FINRA 2024
Annual Financial Report

Contents

Robert W. Cook | President and CEO   **Todd T. Diganci** | Chief Financial and Administrative Officer

A MESSAGE FROM **THE PRESIDENT AND CEO** AND **THE CHIEF FINANCIAL AND ADMINISTRATIVE OFFICER**

This 2024 Annual Financial Report—presented in accordance with U.S. generally accepted accounting principles (U.S. GAAP)—and FINRA's previously published 2024 Annual Budget Summary describe how we managed our finances in 2024 to support our mission of protecting investors and promoting market integrity in a manner that facilitates vibrant capital markets. As a not-for-profit, self-regulatory organization, we are guided by a set of publicly available Financial Guiding Principles that our Board of Governors (Board) periodically reviews and approves.

> Last year, FINRA marked its 85th anniversary as a registered national securities association. Our rich history reflects our commitment to adapt to changing business practices and markets.

In line with our commitment to continuous improvement, we recently announced FINRA Forward, a series of initiatives to modernize our rules and oversight to ensure they reflect the way the industry operates today and may operate in the future, and to facilitate innovation and the adoption of new technologies that benefit markets and investors. FINRA Forward underscores our commitment to our mission and to ensuring we are fully realizing the benefits of the stakeholder input that is a core component of our unique self-regulatory model.

Financial Operations in 2024

FINRA reported net income of $99.6 million in 2024, compared to a net loss of $22.2 million in 2023. Our 2024 net income was driven by operating income of $27.2 million and investment gains of $72.4 million. Our reserve portfolio gained 5.9 percent in 2024.

Our operating income reflected higher revenues and interest and dividend income, partially offset by higher expenses. Higher revenues for 2024 were primarily driven by increases in Trading Activity Fees (TAF), the Gross Income Assessment (GIA), the Personnel Assessment and registration fees. Although these fees were generally expected to increase based on our multi-year strategic planning, the TAF and GIA increased in part due to higher-than expected trading activity and industry revenues.

Our 2024 operating expenses increased, in part, due to continued investments in business operations, along with the severance incurred for employees who participated in a voluntary separation program, a one-time, short-term expense that is expected to help reduce future costs. In addition, our software spending and travel costs related to onsite exams and other regulatory operations increased. While we expected these increases in expenses, consistent with our Financial Guiding Principles, we sought to limit other expenses, including completing tasks internally to lower consulting fees and strategically managing our real estate footprint to maintain lower capacity and reduce costs.

The key drivers of our 2024 financial performance are discussed more fully in the attached report. It is important to note that, consistent with U.S. GAAP and prior years' reports, the results in the attached report reflect activities of FINRA's consolidated subsidiaries, including the income and expenses of FINRA CAT, LLC in its role as the plan processor for the consolidated audit trail, and the FINRA Investor Education Foundation.

Our previously published **Report on Use of 2024 Fine Monies** describes the projects that were supported by 2024 fine monies. In accordance with our Financial Guiding Principles, FINRA uses fine monies only for specific purposes—such as investor education and capital initiatives that enable improved oversight of and compliance by member firms—and only with the approval of the FINRA Board.

2025 Rebate to Members

In recognition of the positive net income for 2024 reflected in the attached report, and after consideration of FINRA's updated projections regarding FINRA's revenues, expenses and overall market conditions for the next several years, in April 2025, FINRA's Board approved a rebate to member firms of $50 million. The rebate is consistent with FINRA's Financial Guiding Principles and status as a not-for-profit membership organization. Importantly, FINRA anticipates that the fee rebate will not impact our short- or long-term financial planning or ability to perform our regulatory responsibilities for the benefit of investors, members and capital markets. The financial impact of this rebate and other 2025 initiatives will be reflected in FINRA's 2025 annual financial report. Additional information regarding our 2025 financial planning is available in our **2025 Annual Budget Summary**.

We continue to be guided by our Financial Guiding Principles and focused on appropriately funding our mission of investor protection and market integrity in service of vibrant capital markets.

Robert W. Cook
President and Chief Executive Officer

Todd T. Diganci
Executive Vice President, Chief Financial and Administrative Officer

INTRODUCTION

> FINRA is a private not-for-profit membership organization that protects investors and safeguards our financial markets to help Americans invest with confidence and businesses raise the capital they need to power our economy.

In 2024, FINRA sought to ensure that capital markets remained fair, transparent and resilient—just as it has done for 85 years. We continued to evolve to keep pace with the changing financial landscape: adapting oversight tools, developing new ways to support our member firms and prioritizing the greatest risks to investors and markets.

As a self-regulatory organization, or SRO, for securities broker-dealers operating under the oversight of the U.S. Securities and Exchange Commission (SEC) and Congress, FINRA brings together a distinct combination of investor protections, industry expertise and public accountability.

FINRA's 3,200 member firms range from small broker-dealers to large institutions, together employing over 630,000 registered representatives. We draw on expertise from our member firms to develop and maintain an effective and efficient regulatory program that protects investors and strengthens confidence in U.S. capital markets—at no cost to the American taxpayer.

62%

of American adults own stocks

U.S. CAPITAL MARKETS > $100 trillion

making them the largest in the world

CAPITAL FORMATION > $2 trillion

of U.S. equity and corporate bond issuance in 2024

Sources: Gallup; Securities Industry and Financial Markets Association, citing Federal Reserve and U.S. Treasury data; Securities Industry and Financial Markets Association, citing Dealogic data.

We protect investors and the integrity of U.S. securities markets.

FINRA's mission is to protect investors and the integrity of our vibrant capital markets to ensure that everyone can invest with confidence. Through tailored regulatory requirements, vigilant oversight, expert market monitoring and targeted enforcement, we seek to provide clear rules of the road, detect emerging threats early and hold bad actors accountable. Our efforts reinforce trust and confidence in the financial system and support a fair, resilient marketplace for all participants.

We safeguard the industry that supports American capital formation and prosperity.

FINRA member firms help Americans invest and save for retirement while also facilitating capital raising that fuels business growth, innovation and a prosperous U.S. economy. Member firm expertise helps inform and support efficient and effective regulation. Regular engagement with our membership also enables FINRA to better support the innovation that is necessary for a vibrant market ecosystem, which helps Americans build wealth through a broad range of investment products.

We are accountable to the SEC and Congress and serve the public at zero cost to taxpayers.

Funded by member fees, FINRA is overseen by the SEC and Congress and is responsible under federal law for overseeing our member firms. As a private entity registered with the SEC, we perform our work under the supervision of the SEC, but we are not part of the government. FINRA's unique structure gives voice to our member firms and other stakeholders through our Board and advisory committees, and enables transparent policymaking and operations informed by industry expertise and public comment.

PROTECTING INVESTORS AND SAFEGUARDING MARKETS

> FINRA serves its mission of investor protection and market integrity through informed rulemaking, comprehensive market monitoring, and balanced oversight and enforcement. By setting and supervising common industry standards for broker-dealers, FINRA seeks to enable all investors and member firms to participate in the market with confidence.

Key functions in FINRA's multi-pronged and balanced approach include:

Rulemaking and Guidance

Adopts and interprets rules applicable to member firms and their individual brokers. FINRA solicits comment on proposed rules from FINRA member firms, investors and other interested parties. FINRA rules are approved by the SEC.

Market Regulation

Processes and analyzes hundreds of billions of daily market events to identify manipulation and other misconduct in the trading of U.S. equities, options and fixed income markets.

Member Supervision

Monitors, investigates and examines for member firm compliance with securities laws and rules, as well as works to detect and mitigate fraud or other misconduct across its member application, risk monitoring, firm examination and investigative programs.

Enforcement

Investigates possible misconduct and brings disciplinary actions for violations of securities rules and regulations.

Transparency Services

Operates facilities that collect and disseminate real-time and historical market information for over-the-counter (OTC) trading in the equity and fixed income markets including the Trade Reporting and Compliance Engine® (TRACE®), and maintains the databases FINRA uses to oversee OTC securities.

Credentialing, Registration, Education and Disclosure

Operates FINRA's utilities to support the licensing and registration of more than 3,200 broker-dealers and 630,000 associated persons on behalf of the SEC, FINRA and other regulators. FINRA provides investors and the industry with useful information and transparency about this data via BrokerCheck, a critical investor protection tool.

