



March 9, 2026

VIA ELECTRONIC SUBMISSION

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 26-02

Dear Ms. Piorko Mitchell:

SIFMA¹ submits comments in response to Regulatory Notice (“RN”) 26-02.² We appreciate FINRA’s commitment to working with the industry to protect customers from fraud and financial exploitation. We support the efforts of FINRA and are making some suggestions to further improve these proposals.

Rule 4512; Trusted Contact Amendments

We support the proposal from FINRA to allow member firms to use the term “emergency contact” as an alternative to “trusted contact person.” Such an option is likely to increase clients’ designation of trusted contacts as they will understand the term “emergency contact” more easily than “trusted contact.” Adding this option enables firms to assess the terminology that best works for their client base, as firms work diligently to increase the number of trusted contacts attached to accounts.

We support FINRA providing the flexibility for a customer to name a trusted or emergency contact for use across all the customer’s accounts at the member firm. For some of our member firms, it would be more effective to identify a trusted contact at the client level, because it is the client – not the account– that is being exploited. We also have member firms where, due to their business model, internal structures, and primary clientele, it would be more effective to set up trusted contacts at the account level. Therefore, we request that FINRA clarify that a firm can choose whether to provide clients the option to appoint a trusted contact at either the client *or* account level only, since requiring firms to adopt a hybrid approach on a client-by-client basis could impose significant technological and substantive challenges counter to this very positive change.

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s one million employees, we advocate on legislation, regulation and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (“GFMA”). For more information, visit <http://www.sifma.org>.

² RN 26-02 (Jan. 8, 2026), <https://www.finra.org/rules-guidance/notices/26-02>.

We Support Rule 2165's Temporary Hold Amendments with Broader Contours

We support the proposed extension of Rule 2165's maximum hold period from 55 business days to 145 business days.³ This additional time is necessary to investigate and correspond with, including but not limited to, adult protective services, law enforcement, and other agencies of competent jurisdiction. Given that this critical process can take longer, we support the ability for various parties to extend the hold, but request that the requirement to ask the appropriate parties for an extension be 45 instead of 30 days. Based on the collective experiences of our member firms that regularly work with these under-resourced agencies, more frequent outreach would be more disruptive for all parties involved.

We also support explicitly including federal authorities among the entities whose involvement may justify extending a temporary hold. While some firms may need to update internal coordination procedures to accommodate this enhancement, we believe this will improve protection for clients.

In addition, we support expanding the category of individuals authorized to place, extend, or terminate temporary holds to include trained specialists in senior-investor protection or fraud prevention, noting that these individuals often handle such matters in practice.

Finally, we support codifying FAQ guidance allowing firms to rely on informal requests from authorities when extending holds, provided the firm documents the request.

Changes Requested to Rule 2166's "Speed Bump" Provisions to Better Protect Clients Against Fraud

We support Proposed Rule 2166 to allow a firm to hold disbursements or transactions when there is a reasonable belief of fraud. We appreciate that this is designed as a safe harbor, as opposed to a requirement. By designing this as a safe harbor, it becomes an additional tool in firms' toolbox to address fraud against clients. We recommend FINRA clarifying in the rule's language that firms can choose not to utilize this safe harbor, but instead may continue to address suspected fraud through contractual rights, account agreements, or other means.

The proposed hold from 5 business days to 10 business days (or more) is a necessary adjustment for the rule since these frauds often take more time to investigate, escalate, and remediate. Clients sometimes take more than 5 business days to respond to fraud inquiries and may not be persuaded that their transaction is potentially fraudulent in their first interaction with the firm. Additional time may be needed for verification to ensure that member firms can protect their client. In fact, the additional days are necessary in some situations to protect the client properly. For example, ACH-related fraud matters may involve recall windows of up to 60 days; thus, it is our position that would be the most appropriate timeframe.⁴

³ SIFMA would encourage states to consider the extra time to resolve potential exploitation.

⁴ NACHA Operating Rules on Reversals and Enforcement, effective June 30, 2021

(<https://www.nacha.org/rules/reversals-and-enforcement>); Regulation E also includes a 60 day timing for notifying an institution of an error (12 CFR Par 1005.11) (<https://www.consumerfinance.gov/rules-policy/regulations/1005/11/>)

While we can appreciate that FINRA was looking to model new Rule 2166 after Rule 2165, we do not believe that all the included aspects of 2165 are appropriate to apply to the new Rule 2166. For example, we are concerned about a requirement to notify all authorized parties and any trusted contact when there is suspected fraud but no client vulnerability has been identified. Instead, we would prefer that reaching out to other authorized parties and any trusted contact be an option in situations where that may be helpful. Generally, fraud against all customers occurs at a much higher rate than exploitation of older or vulnerable clients, and many of these cases are addressed just by notifying the customer of fraud concerns. When no client vulnerability has been identified, outreach to a trusted contact may slow the process down unnecessarily or lead to the client's frustration, which may frustrate firms' ability to secure trusted contacts for as many accounts as possible. This is especially true when a client notification is the only intervention needed to quickly address the issue. Clients may view mandatory notifications as intrusive and unnecessary overreach into their financial privacy, and existing law already allows a firm to reach out to a trusted contact where appropriate.

We would appreciate FINRA's guidance how we could turn a 2166 speed bump into a 2165 hold. We could see such a conversion process to be desirable in cases where we investigate, place a speed bump, and then determine that there is a vulnerability that would be appropriate for a 2165 hold. We request clarification that, at that point, we could begin the 2165 hold process.

Exempt firms from reporting customer complaints relating to holds.

Lastly, the industry urges FINRA to issue guidance that clearly exempts customer complaints reporting of holds which are enacted for suspected fraud. Such important holds are often made at the corporate level, in the name of protecting the client. As a result, we believe these types of holds are not appropriate to include as a regular customer complaint. Related, we do not believe these types of complaints would need to be included in the 4530 reporting.

In the alternative, FINRA should exempt such complaint's inclusion on the individual advisor's Form U4. The individual advisers are not the ones determining whether to hold a suspicious transaction and therefore should not be marked with a complaint on their record for an activity in which they have no discretion – or for which the adviser did the right thing by escalating the concern. Without additional guidance, where these situations occur, there can be a significant chilling effect on reporting within a firm.

SIFMA appreciates your consideration of our comments and would be pleased to discuss them in detail and answer any questions you may have.

Sincerely,

Lisa J. Bleier

Head, Wealth Management, Retirement and State Government Relations