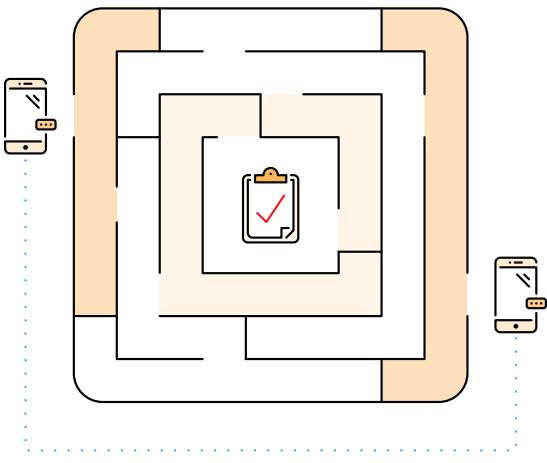
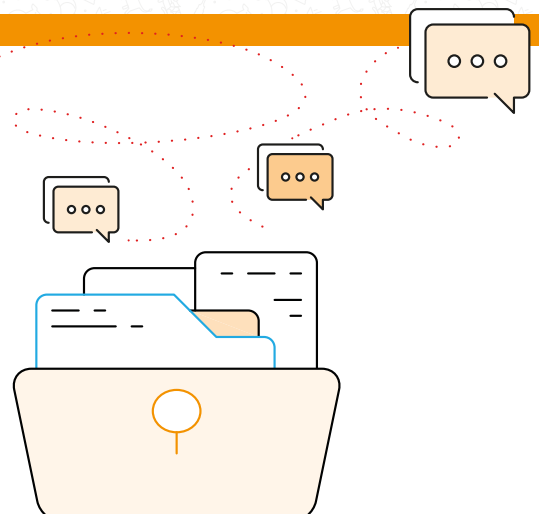


U.S. SEC & FINRA ENFORCEMENT ACTIONS AGAINST NON-COMPLIANT TEXT MESSAGING

PERTINENT U.S. SEC & FINRA RECORDKEEPING RULES

To prevent investment fraud and market abuse, the U.S. SEC and FINRA require financial services firms to retain all their electronic business communications, including text messages. FINRA reiterated this requirement in Regulatory Notice 17-18, which states:

"[E]very firm that intends to communicate, or permit its associated persons to communicate, with regard to its business through a text messaging app or chat service must first ensure that it can retain records of those communications as required by [SEC Rules 17a-3 and 17a-4](#) and [FINRA Rule 4511](#)."



COMMON COMPLIANCE CHALLENGES & PITFALLS

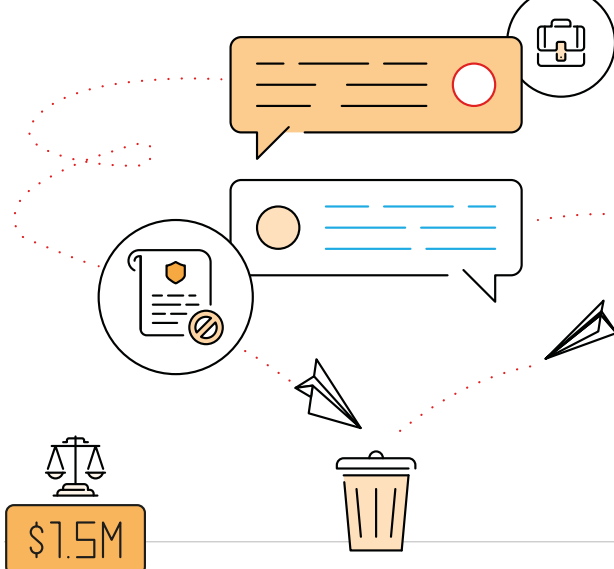
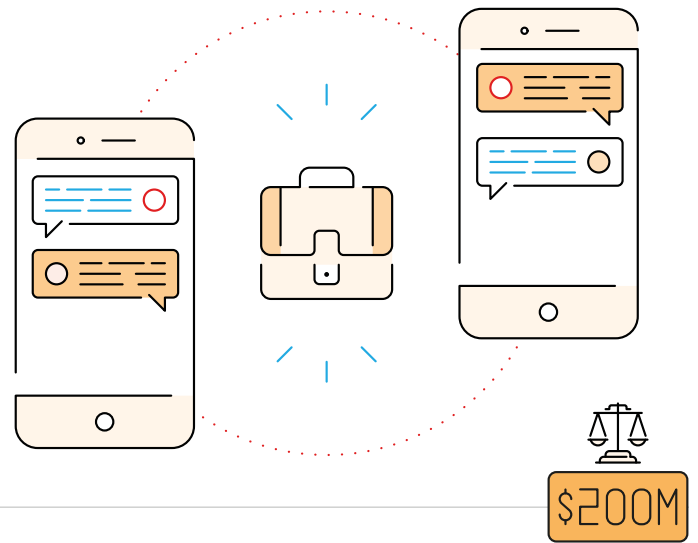
Many firms still fail to comply with SEC and FINRA recordkeeping rules due to a lack of awareness or plain negligence. In other cases, some firms have completely banned the use of text for business communications, often creating more compliance and security issues than they actually solve.