Advertising Regulation

Oversees member firm communications to the public to ensure that they are fair, balanced and not misleading.

Corporate Financing

Reviews public offerings for the fairness of underwriting terms and reviews retail private placements for potential investor harm.

Dispute Resolution Services

Operates a dispute resolution forum for investors, member firms and individual brokers, and administers arbitrations and mediations.

Disciplinary Adjudications

Adjudicates disciplinary cases brought by FINRA against securities firms and individual brokers and appeals from adjudications.

Investor Education

Provides investors with financial tools and resources; and through the FINRA Investor Education Foundation® (the Foundation), a wholly-owned subsidiary of FINRA, supports important research and financial education initiatives.

Member Relations and Education

Fosters better understanding of business and regulatory matters among FINRA and member firms, and provides educational programs to assist member firms with compliance.

Regulatory Economics and Market Analysis

Conducts research and analysis in support of FINRA's rulemaking and policy agendas, and fosters innovation in regulation regarding financial markets, market participants, products and services.

FINRA uses expert oversight to prioritize pursuing bad actors who harm investors.

FINRA prioritizes regulatory actions that are most impactful for investors, member firms and markets, particularly matters that involve senior and vulnerable adults, customer harm and recidivist behavior. FINRA's oversight programs are risk-based, informed by industry expertise and enhanced continuously based on feedback from member firms and other stakeholders. We support member firms in identifying and stopping outside cybersecurity and fraud threats.

Expertise in Risk Monitoring and Examinations

FINRA's risk monitoring and examination programs align with member firm business models, which supports deeper staff expertise, more effective and efficient oversight, and nimbler implementation of oversight improvements, including the elimination of overly burdensome or outdated requirements. In 2024, we delivered 22 actionable notifications to member firms regarding cybersecurity and fraud threats, and reduced transaction data requests to firms by 56 percent by leveraging other data sources and solutions.

Integrated Regulatory Program, Targeted Enforcement

FINRA's Enforcement team is part of a larger regulatory program that seeks to address issues before they require enforcement. FINRA takes enforcement action as appropriate to sanction misconduct and deter future violations, prioritizing cases with customer harm or recidivist behavior. In 2024, FINRA obtained $24 million in restitution to harmed investors, expelled four firms for misconduct and barred 182 brokers from the industry.

Supporting Coordinated Regulation

Coordination with the SEC and other federal and state regulators is an important part of our regulatory work to reduce duplication in efforts and focus attention on high-priority items. In 2024, we referred 1,369 fraud and insider trading cases to the SEC and other federal or state law enforcement agencies for potential prosecution.

Cracking Down on Elder Fraud

In response to the growing threat of financial fraud targeting older investors, FINRA launched the Securities Helpline for Seniors a decade ago. The Helpline assists investors with questions or concerns about brokerage accounts and investments. Through the end of 2024, the Helpline has received calls from all 50 states and several countries; made more than 2,750 referrals to state, federal and international regulators; and assisted with the return of more than $9.3 million to investors.

The Helpline has returned **$9.3M** to investors.

The FINRA Investor Education Foundation has committed **$137.2M** for financial capability and fraud prevention initiatives since inception.

CONTINUOUS IMPROVEMENT INFORMED BY INDUSTRY EXPERTISE

FINRA is committed to continuous improvement of the effectiveness and efficiency of our programs.

A key part of this commitment and a significant benefit of the self-regulatory model is FINRA's ability to leverage the industry and market expertise of our member firms. Continuous improvement and member firm engagement are essential to ensuring FINRA can keep pace with a constantly evolving industry and support American capital markets in which everyone can participate with confidence.

FINRA Forward

Throughout our history, FINRA has adapted its programs to respond to a changing environment—whether those changes involve technology, member firm business models, new investment products or services, or new investor behaviors.

We continue to work hard to build a culture of continuous improvement to better serve FINRA's mission. Over the last several years, we have restructured departments, built new technology capabilities, improved coordination across different functions, enhanced transparency and identified ways to be more risk focused. We took the next step in that journey in early 2025, launching FINRA Forward, a series of initiatives to further improve our effectiveness and efficiency in pursuing our mission. Among other things, FINRA Forward is focused on leveraging the expertise and input of our member firms through our unique model of self-regulation; capitalizing and building on recent enhancements to our regulatory programs and technology capabilities; supporting further innovation in financial services; and ensuring our regulatory policies and activities are tailored to the opportunities and risks of the current market, business and technology environment.

Modernizing Rules

FINRA is conducting a broad review of its rules to modernize requirements, facilitate innovation and eliminate unnecessary burdens.

Empowering Member Firm Compliance

FINRA is working to enhance how it supports member firm compliance to better protect investors and safeguard markets.

Combating Cybersecurity and Fraud Risks

FINRA is expanding its cybersecurity and fraud prevention activities to support member firm risk management and resilience against emerging threats and to protect member firms and investors.

"FINRA brings together industry expertise and public representation on our Board, creating a governance structure uniquely positioned to address complex market challenges. This ability to draw from a variety of perspectives ensures that regulatory decisions benefit from real-world market knowledge while maintaining strong investor protections. This collaborative approach allows FINRA to develop smart, practical regulation that both safeguards investors and supports the industry's ability to innovate and grow in today's rapidly evolving markets."

SCOTT A. CURTIS | FINRA BOARD CHAIR
CHIEF OPERATING OFFICER,
RAYMOND JAMES FINANCIAL, INDUSTRY
GOVERNOR (LARGE FIRM REPRESENTATIVE)

PUBLIC ACCOUNTABILITY

FINRA is a private, not-for-profit membership organization that is responsible for supervising our member firms. FINRA's Board, our governing body, is composed of industry governors and public governors, and our operations are funded by member fees, not taxpayer dollars. As an SRO, we are registered with the SEC and perform our work under the supervision of the SEC, but we are not part of the government.

"As a compliance leader at my firm, I've seen firsthand how FINRA's targeted resources—from practical compliance tools to the invaluable cyber tabletop exercises—have strengthened our security and compliance programs in protecting our systems and customers. These real-world, scenario-based trainings have complemented our cyber resilience and threat mitigation strategies, enabling our team to implement additional security protocols that could be difficult for many firms to develop independently. All of this helps member firms better protect and serve our customers, demonstrating one of the very best functions of self-regulation."

NANCY HEFFNER | MEMBER, FINRA MEMBERSHIP COMMITTEE, VICE-PRESIDENT, DEPUTY CHIEF COMPLIANCE OFFICER, LINCOLN INVESTMENT PLANNING

FINRA is a not-for-profit that serves its mission at no cost to the American taxpayer.

FINRA is funded by fees from member firms, which eliminates the need for government expenditures. As a not-for-profit SRO, we target break-even cash flows in line with our Board-approved Financial Guiding Principles. FINRA is transparent about its activities and finances, with publicly available reports on its budget, financial performance and use of fine monies.

We are accountable to the SEC and Congress.

FINRA is subject to thorough oversight by the SEC and is regularly examined by the SEC. FINRA's rules are subject to review and approval by the SEC, generally following a public comment period. FINRA's final disciplinary decisions are appealable to the SEC, and the Government Accountability Office is required to review and report to Congress on the SEC's oversight of FINRA every three years.

We are governed by a Board with industry and public governors.

FINRA's Board comprises industry and public governors. Industry member representation is a core component of our self-regulatory structure, helping to ensure that our industry expertise informs the Board's policymaking and strategic guidance. Industry governors must be associated with member firms with a range of sizes and business models, and include elected representatives of member firms. Public governors provide a broad range of experience and expertise to support more effective governance of FINRA's operations and to ensure appropriate balance in the Board's composition.

The Board and its committees meet throughout the year, providing oversight of FINRA's business operations and ensuring the organization achieves its mission. The committees include Audit and Risk; Compensation and Human Capital; Executive; Finance, Operations and Technology (Finance Committee); Nominating and Governance; and Regulatory Policy. FINRA's Investment Committee also meets throughout the year.

OUR PEOPLE

> Every day, FINRA employees in offices across the country work together to help protect investors and ensure the integrity of the U.S. securities markets.

Our employees are the foundation of our mission-driven culture. FINRA's values—collaboration, expertise, innovation and responsibility—reflect who we are as an organization and what we strive for: one team, acting with one vision to achieve our mission. Our values underpin everything we do—how we build our culture, make decisions and operate to fulfill our mission. Our mission and values also help us attract and retain dedicated and talented people who are inspired by our collective purpose in safeguarding investors and markets.

