punish them for doing so.

IV. Information Sharing and Smaller-Firm Implementation.

ASA supports FINRA's clarifications that appropriate disclosures to trusted/emergency contacts, other financial institutions, and relevant authorities for fraud-prevention purposes generally fit within Regulation SP exceptions and Section 314(b) of the USA PATRIOT Act. At the same time,





ASA reiterates its concerns—raised with Congress—about large-scale, centralized regulatory data-collection efforts that aggregate vast amounts of personally identifiable and financially sensitive information, such as the SEC’s Consolidated Audit Trail (CAT).

When such databases are compromised, American investors and savers bear the brunt of the resulting fraud and cyber risk. To aid consistent, risk-based practices—especially at smaller and regional firms—FINRA should provide guidance or FAQs summarizing permissible information-sharing pathways, with cross-references to SEC and FinCEN guidance and scalable examples for firms without large-firm infrastructure.

We also urge continued emphasis on strong identity-verification and authentication processes when sharing information to ensure that counterparties are legitimate and customer data is protected. FINRA could highlight examples of reasonable verification controls to show how privacy and fraud-prevention objectives can be advanced together. When mass surveillance databases, like CAT, are compromised American investors and savers bear the brunt of the resulting fraud and cyber risk.

V. Additional Investor-Protection Considerations.

To further inform FINRA’s efforts, ASA draws on its recent work with Congress, including a May 16, 2023 comment letter³ to the House Select Committee on the Chinese Communist Party and testimony⁴ prepared for an April 9, 2025 hearing of the Senate Special Committee on Aging. In those materials, ASA details how the Chinese Communist Party and its affiliates have exploited U.S. capital markets, used opaque corporate structures, and sponsored cyber-enabled theft of Americans’ personal and financial data—developments that provide concrete evidence of the evolving fraud risks facing retirees and other retail investors and thus are directly relevant to FINRA’s senior-protection initiative.

In addition, we encourage FINRA to recognize explicitly that senior-investor fraud risk increasingly arises from sophisticated foreign cyber and data-exfiltration campaigns that target financial institutions and their customers, including schemes linked to the Chinese Communist Party’s state-sponsored hacking apparatus.

State actors and affiliated cybercriminals have already demonstrated their ability to steal vast troves of sensitive personal and financially identifiable information (PII) from U.S. companies and

³ ASA Submits letter to the Select Committee on the Chinese Communist Party, May 16, 2023, available here: <https://files.constantcontact.com/ca98267e701/50657974-148a-4259-8f99-e6211115594b.pdf>.

⁴ Testimony of Christopher A. Iacovella, President & CEO, American Securities Association, Hearing Entitled “Financial Aggression: How the Chinese Communist Party Exploits American Retirees and Undermines National Security.” United States Senate Special Committee on Aging and the United States House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party, available here: <https://www.congress.gov/119/meeting/house/118132/witnesses/HHRG-119-ZS00-Wstate-IacovellaC-20250409.pdf>.





government agencies, which can then be weaponized to impersonate seniors, defeat authentication protocols, and facilitate account takeovers and imposter scams.

Given this environment, FINRA's rules and guidance should emphasize robust, risk-based controls around the collection, storage, and transmission of investor PII, and should support member firms that implement conservative measures designed to minimize the amount of exploitable data available to fraudsters—particularly where seniors are concerned.

We also urge FINRA to warn American investors, especially retirees and those saving for retirement, of the unique fraud and exploitation risks posed when U.S. investors are indirectly exposed to opaque foreign companies through index products and other pooled vehicles.

Experience with Chinese issuers illustrates how regulatory and transparency gaps abroad can allow Enron-like frauds to enter U.S. portfolios via passive index strategies, leaving ordinary investors bearing losses they could not reasonably have anticipated or understood. While FINRA does not set index-construction policy, it can play an important role by encouraging firms to provide clear, plain-English disclosures about these structural risks, to incorporate heightened due-diligence and surveillance expectations for products with exposure to jurisdictions where basic auditing, disclosure, and governance standards are not reliably enforced, and to treat recommendations of such products to seniors as higher-risk activity for purposes of supervision and surveillance.

VI. Conclusion.

ASA appreciates FINRA's continued focus on protecting senior investors and combating fraud and exploitation affecting all investors and is broadly supportive of the proposal in Regulatory Notice 26-02. With the targeted refinements described above, we believe the framework will better enable firms to prevent and mitigate fraud and financial exploitation while preserving investor autonomy, market efficiency, and operational viability.

Our member firms stand ready to provide additional data and case studies from their front-line experience, and we welcome the opportunity to continue working with FINRA on these important issues.

Sincerely,

Jessica Giroux

Jessica Giroux
Chief Legal Officer
American Securities Association

