



Kingswood 2025 Annual Compliance Update

San Antonio Conference

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P.O.I.N.T.

- P- Procedures
- O- Oversight
- I- Investigation
- N- Notification
- T- Testing

P.R.O.C.E.D.U.R.E.S.

- P — *Policies*
R — *Reviews*
O — *Oversight*
C — *Controls*
E — *Escalations*
D — *Documentation*
U — *Understanding*
R — *Reporting*
E — *Examinations*
S — *Supervision*

Agenda

- Regulatory Landscape & Key Trends
- Enforcement Highlights & Case Studies
- Cybersecurity & Third-Party Risk
- Reg BI & Senior Clients
- Trading Practices & Market Integrity
- Compliance Enhancements
- Q&A

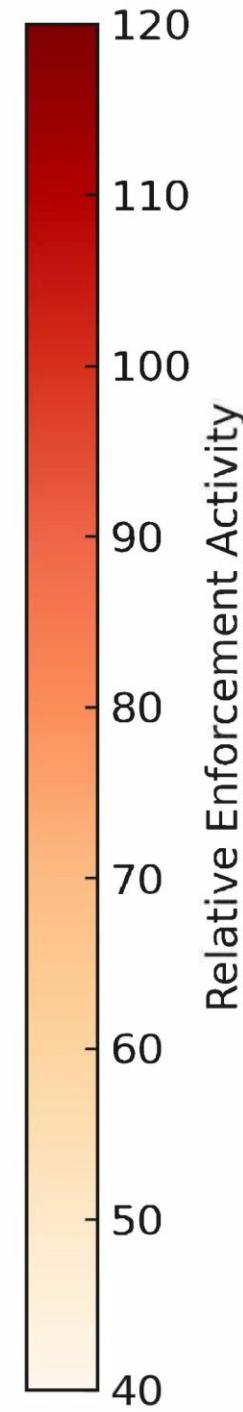
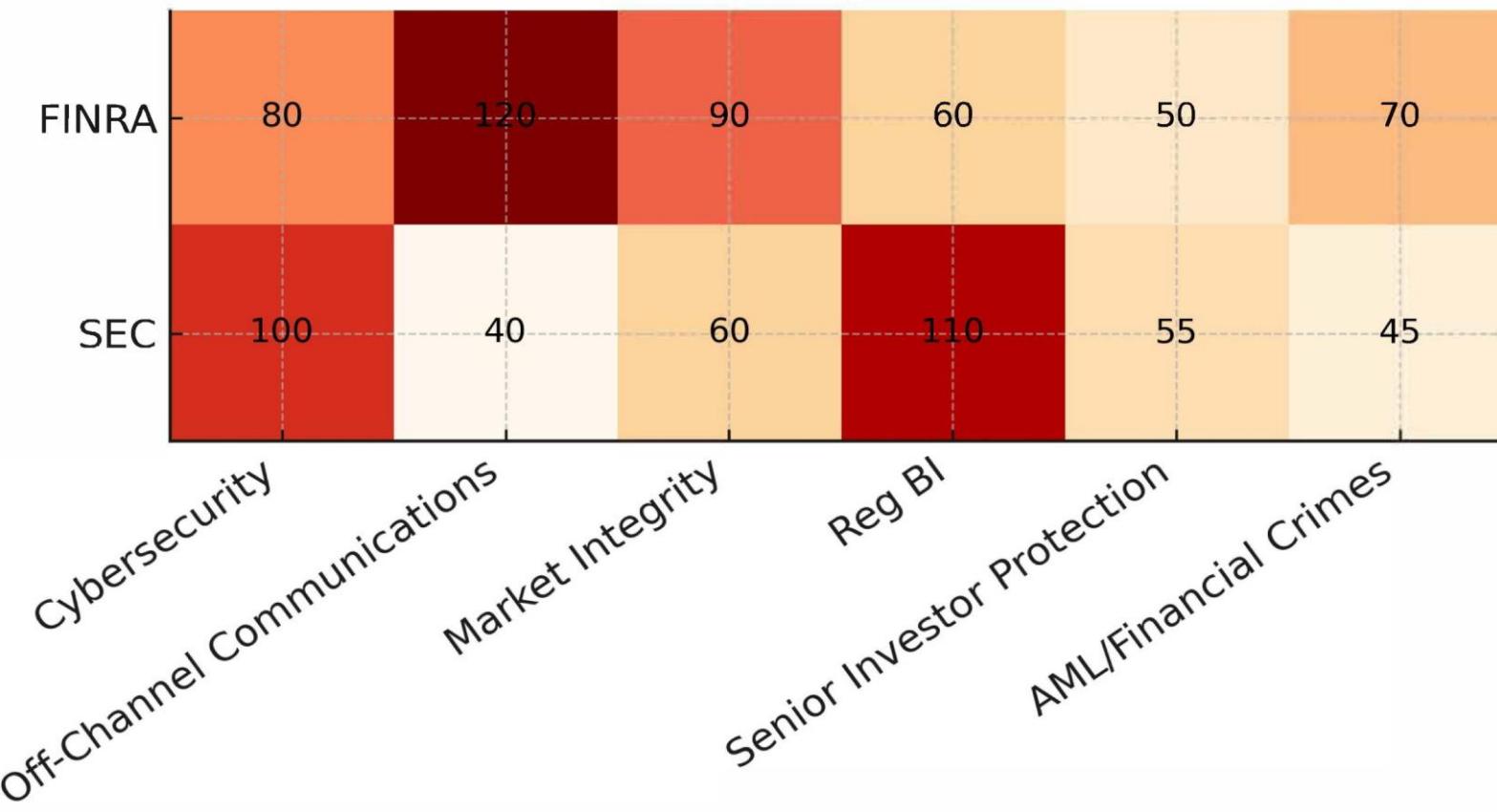
SEC Priorities 2025