To ensure we fulfill our regulatory responsibilities and address new challenges in the markets, we continue to build our expertise and provide opportunities for employees to learn and develop. In 2024, employees and managers across FINRA completed thousands of training hours for professional development, including to understand new regulatory risks and issues. This investment in continuous learning ensures our teams stay abreast of evolving market complexities and emerging risks.

> *"With the entry of millions of new investors relying on social-media channels for information about investing, FINRA has done a great job of pivoting to reach them where they are. A perfect example of this is the Get Your Head in the Trade campaign, which uses today's digital vocabulary to give novice investors what they need to know before they make a trade. As the CCO for a small firm, I see this and similar programs from FINRA—such as their continued outreach to college students—as beneficial to the educational efforts being made across the industry. An informed investor is a better customer, no matter where they get their information or how they access the markets."*

PRESTON HAXO | CHAIR
SMALL FIRM ADVISORY COMMITTEE,
CHIEF COMPLIANCE OFFICER, MONDEUM CAPITAL

Management Report on Operations

Further description of FINRA's statutory responsibilities, as well as its responsibilities under contract for certain exchanges, can be found in Note 1, "*Organization and Nature of Operations*," to the consolidated financial statements.

FINANCIAL HIGHLIGHTS

The financial information presented in this Management Report is prepared in conformity with U.S. GAAP. As such, this Management Report should be read in connection with the consolidated financial statements and accompanying notes included elsewhere in this Annual Financial Report. The 2024 consolidated financial statements reflect the activities of FINRA and its consolidated subsidiaries, collectively referred to as "we," "our," "us," "FINRA" or the "Company" throughout this Management Report. As of and for the years ended December 31, 2024 and 2023, FINRA's significant consolidated subsidiaries were FINRA Regulation, Inc. (FINRA REG), FINRA CAT, LLC (FINRA CAT) and the Foundation.

Our consolidated financial statements are also prepared in conformity with U.S. GAAP. Under U.S. GAAP, we are required to adopt accounting principles and make estimates and judgments to develop amounts reported in the consolidated financial statements and accompanying notes.

We describe our significant accounting policies in Note 2, "*Summary of Significant Accounting Policies*," Note 3, "*Revenue from Contracts with Customers*," Note 5, "*Fair Value Measurement*," and Note 6, "*Employee Benefits and Liabilities*," to the consolidated financial statements.

Summary of Operations

The following table provides a summary of our financial results for the two years ended December 31, 2024.

($ in millions)	**2024**	**2023**
Operating revenues	$ 1,619.5	$ 1,327.8
Fines and other	65.4	88.4
Net revenues	1,684.9	1,416.2
Expenses	(1,721.2)	(1,592.0)
Interest and dividend income	63.5	56.7
Operating income (loss)	27.2	(119.1)
Net realized and unrealized investment gains	72.4	101.9
Other expense	—	(5.0)
Net income (loss)	$ 99.6	$ (22.2)

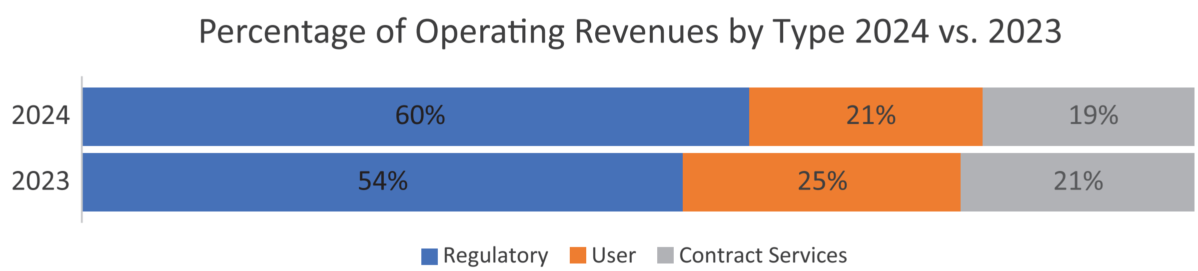
We reported net income of $99.6 million in 2024 versus a net loss of $22.2 million in 2023, an increase of $121.8 million year-over-year. Our 2024 net income was mainly driven by operating income of $27.2 million and investment gains of $72.4 million. Revenue growth outpaced expense growth in 2024. Revenues increased due to a combination of planned fee increases, higher-than-anticipated trading activity, and elevated industry revenues. The increase in revenues along with interest and dividend income sufficiently funded our expenses for the year, which grew at a more measured pace.

A more detailed look at our operating results follows.

Management Report on Operations (continued)

OPERATING REVENUES

Regulatory revenues, such as the TAF, GIA, Personnel Assessment (PA) and Branch Office Assessment, consistently represent the majority of FINRA's operating revenues annually. User revenues—transparency services, registrations, qualification examinations, dispute resolution, FINRA-sponsored educational programs and conferences, and reviews of advertisements, corporate filings and disclosures—typically represent approximately one-quarter of FINRA's operating revenues annually. Contract services revenues, representing less than one-quarter of FINRA's operating revenues annually, primarily arise from FINRA CAT's role as the Consolidated Audit Trail (CAT) Plan Processor and from performing regulatory services under contract for exchanges.



FINRA's operating revenues for 2024 increased $291.7 million or 22 percent, primarily driven by an increase in regulatory revenues of $244.2 million. In addition, user revenues increased by $18.4 million and contract services revenues increased by $29.1 million year-over-year. The table below presents our operating revenues by line item for each of the years ended December 31, 2024 and 2023:

($ in millions)	**2024**	**2023**
Regulatory	$ 958.8	$ 714.6
User	347.4	329.0
Contract services	313.3	284.2
Total	**$ 1,619.5**	**$ 1,327.8**

Regulatory revenues. The increase in regulatory revenues was attributable to higher GIA, TAF and PA as a result of the third year of a multi-year fee increase filed with the SEC in October 2020. In addition, an unanticipated increase in industry revenues year-over-year contributed to a significant increase in GIA, representing nearly half of the increase in regulatory revenues.

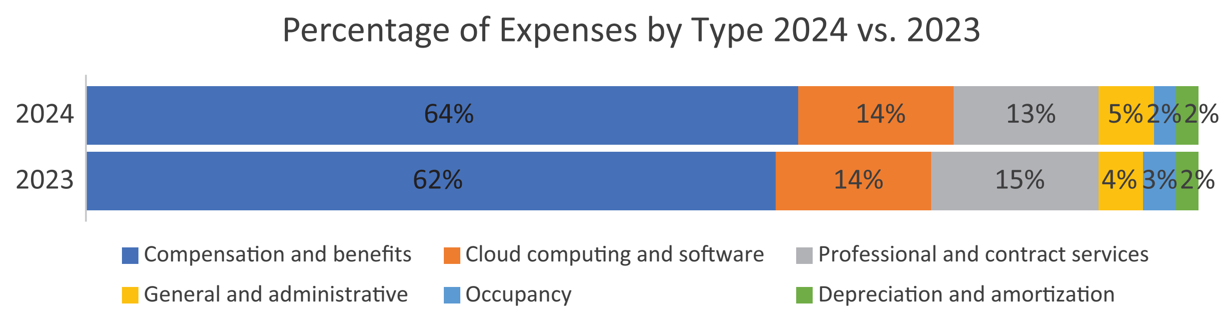
User revenues. The increase in user revenues was primarily the result of the increase in FINRA's system processing fee for registered representatives and principals effective January 1, 2024.

Contract services revenues. The increase in contract services revenues was primarily attributable to the modernization of the mortgage services platform for the Conference of State Bank Supervisors and its wholly owned subsidiary, the State Regulatory Registry, and an increase in fees related to our role as the CAT Plan Processor.

Management Report on Operations (continued)

EXPENSES

Our expenses are primarily driven by employee-related costs, as we seek to attract, develop and retain talented staff, particularly in the highly specialized areas of financial regulation and technology, to enable FINRA to carry out its regulatory mandate in today's ever-changing environment. Employee compensation and benefits are FINRA's largest expense, representing approximately two-thirds of total expenses annually. Information regarding FINRA's compensation philosophy can be found in the accompanying Compensation and Human Capital Committee Report of this 2024 Annual Financial Report. FINRA maintained headcount at approximately 4,200 employees as of December 31, 2024, and 2023, backfilling vacancies that resulted from normal attrition and the Voluntary Incentive Plan (VIP) throughout 2024. We include a description of the VIP in Note 6, *"Employee Benefits and Liabilities"* to the consolidated financial statements.