Despite their firm's 'no-texting' policy, advisors are known to secretly communicate with customers via text (the latter's preferred communication method) rather than risk losing their business. Firms commonly fail to capture these communications, prompting financial regulators to crack down on violators and impose stiff penalties and fines.

RECENT SEC & FINRA ENFORCEMENT ACTIONS AGAINST NON-COMPLIANT TEXTING

2021:

A total of \$200 Million was charged to a firm by the SEC and Commodity Future Trading Commission. Employees were using their personal devices to send text messages and WhatsApp messages on business related matters. This is the largest electronic communications fine in history to date.

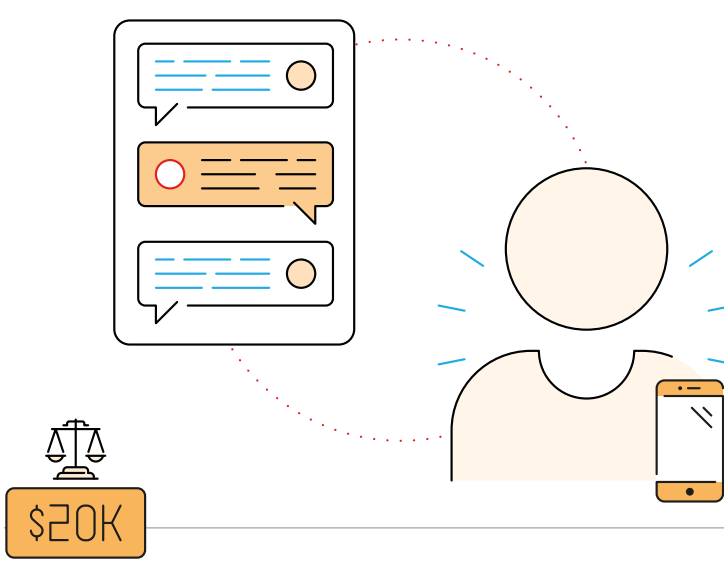
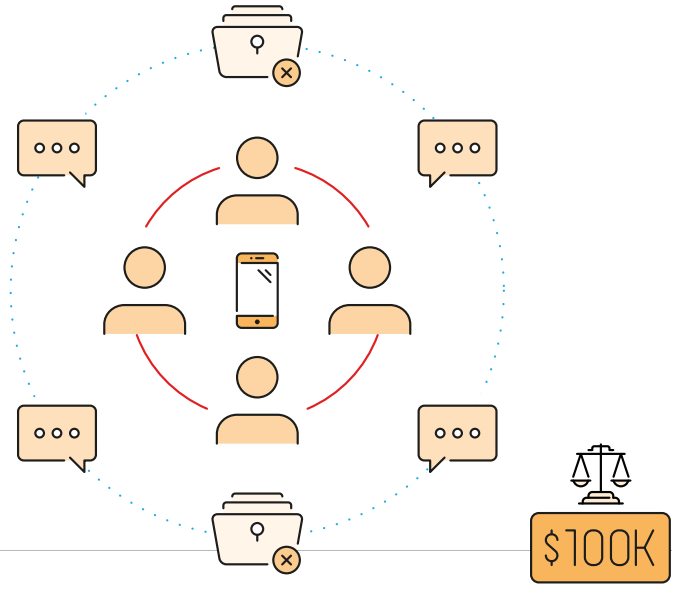


2021:

An international firm was fined \$1.5 million for failing to implement an adequate supervisory system, and neglecting to capture text messages between employees and customers. The advisor involved also received a two-month suspension and a \$15,000 fine.