- Focus on retail investor protection and fiduciary duty
- Exam priorities: cybersecurity, outsourcing, valuation of hard-to-value assets
- Enforcement actions totaling over \$8B in 2024
- Emphasis on technology oversight and disclosure accuracy

FINRA Priorities 2025

- Cybersecurity, third-party oversight, and off-channel communications
- Senior and vulnerable investor protection
- Extended-hours trading risk
- Market integrity and recordkeeping enforcement

Enforcement Heat Map – FINRA vs SEC Activity



Enforcement Examples

- FINRA: \$390M fines for unapproved messaging (2024)
- Lesson: Failures in supervision, documentation, or disclosure = enforcement risk

Enforcement Example

- **Sanction:** Six-month suspension.
- **Conduct:** Used WhatsApp with customers to receive trade instructions, discuss account performance, and handle complaints between November 2020 and January 2022; none of those communications were captured by the firm.
- **Regulatory theme:** FINRA treated this as securities-related business being conducted “off-channel,” which is both a supervision/retention problem and a books-and-records problem.
- **Source:** FINRA announcement summarized June 3, 2024

Enforcement Example

- **Sanction:** \$5,000 fine; 4-month suspension from associating with any FINRA member in all capacities.
- **Conduct:** Engaged in business-related text messages and emails using personal devices, and failed to provide copies of those communications to the firm. FINRA described “thousands” of off-channel communications with a customer concerning account performance, trades, and even profit-sharing.
- **Regulatory theme:** Off-channel communications used in part to hide a prohibited profit-sharing arrangement; failure to provide those messages to the firm caused incomplete books and records.
- **Source:** FINRA AWC dated July 11, 2025; published in September 2025 Disciplinary and Other FINRA Actions.

Enforcement Continued

- SEC enforements down by as much as 75%
- Focus on fraud and client harm and misuse of data

Cybersecurity & Third-Party Risk

- FINRA highlights cyber/outsourcing as top 2025 priority
- Vendor management: contract oversight, periodic reviews, breach notification
- Data encryption, MFA, and incident response testing
- AI and automation controls under regulatory scrutiny

Reg BI & Senior Clients

- Reg BI: Ensure recommendations serve client's best interest
- Disclose conflicts clearly; document rationale for recommendations
- Senior clients: heightened supervision and vigilance for exploitation
- Monitor account turnover and unusual withdrawals

Trading Practices & Market Integrity

- Excessive trading (churning) remains a FINRA enforcement focus
- Extended-hours trading carries added suitability risks
- Supervisory alerts for high turnover or in/out trading patterns
- Ensure marketing and communications are balanced and compliant

Compliance Program Enhancements

- Revise policies on cyber, vendor oversight, and trading supervision
- Third party Cyber Vendor- Penetration and Phishing tests and ensuring all devices using best practices
- Enhance training and monitoring for senior client and Reg BI topics
- Implement system enhancements include cypher and in-house projects

Key Takeaways

- Regulators emphasize retail investor protection and supervision quality
- Cyber, tech, and outsourcing are central compliance risks
- Senior client and Reg BI focus continues to intensify
- Proactive compliance culture reduces enforcement exposure

Q&A

- Mike Alsoraimi
- Stacey Lavender
- Tyler Bashaw