Expenses for 2024 increased $129.2 million or 8.1 percent, primarily due to increases in compensation and benefits ($117.0 million) and general and administrative ($15.2 million.) The remaining expenses were essentially flat year-over-year. The table below presents our operating expenses by line item for each of the years ended December 31, 2024 and 2023:

($ in millions)	**2024**	**2023**
Compensation and benefits	$ 1,098.0	$ 981.0
Cloud computing and software	237.8	229.0
Professional and contract services	229.3	238.1
General and administrative	82.1	66.9
Occupancy	42.2	51.0
Depreciation and amortization	31.8	26.0
Total	**$ 1,721.2**	**$ 1,592.0**

Compensation and benefits. Increases in annual merit and promotion ($46 million), special termination benefits from the VIP ($33 million), and employee insurance benefits ($17 million) resulted in the rise in compensation and benefits expenses. Annual merit increases are approved by the Board, and the increases in 2024 were consistent with external wage inflation expectations.

General and administrative. Travel costs related to our regulatory responsibilities increased, primarily reflecting on-site examinations and other member supervision activities.

INVESTMENT RETURNS

Traditionally, FINRA has relied on its reserve portfolio to support its operating budget as needed in any given year and as a source for funding strategic initiatives. FINRA's reserve portfolio gained 5.9 percent in 2024.

Additional information regarding the reserve portfolio, strategy and returns can be found in the accompanying Investment Committee Report of this 2024 Annual Financial Report. Descriptions of the nature of and accounting for FINRA's investments are described in Note 2, "*Summary of Significant Accounting Policies*," and Note 4, "*Investments*," to the consolidated financial statements.

RESTITUTION AND FINES

One of FINRA's tools for achieving investor protection and market integrity is vigorous, fair and effective enforcement of our member firms' compliance with applicable securities laws and rules.

When a member firm and its individual brokers engage in misconduct, obtaining restitution for harmed customers is our highest priority, when possible. FINRA may order restitution when an investor has suffered a quantifiable loss due to misconduct. The calculation of restitution is based on the actual amount of the harm investors sustain as demonstrated by evidence. We ordered $24.0 million in restitution to harmed investors during 2024. We assess restitution separately from fines, and we sometimes bring cases where the only monetary sanction is restitution. Restitution is payable to the harmed party and has no effect on our financial position.

When a member firm or registered representative engages in misconduct, we also assess whether a sanction (*e.g.*, a fine, a suspension, and in the cases of serious misconduct, bars from FINRA membership) should be imposed to discourage similar conduct by the firm, registered representative or others. FINRA bases sanctions on the facts of each case and considers any aggravating and mitigating factors, with sanction determinations guided by FINRA's *Sanction Guidelines* and recent settlements that are similar in nature. The National Adjudicatory Council (NAC), which is composed of industry and non-industry members, continues to maintain FINRA's *Sanction Guidelines* for use by the various bodies adjudicating FINRA disciplinary decisions, including Hearing Panels and the NAC itself, in determining appropriate remedial sanctions. FINRA publishes the *Sanction Guidelines* so that member firms, associated persons and their counsel may become more familiar with the types of disciplinary sanctions that may be applicable to various violations.

FINRA's operating budget does not include fines, and no compensation or benefit decisions are based on fines imposed. Consistent with our Principles, FINRA's operating budget for any given year assumes there are no fine monies available that year to support capital or other initiatives.

The total amount of fines in 2024 was $66.0 million, a decrease of $22.4 million from the prior year.

The Board or its Finance Committee may authorize the use of fine monies only for one of four enumerated purposes:

- Capital/initiatives or non-recurring strategic expenditures;
- Education, compliance resources and training;
- Capital initiatives required by new legal, regulatory or audit requirements; or
- Replenishing reserves in years where such reserves drop below levels reasonably appropriate to preserve FINRA's long-term ability to fund its regulatory obligations.

In accordance with the Principles, in May 2025, FINRA issued a separate detailed report covering all uses of fine monies in 2024.

Management Report on Operations (continued)

BALANCE SHEET

Our focus is to ensure a balance sheet that positions FINRA to fulfill our regulatory obligations and mission in today's continually evolving markets. To that end, our balance sheet remains strong, with net assets of approximately $1.8 billion as of December 31, 2024 and $1.6 billion as of December 31, 2023. FINRA maintained working capital (excluding fines and our consolidated limited partnership, as described in Note 4, "*Investments*") of $1.2 billion as of December 31, 2024 and 2023. Our working capital and cash ratios (excluding fines and our consolidated limited partnership) were 2.00 and 1.68 as of December 31, 2024, respectively, compared to 2.73 and 2.44, as of December 31, 2023, respectively. The year-over-year change in FINRA's working capital and cash ratios was primarily driven by the 2024 SEC activity assessment rate increase (described below.) SEC activity assessment amounts represent a significantly larger portion of our liabilities than assets, so rate changes may directionally impact our liquidity ratios. However, our working capital and cash ratios increased year-over-year without accounting for the increases in assets and liabilities associated with the SEC activity assessment.

ASSETS

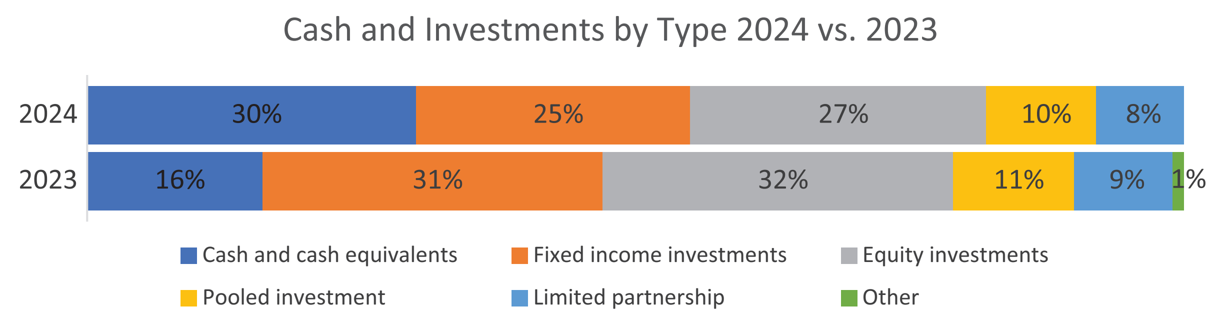
The largest portion of FINRA's total assets is cash and investments, consistently representing approximately 80 percent of total assets annually. The value of our investments is impacted by fluctuations in the market as well as changes in individual security prices. Total assets increased $658.5 million or 25.1 percent, due primarily to the 2024 SEC activity assessment rate increase, resulting in increases in cash and investments ($429.9 million) and receivables ($195.6 million.) Other assets ($49.6 million) also increased, offset by the decrease in operating lease assets ($10.1 million.) The year-over-year change in the remaining asset line item below was not considered material. The table below presents our assets by line item for each of the years ended December 31, 2024 and 2023:

($ in millions)	**2024**	**2023**
Cash and investments	$ 2,527.6	$ 2,097.7
Receivables	351.6	156.0
Operating lease assets	147.6	157.7
Property and equipment	123.3	129.8
Other	130.9	81.3
Total	**$ 3,281.0**	**$ 2,622.5**

Cash and investments. Cash and investments increased due to higher SEC activity assessment funds held and investment returns of 5.9 percent. The increase in SEC activity assessment fund levels was primarily due to the higher SEC fee rates—increasing from $8 to $27.8 per million dollars in transactions—effective May 22, 2024. FINRA assesses regulatory transaction fees in accordance with prescribed SEC fee rates, and we remit these activity assessment fees to the U.S. Department of Treasury semiannually, typically in March and September. Accordingly, balances of cash, activity assessment fee receivable and payable fluctuate year-over-year from changes in activity volumes and SEC fee rates. Further detail regarding the SEC fees we assess can be found in the notes to the consolidated financial statements. Descriptions of the nature of and accounting for FINRA's investments are included in Note 2, "*Summary of Significant Accounting Policies*," and Note 4, "*Investments*," to the consolidated financial statements.

