SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-106963; File No. SR-FINRA-2026-019]

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving a Proposed Rule Change to Amend FINRA Rule 4522 (Periodic Security Counts, Verifications and Comparisons) to Modify Position Statement and Reconciliation Requirements for Members Holding Certain Alternative Investments

November 23, 2026.

I. Introduction

On August 25, 2026, the Financial Industry Regulatory Authority, Inc. ("FINRA") filed with the Securities and Exchange Commission ("SEC" or "Commission"), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Exchange Act")[1] and Rule 19b-4 thereunder,[2] a proposed rule change to amend FINRA Rule 4522 (Periodic Security Counts, Verifications and Comparisons) to except FINRA members holding uncertificated investments in unregistered investment funds from certain provisions of paragraph (b)(1) of the rule.

The proposed rule change was published for public comment in the Federal Register on September 9, 2026.[3] The comment period closed on September 30, 2026. The Commission received one comment letter in response to the Notice.[4] On October 22, 2026, FINRA consented to extend until December 8, 2026, the time period in which the Commission must approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine

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1 15 U.S.C. 78s(b)(1).

2 17 CFR 240.19b-4.

3 See Exchange Act Release No. 106269 (Sep. 3, 2026), 91 FR 57402 (Sep. 9, 2026) (File No. SR-FINRA-2026-019) ("Notice"), https://www.govinfo.gov/content/pkg/FR-2026-09-09/pdf/2026-18292.pdf.

4 The comment letter received in response to the Notice is available at https://www.sec.gov/rules-regulations/public-comments/sr-finra-2026-019.

whether to approve or disapprove the proposed rule change.[5] On November 9, 2026, FINRA responded to the comment received in response to the Notice.[6]

This order approves the proposed rule change.

II. Description of the Proposed Rule Change

FINRA Rule 4522 requires each FINRA member that is subject to the requirements of SEC Rule 17a-13[7] to make the counts, examinations, verifications, comparisons and entries set forth in SEC Rule 17a-13.[8] Further, each FINRA member that is a carrying or clearing member subject to SEC Rule 17a-13 is required to make more frequent counts, examinations, verifications, comparisons and entries where prudent business practice would require,[9] and must receive positions statements as frequently as good business practice requires, but no less than once per month with respect to securities held by clearing corporations, other organizations or custodians.[10] Moreover, each such FINRA member must, at least once per month, reconcile all such securities and money balances by comparing the clearing corporations' or custodians' position statements with the books and records of the FINRA member and promptly report differences to the contra organization, which must be promptly resolved by both.[11]

The proposed rule change would except from paragraph (b)(1) of FINRA Rule 4522 all uncertificated investments in unregistered investment funds as set forth in the proposed rule

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5 See Letter from Adam Arkel, Associate General Counsel, Office of General Counsel, FINRA, dated Oct. 22, 2026, https://www.finra.org/sites/default/files/2026-10/SR-FINRA-2026-019-Extension-20261022.pdf.

6 See Letter from Adam Arket, Associate General Counsel, Office of General Counsel, FINRA, dated Nov. 9, 2026, https://www.sec.gov/comments/SR-FINRA-2026-019/srfinra2026019-1128739-4019566.pdf (the "FINRA Letter").

7 17 CFR 240.17a-13.

8 See FINRA Rule 4522(a).

9 See FINRA Rule 4522(b).

10 See FINRA Rule 4522(b)(1).

11 See id.

language.[12] FINRA stated that the proposed rule change would apply where ownership by the FINRA member or its customers of such investment is directly recorded on the issuer's ownership registry maintained by the issuer or its agent or, if no such registry exists, is directly recognized by the issuer.[13] To implement this change, FINRA proposed to revise the first sentence of paragraph (b)(1) by adding an exception to the general requirement for a FINRA member that is a carrying or clearing member subject to the requirements of SEA Rule 17a-13 to "[r]eceive position statements as frequently as good business practice requires, but no less than once per month with respect to securities held by clearing corporations, other organizations or custodians" with respect to "uncertificated investments in unregistered investment funds, where ownership by the member or its customers of such investments is directly recorded on the issuer's ownership registry maintained by the issuer or its agent or, if no such registry exists, is directly recognized by the issuer."[14] Moreover FINRA proposes to revise the second sentence of paragraph (b)(1) to clarify that broker-dealers excepted from the monthly position statement requirement described in paragraph (b)(1) would be required to perform a quarterly, rather than monthly, reconciliation and resolution of differences between securities and money balances in the custodians' statements versus the broker-dealer's own books and records.

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12 See Notice at 57403.

13 FINRA also noted that members will continue to be subject to FINRA Rule 4522(b), which states: "Each carrying or clearing member subject to the requirements of SEA Rule 17a-13 shall make more frequent counts, examinations, verifications, comparisons and entries where prudent business practice would so require." FINRA stated that this requirement would continue to apply to uncertificated investments in an unregistered fund or security excepted from FINRA Rule 4522(b)(1) by the proposed rule change, and that FINRA firms should have policies and procedures in place to ensure compliance with this provision of the rule. See Notice at 57403.

