Plymouth Institute for Free Enterprise

FINRA Reform

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TOPLINE: FINRA's regulatory responsibilities should be moved to the SEC. Otherwise, Congress and the SEC need to substantially reform FINRA.

BACKGROUND: Created in 2007, FINRA is the primary regulator of U.S. broker-dealers. In 2025, FINRA had a budget of about $1.7 billion and 3,600 employees. In 2025, the Securities and Exchange Commission (SEC) had a budget of $2.1 billion and 4,100 employees. FINRA is neither a true self-regulatory organization nor a government agency. It is largely unaccountable to the industry or to the public. Due process, transparency, and regulatory-review protections normally associated with regulators are not present. FINRA inadequately protects investors and has had a dramatic negative impact on small broker-dealers who serve entrepreneurs. The number of broker-dealers has fallen 36% from 5,000 in 2007 to 3,184 in 2025.

Action Items (Congress and the SEC): Preferably, FINRA's regulatory functions should be moved to the SEC. Otherwise, FINRA should be reformed as follows:

- **Open FINRA's Board of Governors' meetings to the public** unless the board votes to meet in executive session for allowable reasons. Make FINRA's Board agenda available to the public in advance. Publish and seek comments regarding proposed rulemakings that the Board is expected to consider. Publish Board minutes without delay.
- **Open FINRA arbitration and disciplinary hearings to the public** and report results. Require FINRA arbitrators to make findings of fact and law based on the evidentiary record and demonstrate how those facts led to the award given under the law (except with respect to very small claims). These written FINRA arbitration decisions should be subject to SEC review and limited judicial review.
- **FINRA fines should go to a newly established investor reimbursement fund or to the Treasury**. It should not have a financial interest in imposing fines.
- **Submit an annual report to Congress with detailed information** about budget and fees; enforcement activities; dispute resolution activities; and rulemaking activities. Congress should conduct annual oversight hearings on FINRA.

How FINRA Regulations Have Made Life Less Affordable:

- FINRA imposes a large burden on small broker-dealers who help small firms raise capital. This has forced a great many small broker-dealers to close or merge with larger firms. This has adversely affected innovation and competition, leading to higher prices, greater concentration, and fewer consumer (and investor) choices.

Related Legislation: Restoring Accountability in Market Supervision Act (H.R. 2689).

BOTTOMLINE: FINRA's regulatory responsibilities should be moved to the SEC or substantially reformed.