Management Report on Operations (continued)

ASSETS (continued)



Receivables. Receivables increased primarily due to the higher SEC fee rates mentioned in "Cash and investments."

Operating lease assets. Operating lease assets decreased primarily due to the amortization of our right-of-use real estate assets.

Other assets. Increases in CAT operational payments drove the increase in other assets. CAT operations were funded by loan payments from CAT plan participants through October 2024.

LIABILITIES

Total liabilities increased $522.9 million or 52.9 percent, due primarily to increases in activity assessment fees ($524.7 million) and accrued personnel and benefits ($39.6 million), offset by a decrease in pension and other postretirement ($31.9 million.) The year-over-year changes in the remaining liability line items below were not considered material. The table below presents our liabilities by line item for each of the years ended December 31, 2024 and 2023:

($ in millions)	**2024**	**2023**
Activity assessment fees	$ 673.4	$ 148.7
Accrued personnel and benefits	282.2	242.6
Operating lease liabilities	207.2	211.0
Deferred revenues	83.5	84.6
Deposits and renewals	83.4	92.6
Pension and other postretirement	77.5	109.4
Payables and accrued expenses	58.6	68.5
Other	45.8	31.3
Total	**$ 1,511.6**	**$ 988.7**

Management Report on Operations (continued)

LIABILITIES (continued)

Activity assessment fees. The previously mentioned assessment fee rate increase during 2024 was the primary driver of the increase in our activity assessment fees payable.

Accrued personnel and benefits. Increases in special termination benefits resulting from the VIP and investment performance related to our non-qualified benefit plans for officers and executives led to the increase in accrued personnel and benefits.

Pension and other postretirement. The decrease in pension and other postretirement liabilities was primarily driven by a funding contribution to FINRA's qualified defined benefit plan. Pension and other postretirement costs are calculated based on actuarial assumptions determined by management and may materially affect the calculation of the liability. We believe that the assumptions we used are appropriate. Further disclosures regarding these assumptions can be found in Note 2, "*Summary of Significant Accounting Policies*" to the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is the efficiency or ease with which an asset or security can be converted into ready cash without affecting its market price. Liquidity management involves forecasting funding requirements and maintaining sufficient working capital to meet business needs and accommodate fluctuations in asset and liability levels due to changes in business operations or unanticipated events. We primarily rely on operating cash flows to fund current and future operations.

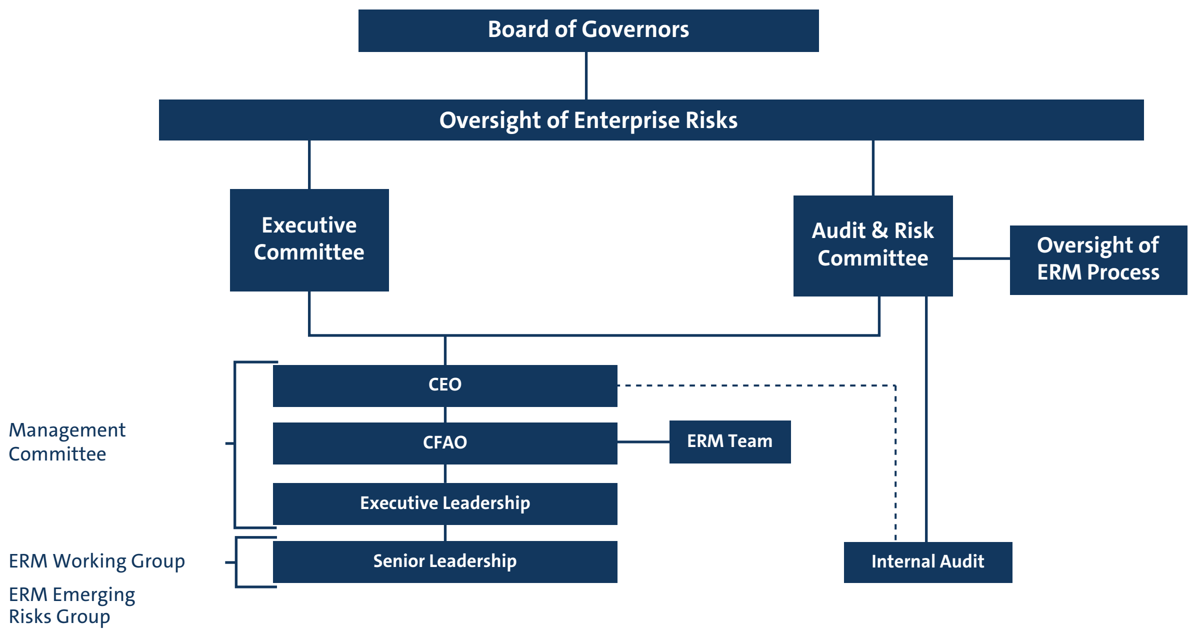
We maintained a seasonal unsecured line of credit agreement that was available to us from March 1, 2024, to May 31, 2024, with the option to borrow up to $130 million, and renewed from March 1, 2025, to May 31, 2025, with the option to borrow up to $140 million. The line of credit provides us with a mechanism to fund operations prior to the annual billing of the GIA and PA in April, and the subsequent receipt of those funds, without having to incur the costs associated with short-term redemptions from the reserve portfolio during this period. As of December 31, 2024 and December 31, 2023, no amounts were outstanding under this line of credit.

The reserve portfolio is governed by an investment policy that outlines the degree of risk deemed appropriate for FINRA assets by the Board and policies designed to guard against any potential conflicts of interest. FINRA's Investment Committee, whose members generally have extensive background and experience in the investment community, provides overall guidance and advice in determining the appropriate investment policy and allocation for the reserve portfolio. As of December 31, 2024, 76 percent of our reserve portfolio is available on a daily basis. Additional information regarding the reserve portfolio can be found in the accompanying Investment Committee Report of this 2024 Annual Financial Report.

Management Report on Operations (continued)

ENTERPRISE RISK MANAGEMENT

FINRA's Enterprise Risk Management (ERM) program is designed to provide a consolidated, organization-wide view of the risks that FINRA faces in achieving its mission, strategic goals and key business objectives. The program covers a broad spectrum of risks in various risk categories, such as strategic, operational, legal and compliance, and financial, and provides transparency for senior management and the Board regarding FINRA's enterprise-level risks and how they are being managed. The chart below shows the governance structure FINRA has in place to oversee and manage enterprise risks.



The Board oversees the ERM program, with oversight of the ERM process delegated to the Audit and Risk Committee and the primary oversight for enterprise risks assigned to the Executive Committee, with support by other committees and working groups, as the need arises.

The Management Committee, composed of the CEO, the Chief Financial and Administrative Officer (CFAO) and other senior executives across FINRA, provides executive support and oversight of ERM. Additionally, an ERM Working Group comprising senior managers across the organization provides fresh perspectives on FINRA's enterprise risks and support of ERM. The ERM Emerging Risks Group complements the ERM Working Group, providing insights on market trends and emerging risks. FINRA's Internal Audit Department supports the ERM program in an advisory capacity.

Management Report on Operations (continued)

CYBER AND INFORMATION SECURITY

FINRA operates a comprehensive security program designed to mitigate cyber and physical information security threats and ensure compliance with applicable data privacy laws and regulations. Our program is based upon industry best practices, federal and international standards, and data privacy laws and regulations. Cybersecurity, information security breach and data privacy risks are assessed as part of FINRA's ERM program.

FINRA's information security practices and operational controls include leading practices, such as real-time monitoring and alerting of security events, encryption of data in-transit and at-rest, vendor security assessments and monitoring, asset hardening and patching, fine-grained access controls, network and host intrusion protection, and denial of service attack mitigation. We also leverage the Cyber Kill Chain® to continuously evaluate the threats facing FINRA, the impact of those threats, and the controls needed to mitigate the probability and impact of the threats.

FINRA's adoption of cloud technology provides numerous benefits, such as access to best-of-breed security solutions made available by the cloud provider's scale of operations. Another benefit is our ability to use micro-segmentation—putting each server into a security zone of one—which dramatically reduces attack surface area. Cloud technology also enables us to focus on the automation and tools necessary to raise the compliance bar and simplify controls.

