

Chapman Client Alert

October 28, 2016

Current Issues Relevant to Our Clients

FINRA Launches Sweep Exam on Broker-Dealer Cross-Selling Programs

The Financial Industry Regulatory Authority (“FINRA”) announced that it is conducting a sweep examination on broker-dealer firms to look into incentives and business practices that may encourage employees to engage in inappropriate cross-selling activities. In particular, FINRA is looking at how broker-dealer firms promote bank products of their affiliates or parent company to broker-dealer retail customers, add features like checking accounts, securities-based loans and credit cards to broker-dealer retail customer accounts and open additional broker-dealer retail accounts for customers. Like many regulatory organizations, FINRA is focusing on these cross-selling activities in the wake of the issues associated with certain bank cross-selling programs.

FINRA is requesting production of information relating to the period from January 1, 2011 through September 30, 2016. The requests focus on information relating to:

- **Communications with employees** relating to cross-selling programs including training programs, seminars and marketing materials including information about the involvement of affiliated banking institutions with these materials and programs;
- **Employee evaluation and incentivizing** relating to cross-selling programs including performance metrics, disciplinary actions, promotions and termination decisions;
- **Unauthorized customer account opening or modification** where accounts or features were added without their consent and whether these activities related to cross-selling programs;
- **Revenues** associated with cross-selling programs;
- **Compliance efforts** taken to supervise and control unsuitable cross-selling activities including escalation procedures;
- **Investor, employee and whistleblower complaints, litigation, arbitration and actions** related to cross-selling programs including detailed information about the status and/or resolution of these matters by firms; and
- **Internal and external reviews of cross-selling programs** by auditors, consultants, law firms, boards of directors, executive management committees and others including detailed information about findings and corrective actions taken.

A summary of the information requested by FINRA in certain sweep examination letters is available [here](#).

[For More Information](#)

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