

## **CONDUCT AND CULTURE:** A GROWING FOCUS FOR U.S. REGULATORS?

Conduct and culture are critical components of a functioning firm. When a healthy culture is fostered and proper conduct is exemplified by leaders, the message trickles down to personnel and propels a successful business. Across financial services, we've seen a clear focus on non-financial misconduct and the promotion of "fit and proper" behavior from U.K. and European regulators. However, mentions of these topics have been less frequent in the U.S. - until recently.

## **Regulatory acronyms key:**

**SEC:** Securities and Exchange Commission **FINRA:** Financial Industry Regulatory Authority

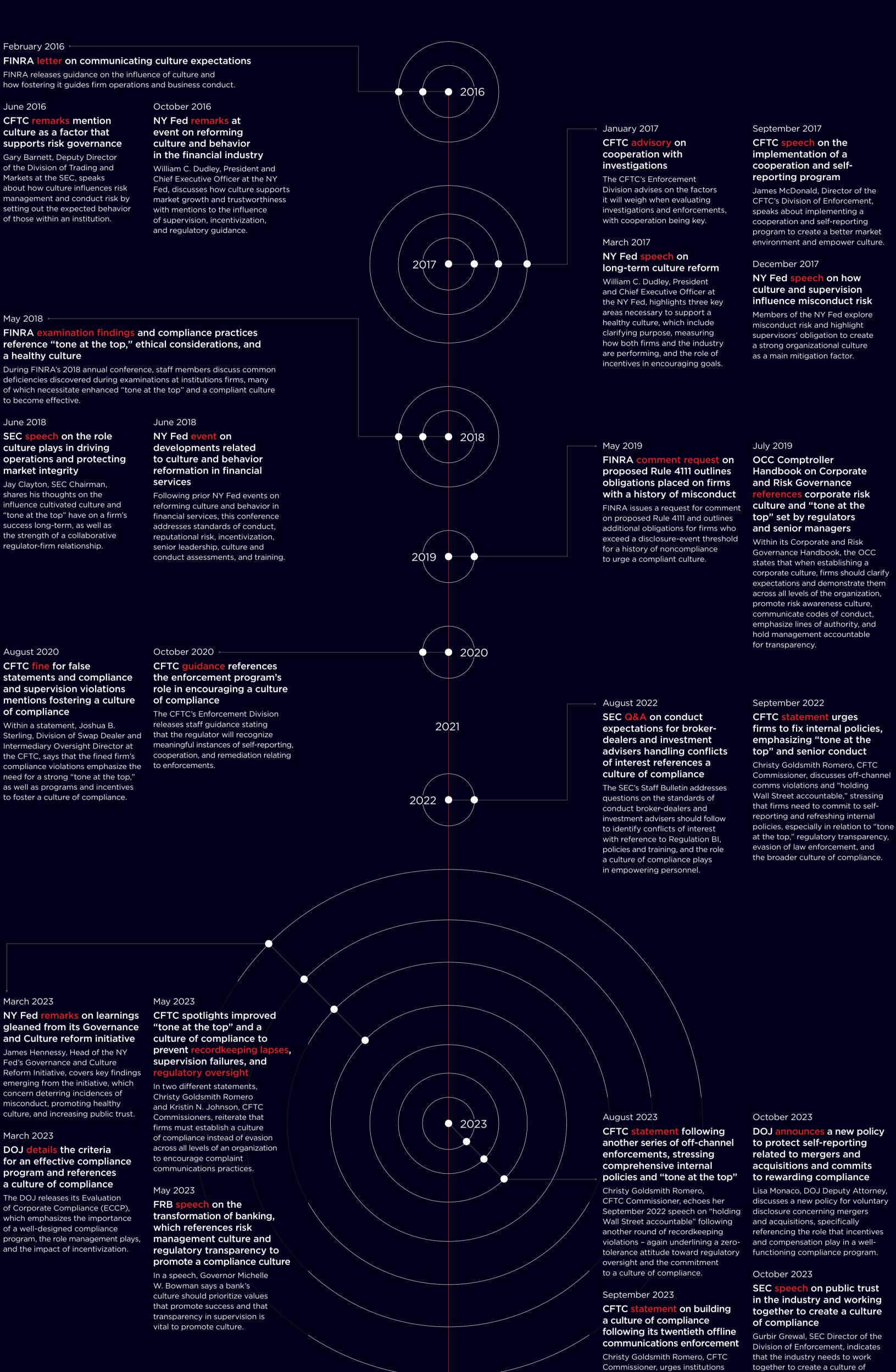
NY Fed: Federal Reserve Bank of New York