FINRA information technology systems and controls are subject to numerous mandatory and voluntary inspections including, but not limited to, the following:

- Frequent vulnerability scans covering all facets of our information technology infrastructure, including network devices, servers, storage subsystems, operating systems and server software (such as web servers and databases);
- Application code analysis and security testing using automated scans, dynamic testing and manual attack techniques to identify application-level vulnerabilities;
- Periodic independent third-party perimeter, telecom and application penetration tests, application security assessments, and a bug bounty program;
- Recurring reviews of cybersecurity dashboards and vulnerabilities at each Audit and Risk Committee meeting;
- An internal controls program with regular effectiveness evaluations to ensure accuracy and integrity of financial reporting;
- Regular inspections conducted by the SEC;
- An annual System and Organization Controls (SOC) 2 Type II examination;
- Periodic independent third-party cyber program and governance assessments; and
- Cyclical audits by our Internal Audit department.

Investment Committee Report
Year Ended December 31, 2024

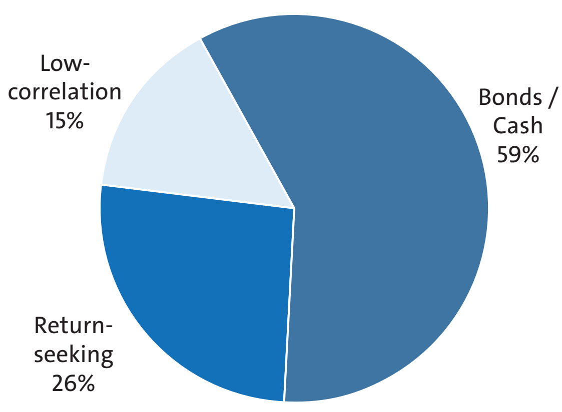
FINRA's reserve portfolio* is a pool composed of both long-term investments and short-term operating cash assets principally created with proceeds from the sale of FINRA's interests in NASDAQ, which started in 2000 and was completed in 2006. The purpose of the reserve portfolio is to support FINRA's efforts to fulfill its mission by serving as a source of funding for strategic or unanticipated initiatives and by making annual operating budget contributions as needed. Anticipated distributions from the reserve portfolio are subject to prior approval by the Board of Governors (Board) and may be used to defer member fee increases or make up cash flow losses, among other uses.

The Board is responsible for FINRA's reserve portfolio and approves the charter that guides the FINRA Investment Committee (the Committee). The Committee, a standing committee of FINRA, is composed of members of the Board and other outside investment professionals that advise the Board and provide guidance in determining the appropriate policies, guidelines, and allocations for FINRA's investments. The FINRA Investment Office is responsible for management of the investments within the framework of the investment policies. FINRA engages investment consultants to support the Investment Office.

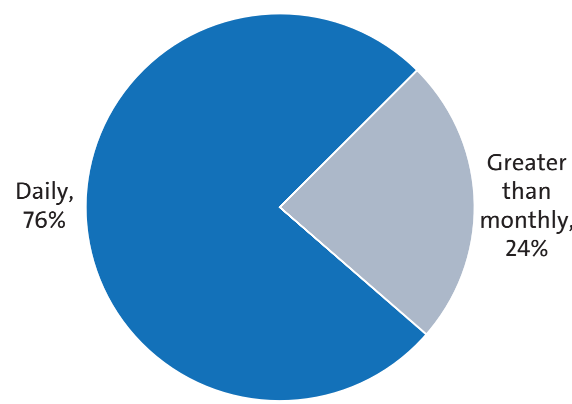
FINRA invests its reserve portfolio with the objective of creating a conservative, liquid, low-volatility portfolio designed to deliver low-to-moderate returns over the long-term to help ensure we fulfill our regulatory responsibilities and further our mission. FINRA's Board-approved investment policy consists of a core portfolio of bonds and stocks with an additional allocation to strategies designed to further reduce risk and lower the correlation to capital markets. The policy maintains ample portfolio liquidity while remaining consistent with FINRA's long-term risk and return objectives, as determined by the Board. In 2024, the reserve portfolio gained 5.9 percent as robust stock market performance was moderated by modestly positive performance in the bond market.

The charts below show portfolio exposures and general liquidity as of December 31, 2024. Primary exposures are 59 percent bonds/cash, 26 percent return-seeking investments and 15 percent low-correlated assets.

Exposures as of December 31, 2024



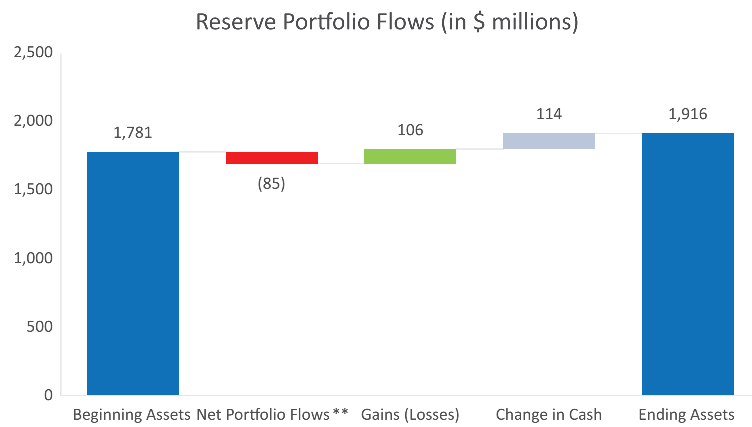
Liquidity as of December 31, 2024



* For the purposes of this Investment Committee report, FINRA's reserve portfolio includes the FINRA Investor Education Foundation's investments and investments net of their related receivables and payables on the consolidated balance sheet. The values reported exclude SEC activity assessment fees received but not yet remitted to the U.S. Department of Treasury, FINRA member firm deposits and GASB fees remitted to the Financial Accounting Foundation.

Investment Committee Report (continued)

FINRA has established a series of Financial Guiding Principles that include a goal of maintaining a reserve balance equal to at least one year of expenditures. FINRA withdrew from the portfolio in the first half of the year to meet operating cash flow needs, and revenue recorded later in the year increased cash levels by $114 million. The chart below highlights portfolio asset flows in 2024.



FINRA has an Investments Conflicts of Interest Policy that establishes the standards governing the separation of investment activities and decisions from FINRA's regulatory operations. FINRA selects third-party investment managers who make all implementation decisions with respect to the reserve portfolio. When FINRA utilizes separately managed accounts, because direct ownership of individual securities exists, all securities in the banking and brokerage sectors are held in a blind trust. This prevents any knowledge of or participation in the making of such investments by any FINRA regulatory personnel, and to avoid any appearance of a conflict of interest with FINRA's responsibilities. Our limited partnership interests and investments in public and private funds represent ownership interests in pooled vehicles in which FINRA has neither management discretion nor direct ownership of the underlying investments.

The oversight and management of the reserve portfolio is performed by the Committee and limited to essential staff only, so that no individual in the regulatory arm of the organization has access to information regarding the securities within our reserve portfolio.

Members of the Investment Committee:

George (Gus) Sauter, Chair
Camille M. Busette
John W. Thiel
Jennifer A. Urdan

June 27, 2025

** Net portfolio flows include investment portfolio purchases and withdrawals exclusive of cash investments. Investment gains and losses include both realized and unrealized capital gains, along with interest and dividends earned from portfolio and operating cash investments. Change in cash includes changes in the operating cash balance due to revenue and expense flow activity.

Audit and Risk Committee Report

Year Ended December 31, 2024

The Audit and Risk Committee (the Committee) of the Board of Governors (Board) ensures the existence of adequate controls and the integrity of FINRA's financial reporting process in accordance with the Charter adopted by the Board. The Committee recommends to the Board, and monitors the independence and performance of, the independent registered public accountants (IRPA) retained as outside auditors by FINRA. The Committee also directs and oversees all the activities of FINRA's internal audit function, FINRA's Ombudsman function and FINRA's compliance with applicable legal and regulatory requirements and corporate policies. In addition, the Committee assists the Board in its oversight of FINRA's enterprise risks.

Each member of the Committee is an independent director as defined by the U.S. Securities and Exchange Commission's (SEC) Rule 10A-3 under the Securities Exchange Act of 1934, Listing Standards Relating to Audit Committees. In addition, the Committee and Board have determined that Derrick A. Roman is an audit committee financial expert, as defined by the SEC.