14 See FINRA Rule 4522, as proposed to be amended.

III. Discussion and Commission Findings

After careful review of the proposed rule change, the comments received, and FINRA's response to the comments, the Commission finds that the proposed rule change is consistent with the requirements of the Exchange Act and the rules and regulations thereunder that are applicable to a national securities association.[15] Specifically, the Commission finds that the proposed rule change is consistent is consistent with Section 15A(b)(6) of the Exchange Act, which requires, among other things, that FINRA rules be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals of trade, and, in general, to protect investors and the public interest.[16]

The Commission received one comment letter. The commenter indicated support for the proposed rule change but requested that FINRA provide clarification regarding several matters. Specifically, the commenter requested that FINRA clarify that a position statement relied upon for purposes of the exception should reflect a valuation actually performed as of (or reasonably proximate to) the applicable period, and that FINRA members should not treat a rolled-forward estimate as meeting the requirement, but also stated that FINRA should confirm that a member may reasonably rely on an issuer's (or its agent's) statement or representation that reported figures reflect such a valuation, and that FINRA members will not be deemed out of compliance where an issuer furnishes a rolled-forward estimate without indicating it as such.[17] In response, FINRA stated that the request is outside the scope of the proposed rule change as the proposed

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15 In approving this rule change, the Commission has considered the rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

16 15 U.S.C. 78o-3(b)(6).

17 See Letter from Stephen Byron, Managing Director, Head of Operations, Technology, Cyber & BCP, and Anthony Macchiarulo, Vice President, Financial Services Operations & Assistant General Counsel, SIFMA, dated Sep. 30, 2026 (the "SIFMA Letter") at 2.

amendments address the frequency of reconciliations but not what constitutes an adequate reconciliation.[18]

The commenter also requested that FINRA to clarify whether the proposed amendments were limited to "capital balance funds,"[19] stating that many uncertificated, unregistered funds report on a unitized, per-share basis, and that FINRA member firms should not be required to apply different approaches depending on whether a particular alternative investment reports in dollars or units.[20] In response, FINRA confirmed that the proposed rule change would apply to all uncertificated investments in unregistered investment funds that are within the scope of the proposed rule language, not just capital balance funds.[21]

Further, the commenter requested FINRA to reaffirm that the quarterly reconciliation cadence is a floor, and to confirm that the "good business practice" standard in FINRA Rule 4522(b)(1) would continue to apply to investments excepted from the monthly requirement.[22] FINRA confirmed in its response that the requirement to make more frequent counts, examinations, verifications, comparisons and entries where prudent business practice would so require would continue to apply to investments excepted from FINRA Rule 4522 under the proposed amendments.[23]

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18 See FINRA Letter at 2.

19 "Capital balance funds" for purposes of this proposed rule change and the SIFMA Letter are defined in a related No-Action letter recently issued by the Commission. *See* Letter regarding Capital Balance Fund Reconciliations from Raymond A. Lombardo, Assistant Director, SEC Division of Trading & Markets, to Mark M. Attar of Stradley Ronon Stevens & Young, LLP and counsel to Raymond James & Associates, Inc., dated January 6, 2026, https://www.sec.gov/files/ tm/no action/raymond-james-associates-inc-010626.pdf.

20 See SIFMA Letter at 2.

21 See FINRA Letter at 2-3.

22 See SIFMA Letter at 2-3.

23 See FINRA Letter at 3.

The commenter stated that FINRA member firms should not be subject to regulatory exposure for reasonably relying on the reporting schedule of a fund administrator, which may differ from a fund's own valuation cycle and which is outside of a FINRA member firm's control.[24] FINRA responded by stating that FINRA Rule 4522(b)(1) goes to the member firm's obligations, not the reporting schedules of third parties. FINRA further stated that while Rule 4522 does not prevent a member from placing reliance on such schedules, FINRA members would need to comply with the reconciliation cadence requirements and other requirements in the proposed rule, including the requirement to comply with SEC Rule 17a-13.[25]

Lastly, the commenter encouraged FINRA to continue to engage with member firms on matters related to the underlying timing and data-quality challenges of alternative investments.[26] In response, FINRA indicated that it would welcome further engagement.[27]

As discussed above, the proposed rule change would provide for a new exception from the requirements for FINRA member firms to receive position statements and reconcile securities and money balances, with respect to uncertificated investments in unregistered investment funds, no less than once per month. Due to the nature of many uncertificated investments in unregistered funds, issuers of such alternative investments may not be able to provide current position information with respect to customer ownership interests as frequently as required by FINRA Rule 4522. Consequently, meeting the requirements of FINRA Rule 4522 may be impracticable for FINRA members. The proposed rule change will reduce regulatory compliance burdens on FINRA member firms while also providing greater clarity to FINRA

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24 See SIFMA Letter at 3.

25 See FINRA Letter at 3.

26 See SIFMA Letter at 3.

27 See FINRA Letter at 3-4.

members regarding the treatment of such securities for the purpose of FINRA Rule 4522. Further, investors will continue to receive the protections afforded by the security count and reconciliation requirements of FINRA Rule 4522, even if less frequently than is currently mandated under the rule, as FINRA member firms must still take into consideration the requirements of prudent business practices in determining the frequency of conducting the required counts, comparisons and reconciliations. Additionally, the proposed rule change may encourage more FINRA members to offer alternative investments to customers as a result of the enhanced clarity and reduced regulatory burden, which could expand the investment opportunities and choices available to customers of FINRA member firms.

IV. Conclusion

For, these reasons discussed above, the Commission finds that the proposed rule change is consistent with the requirements of Section 15A(b)(6) of the Exchange Act[28] that the FINRA proposed rule change be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principals of trade, and, in general, to protect investors and the public interest.

[28] 15 U.S.C. 78o-3(b)(6)

IT IS THEREFORE ORDERED pursuant to Section 19(b)(2) of the Exchange Act[29] that the proposed rule change (SR-FINRA-2026-019) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.[30]

Stephanie J. Fouse,

Assistant Secretary.

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29 15 U.S.C. 78s(b)(2).

30 17 CFR 200.30-3(a)(12).