2020:

A California broker-dealer was fined \$100,000 and censured for failing to capture and preserve business text messages that its representatives exchanged with customers and with each other. This is the first-ever fine issued exclusively for non-compliant texting by the SEC.

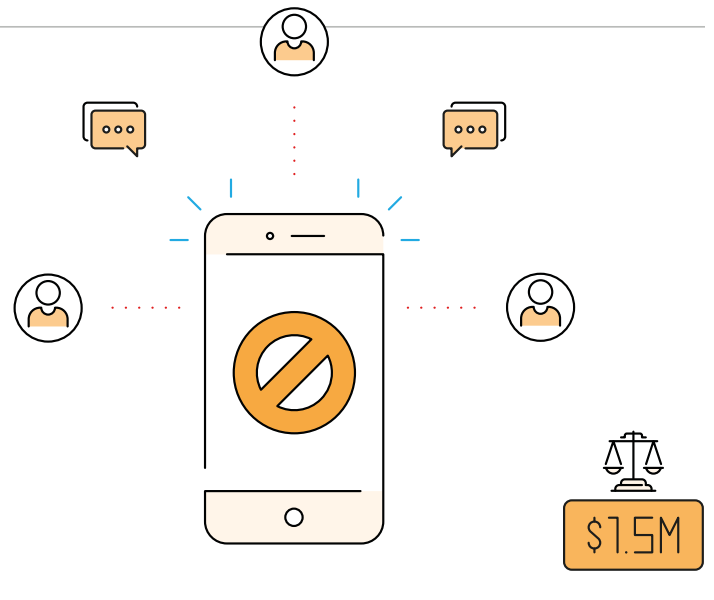


2018:

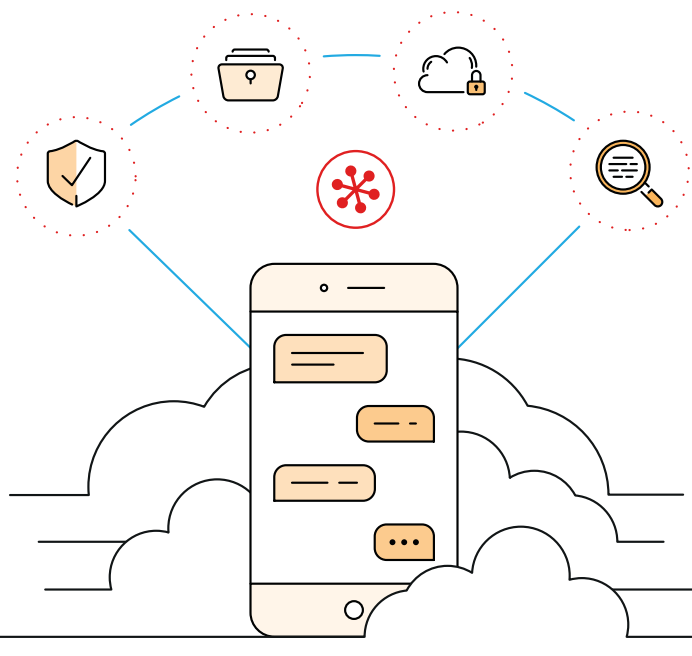
A New Jersey advisor was fined \$20,000 and suspended partly for conducting securities business via text, unbeknownst to the advisor's firm. The firm did not retain or review the advisor's text messages, estimated at 200-400 exchanged messages per month over a two-year period.

2016:

A Georgia firm was fined \$1.5 million and censured in part for failing to retain a million text messages sent to and from firm-issued devices over a six-year period. The firm had a 'no-texting' policy that certain employees violated.



LOOKING FOR A COMPLIANT TEXTING SOLUTION?



GLOBAL RELAY CAN HELP.

Financial organizations are facing increased scrutiny for the controls they've implemented to capture and retain their business text messages. Global Relay's [Unified Communications](#) platform provides a text messaging solution purpose-built to address the communication and compliance needs of financial firms. All conversations exchanged within the platform are compliantly captured and preserved in a secure cloud, where they can be easily supervised, accessed, and retrieved.

To learn more, contact a Unified Communications representative at: collaborate@globalrelay.net