The Committee's Charter and the By-Laws of FINRA require that the Chief Audit Executive is directly accountable to the Committee. In all material respects, the Charter complies with standards applicable to publicly owned companies.

Additionally, the Charter gives the Committee responsibility for monitoring the independence of the IRPA, recommending the appointment of the IRPA for approval by the Board, ensuring sufficient scope of IRPA activities to perform an adequate financial statement audit and ensuring the IRPA is fairly and appropriately compensated for its effort. The Charter makes clear that the IRPA is accountable to the Committee and the Board, as representatives of the members and the public. In addition, the Committee discusses significant areas of the audit engagement with the IRPA, with and without management present, as needed.

In discharging its oversight responsibility, the Committee reviewed the assessments of audit risk and the audit plans of both the independent and internal auditors. The Committee also discussed with management, the internal auditors, and the IRPA the quality and adequacy of FINRA's internal controls and the internal audit organization, responsibilities, budget and staffing.

In conducting its formal annual assessment of the IRPA, the Committee considerations include, but are not limited to, the following factors: (i) the independence and objectivity of the IRPA; (ii) the most recent performance survey results, and the IRPA's response; (iii) the quality and experience of the engagement team; (iv) the length of time the firm has served as FINRA's IRPA; (v) the timeliness of the IRPA in escalating issues and reporting results to the Committee; (vi) reasonableness of audit cost; (vii) Public Company Accounting Oversight Board (PCAOB) inspection results, and the IRPA's response; and (viii) the ongoing strength of the independent audit firm's reputation.

Ernst & Young LLP (EY) has served as FINRA's auditor since 1986. The lead audit partner, having primary responsibility for the audit, rotates off the engagement after a period of no more than five years, and the Committee is involved in the selection of the lead audit partner.

Audit and Risk Committee Report (continued)

The Committee obtained written affirmation from EY that no matters were identified that would impair its independence. The Committee has reviewed and approved all services, including non-audit services, performed by EY for FINRA and the associated fees before initiation of each engagement. We have summarized such services and fees in the following table:

	2024	2023 (1)
Audit services (2)	$1,273,500	$1,112,986
Audit-related services (3)	671,300	1,032,809
Tax services (4)	163,400	161,600
Total	$2,108,200	$2,307,395

(1) FINRA has updated the 2023 fees from the prior year's report to reflect final amounts paid for the 2023 approved services.

(2) For 2024 and 2023, audit services represent the consolidated financial statement audit.

(3) Audit and attest services provided in 2024 and 2023 to FINRA and subsidiaries. Systems and organization controls report services to FINRA were added in 2023, reflecting a higher implementation cost, and continued in 2024.

(4) Tax services represent fees related to tax return preparation and review services in connection with the 2024 and 2023 Form 990s and related Form 990-Ts, as well as other tax compliance, advice and planning.

The Committee discussed and reviewed with the IRPA all communications required by applicable professional standards. Further, the Committee has reviewed and discussed with management and EY, with and without management present, the audited consolidated financial statements as of December 31, 2024, and EY's report on the consolidated financial statements. Based on those discussions, the Committee recommended to the Board that FINRA's audited consolidated financial statements be included in the annual report for the year ended December 31, 2024.

Members of the Audit and Risk Committee:

Derrick A. Roman, Chair
Samir M. Deshpande
Maureen Jensen
Linde Murphy
Penny Pennington

June 27, 2025

Compensation and Human Capital Committee Report
Year Ended December 31, 2024

The Compensation and Human Capital Committee (the Committee) of the Board of Governors (Board) oversees FINRA's compensation and benefit policies, programs, and practices, with the primary focus of attracting, developing, and retaining high performing individuals capable of achieving FINRA's mission. The Committee reviews FINRA's talent acquisition and employee engagement strategies, employee retention programs and plans for development, retention, and succession of FINRA's senior executives.

FINRA's compensation philosophy is a pay-for-performance model that seeks to achieve pay levels in line with the competitive market while meeting the objectives of attracting, developing, and retaining high-performing individuals who are capable of achieving our mission, and to provide rewards commensurate with individual contributions and FINRA's overall performance. This philosophy applies to employees at all levels within the organization. FINRA is committed to attracting and retaining talent through offerings of programs and services in addition to compensation. FINRA focuses on employee well-being and provides a supportive workplace that encourages career enhancement and professional growth.

FINRA strives to be competitive with the external market when establishing pay rates and annual incentives. A number of highly respected survey sources published by major compensation consulting firms are leveraged to determine the market for benchmark jobs. To determine whether compensation is competitive, this benchmark data is compared to the compensation paid to FINRA staff occupying comparable roles. Ultimately, in assessing the compensation for staff positions, FINRA considers the pay practices of the external market while also ensuring that FINRA is paying equitably for skills, expertise and performance.

Defining the relevant market comparators for compensation benchmarking can be a significant challenge for FINRA due to the scarcity of natural comparators, the uniqueness of functions performed and related specialized expertise required, and the dynamic environment involving work that can have significant external impact.

As part of its compensation philosophy, FINRA has determined that its competitive compensation positioning should be considered primarily against a broad section of financial services organizations, as this sector of firms is the most likely group for recruiting talent, as well as those that recruit talent away from FINRA. FINRA also benchmarks to technology, legal, and general industry comparators where applicable. Proxy filings and executive compensation data from other regulatory filings may be used for market benchmarking for certain executive positions.

The Committee considers a range of market data, by position, when considering pay decisions for certain key executives. Other factors that can influence compensation decisions include individual and organizational performance, internal equity, skills and experiences, criticality of role, and attraction and retention challenges among other factors.

FINRA acknowledges that it cannot provide fully competitive opportunities, particularly stock-based incentives and other forms of equity, when compared to certain firms within the securities and investment industries, consulting firms, and law firms. As a result, the compensation philosophy may reflect or offset the lack of long-term incentives at FINRA.

Compensation and Human Capital Committee Report (continued)

In determining a benchmarking strategy for key executives, the Committee and its advisor engaged in substantial research and consideration of the functions and operations of several potential comparators as well as general competitive conditions. Ultimately, the Committee approved a benchmarking process for key executives that focused on the following sources:

- For certain key positions, a peer group composed of a blend of financial services organizations, financial industry support organizations, and government sponsored entities;
- Financial services industry survey data, including broker-dealers, banks and insurance companies, and public exchanges; and
- Legal industry, other regulatory agencies, and other not-for-profit sector data may also be referenced.

The Committee will routinely review the aforementioned sources in determining annual salary and incentive compensation.

The Committee, which is composed solely of public members of the Board, is responsible for reviewing and recommending to the Board for approval, employment agreements (including base salary, incentive compensation and benefits) for the Chief Executive Officer (CEO). The Committee reviews and approves the base salaries and incentive compensation recommended by the CEO for his or her Executive Vice President level direct reports. In determining salary and incentive compensation, management and the Committee consider operational, strategic and financial factors in addition to individual performance. Compensation and benefit decisions are not based on fines.

The Committee has the sole right and responsibility to hire and terminate a compensation consultant. The Committee engaged Meridian Compensation Partners, LLC (Meridian), an independent third-party compensation consultant, to prepare a compensation study, which included objective analysis of current compensation levels and benchmarking using information from comparable segments of the market for key executives. To ensure the independence of Meridian:

- Meridian reported directly and exclusively to the Committee;
- No Meridian employee is or was hired by FINRA;
- Meridian provided no significant services, other than compensation consulting services, to FINRA;
- Any interaction between Meridian and FINRA executive management is limited to discussions on matters under the purview of the Committee and information that is presented to the Committee for discussion or approval; and
- Fees paid to Meridian for compensation consulting services are reasonable and in line with industry standards.

Compensation and Human Capital Committee Report (continued)

Salary information represents the base annual salary at which the named executives are compensated, as of June 30 of each year. It does not represent year-to-date earnings. The incentive compensation amounts represent the actual payment in March of each year based on prior year performance. Other amounts, including deferred compensation and other benefits, are not presented for 2025, as these accumulate over the course of the year and final amounts are not determined until year-end. The top five executives are determined based on total 2025 salary and incentive compensation as described above.

Descriptions for the components of compensation listed below are presented on the following page.

