

Susan Light Shares Insight on FINRA's 529 Plan Self-Reporting Initiative

March 11, 2019

Financial Services partner Susan Light spoke with *InvestmentNews* on the impending crackdown of advisors and broker-dealers by Financial Industry Regulatory Authority Inc. (FINRA) for unsuitable share class recommendations to 529 plan clients. On January 28, FINRA announced that firms can self-report potential supervisory and suitability violations related to those recommendations. If they self-report and offer a plan for returning funds to customers, the firms will avoid associated fines. Sue stated, "If I owned a brokerage firm, whether I had five brokers or 5,000, I would be looking under my tent to see if I sold 529s—Did I pay attention to share classes? What is my exposure, and what are my supervisory procedures? I think it would be foolhardy for any brokerage firm that sold 529s to not do their own self-assessment." She noted that share class suitability violations have been on FINRA's radar for some time, with it executing enforcement actions and adding it to exam priorities. Changes to the 2017 tax code allowing 529 plans to be used for K-12 expenses have created a sense of urgency to remedy share class suitability issues.

Sue added that FINRA is extending the deadline for firms to self-report violations under the 529 Plan Share Class Initiative to April 30, to allow firms more time to review their supervisory systems and procedures. Participating firms must confirm their eligibility by submitting the additional information specified in Regulatory Notice 19-04 by May 31, 2019. In addition, FINRA has published a set of Frequently Asked Questions about its 529 Plan Share Class Initiative in response to a number of inquiries it has received from firms and trade associations. ("[529 Plan Costs: Advisers, Broker-Dealers Brace for FINRA Crackdown](#)," March 9, 2019)

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