**CFTC:** Commodity Futures Trading Commission

**OCC:** Office of the Comptroller of the Currency FRB: Federal Reserve Board

**DOJ:** Department of Justice

# Across the gamut, see how the U.S. regulatory focus on conduct and culture has grown.



2024

# February 2024

SEC Final Rule amendments on the standards of ethical conduct for members and employees In a Final Rule, the SEC sets out standards that outline the ethical conduct SEC members and employees must abide by, including points about what financial interests and transactions are allowed and expected behavior outside of employment.

### March 2024 NY Fed speech on culture

and conduct, specifically spotlighting the influence of culture and the significance of policies to support it James Hennessy, Head of the

Governance and Culture Reform

Initiative at the NY Fed, releases an update on the centrality of culture in propelling success and outlines communication, education, transparency, and governance as pillars that support a healthy culture.

### May 2024 NY Fed conference on culture

### and behavior in the financial services industry

Following a series of events on culture in previous years, the NY Fed hosts another conference to reflect on how accountability, incentives, and technology have bolstered culture so far, as well as how organizational culture can manage risk in the future.

#### May 2024 **SEC statement on**

nurturing "tone at the top" at audit firms Paul Munter, Chief Accountant

at the SEC, says that the tone audit firms set is a chief factor of ensuring that those within such firms maintain integrity and professionalism.

#### May 2024 **SEC remarks** on the benefits

of cooperation and selfreporting in response to misconduct and investigations Gurbir Grewal, SEC Director of the

Division of Enforcement, discusses five principles firms should follow to cooperate with investigations and secure better outcomes, including self-reporting, remediation, collaboration with regulators, and enhanced "tone at the top."

to create a strong "tone at the top" and exemplify compliance expectations in reflection of the twentieth offline communications case, which found that senior leaders participated in misconduct.

July 2024

July 2024

**CFTC statement on** 

misconduct allegations

against the CFTC, calling

shares thoughts on misconduct

culture needs to be reformed.

standards of conduct

out the importance of culture

Caroline Pham, CFTC Commissioner,

allegations against the CFTC for false

six months, stating that the regulator's

FINRA fine for violating Rule

2010 guidelines on expected

FINRA fines a financial planner for

sharing exam content with others

who were taking the assessment,

violating the Rule 2010 guidelines

of observing "high standards of

commercial honor and just and

equitable principles of trade." As

FINRA published a high number

of disciplinary actions involving Rule 2010 violations, regulatory movement has dwindled over the past few years and seems to be picking up in 2023 and 2024.

opposed to several years ago, when

statements in court over a period of

discusses a new policy for voluntary referencing the role that incentives

in the industry and working together to create a culture

compliance and that compliance personnel can push for education and training to achieve this goal.

# July 2024

FINRA fine against representative for failing to uphold ethical considerations and respectable conduct

FINRA fines registered

representatives for misguiding clients and failing to consider their best interests when providing purchasing recommendations, which violates Rule 2111 on suitability and the SEC's Reg BI rule on carefully considered client interests. So far, in 2024, FINRA issued nearly double the number of disciplinary actions for violating Rule 2111 compared to 2023.

August 2024 **OCC** statement on promoting accountability at the FDIC

Michael Hsu, Acting Comptroller of the Currency, expresses his support of a resolution that aims to transform the culture and structure of the FDIC so that it is a safe and inclusive workplace.

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