Name and principal position		Salary	Incentive compensation	Other compensation and deferrals	Other benefits	Total
Robert W. Cook	2025	1,100,000	2,510,000	*	*	3,610,000
President and Chief Executive Officer	2024	1,100,000	2,365,000	622,548	15,252	4,102,800
	2023	1,100,000	2,150,000	573,368	15,778	3,839,146
Todd T. Diganci	2025	735,000	885,000	*	*	1,620,000
EVP, Chief Financial and	2024	715,000	860,000	176,361	20,199	1,771,560
Administrative Officer	2023	685,000	830,000	167,224	14,256	1,696,480
Steven J. Randich	2025	685,000	850,000	*	*	1,535,000
EVP and Chief Information Officer	2024	665,000	830,000	490,818	42,240	2,028,058
	2023	635,000	800,000	554,123	56,690	2,045,813
Robert L.D. Colby	2025	615,000	745,000	*	*	1,360,000
EVP and Chief Legal Officer	2024	595,000	725,000	174,400	29,957	1,524,357
	2023	570,000	655,000	169,994	49,200	1,444,194
Greg Ruppert	2025	570,000	625,000	*	*	1,195,000
EVP, Member Supervision	2024	550,000	600,000	161,010	370,757	1,681,767
	2023	525,000	580,000	183,062	53,766	1,341,828

* 2025 deferred compensation and other benefits cannot be fully determined until the end of the calendar year and are therefore not included in the above table.

Compensation and Human Capital Committee Report (continued)

The descriptions for the components of compensation listed in the preceding table are as follows:

Salary

- Base salaries for all employees align with job-grade structures to provide for appropriate flexibility in hiring and retention. Actual salaries are based on job content, performance and relevant experience levels, and may fall above or below competitive levels.

Incentive Compensation

- Incentive compensation is available to all employees and is an additional "at-risk" compensation that is performance-based and determined in relation to individual achievements and FINRA's overall performance. The size of the actual award varies based on goal achievement, performance, grade level and degree of responsibility within the organization. If awarded, it is paid as a lump sum in March of the following year.

Other Compensation and Deferrals

- Pension and 401(k) deferral and matching programs are generally available to all employees. The pension plan may be either defined contribution or defined benefit depending on employee hire date and years of service. The defined benefit plan is now closed to new participants.
- Certain employees at both the officer and non-officer level may receive a special deferred compensation retention plan. Amounts are reported in the year earned, which may be different from the year in which they are paid, especially in multi-year retention plans.
- Supplemental retirement benefits are provided for top executives. These plans, which may be either defined benefit or defined contribution, are non-qualified and are based on salary, officer level, and, depending on officer level, a portion of incentive compensation. Annual non-vested contributions and current net vesting contributions for defined contribution plans are reported as part of other compensation and deferrals.
- The defined benefit plans noted above, both pension and supplemental, experience fluctuations due to changes in discount rates and other actuarial factors. These fluctuations may result in significant valuation changes, both positive and negative, that affect the reported compensation in any given year. The effects of these fluctuations are generally reported as deferred compensation and are combined with other types of deferrals, including the retention agreements noted above, in the preceding table.

Other Benefits

- Other benefits include taxable and non-taxable health and welfare benefits such as employer-paid health, life and disability insurance that are generally available to all employees. On occasion, it may also include miscellaneous taxable fringe benefits such as parking, travel subsidies and similar items.

Members of the Compensation and Human Capital Committee:

Moira A. Kilcoyne, Chair
Fabiola Arredondo
Samir M. Deshpande
Derrick A. Roman

June 27, 2025

Management Report on Internal Control Over Financial Reporting

FINRA management is responsible for the preparation and integrity of the consolidated financial statements appearing in our annual financial report. The consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) and include amounts based on management's estimates and judgments. FINRA management is also responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

FINRA maintains a system of internal control that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition that could have a material effect on the consolidated financial statements. FINRA's internal control over financial reporting includes written policies and procedures that 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of FINRA's assets; 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that receipts and expenditures of FINRA are being made only in accordance with authorizations of FINRA's management and Board of Governors; and 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of FINRA's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements due to error or fraud, including the possibility of the circumvention or overriding of controls. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision of the President and Chief Executive Officer and the Chief Financial and Administrative Officer, FINRA's management assessed the effectiveness of FINRA's internal control over financial reporting as of December 31, 2024. This evaluation included, among other things, reviews of the documentation of controls, evaluations of the design effectiveness of controls and reviews of evidence supporting the operating effectiveness of controls. Based on this assessment, we conclude that FINRA maintained effective internal control over financial reporting as of December 31, 2024.

June 27, 2025

Robert W. Cook
President and Chief Executive Officer

Todd T. Diganci
Executive Vice President – Chief Financial and Administrative Officer

Report of Independent Registered Public Accounting Firm

To the Board of Governors of
Financial Industry Regulatory Authority, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of the Financial Industry Regulatory Authority, Inc. (FINRA or the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of FINRA at December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of FINRA's management. Our responsibility is to express an opinion on FINRA's financial statements based on our audits. We are required to be independent with respect to the Company in accordance with the relevant ethical requirements relating to our audits.

We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (PCAOB) and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

	Pension Obligation
Description of the Matter	At December 31, 2024, the Company's gross defined benefit obligation was $502.2 million, and the related pension assets were $518.9 million, resulting in a net funded position of $13.7 million. As discussed in Note 6 to the consolidated financial statements, the Company makes significant subjective judgments about a number of actuarial assumptions for the pension obligation, which include, among others, the discount rate, the rate of compensation increase, mortality rates and the expected return on plan assets. The Company annually updates the actuarial estimates used to measure the obligation to reflect updated participant data, actuarial assumptions and actual return on plan assets, among others. Auditing management's estimate of the defined benefit pension obligation involved a greater extent of audit effort, including involving firm specialists to assess the actuarial assumptions used in the measurement of the obligation.

Report of Independent Registered Public Accounting Firm (continued)

How We Addressed the Matter in Our Audit

We obtained an understanding of the processes relating to the measurement and valuation of the defined benefit pension obligation and the related internal controls. This included, among others, understanding the controls over the review and approval processes that management has in place for the methods and assumptions used in estimating the obligation.

To test the obligation, we performed audit procedures that included, among others, evaluating the results of the actuarial valuation reports prepared by management's third-party actuarial specialists and reconciling the results of the actuarial valuation report to the Company's recorded obligation. We tested the completeness and accuracy of the underlying participant data used by management's third party actuarial specialists through testing of the reconciliation of the participant data recorded in the Company's source systems to the actuarial valuation report and comparing a sample of participant data to source documentation. With the assistance of our actuarial specialists, we assessed the methodology used by management with the methodology used in prior periods and those used in the industry. To evaluate the key assumptions noted above used in the actuarial valuation report, we compared them to independently developed expectations using publicly available data.

Ernst + Young LLP

We have served as FINRA's auditor since 1986.

Tysons, Virginia
June 27, 2025

FINRA Consolidated Balance Sheets

(In millions)

	December 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 751.4	$ 339.7
Investments:		
Fixed income, at fair value	631.7	638.8
Equity, at fair value	680.5	673.5
Receivables, net	351.6	156.0
Other current assets	53.7	54.1
Total current assets	2,468.9	1,862.1
Property and equipment:		
Data-processing equipment and software	152.5	137.0
Furniture, equipment and leasehold improvements	113.1	107.1
	265.6	244.1
Less accumulated depreciation and amortization	(142.3)	(114.3)
Total property and equipment, net	123.3	129.8
Other investments:		
Pooled investment fund, at fair value	267.0	239.2
Investments of Consolidated Entity, at fair value	194.4	194.6
All other	0.3	0.3
Operating lease assets	147.6	157.7
Consolidated Audit Trail loan receivable, net	52.7	25.1
Other assets	26.8	13.7
Total assets	$3,281.0	$2,622.5

See accompanying notes.

FINRA Consolidated Balance Sheets (continued)

(In millions)

	December 31, 2024	December 31, 2023
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 58.6	$ 68.5
Accrued personnel and benefit costs	282.2	242.6
Deferred revenue	83.5	84.6
Deposits and renewals	83.4	92.6
Operating lease liabilities	25.4	27.3
Other current liabilities	21.3	11.0
Activity assessment fee payable	673.4	148.7
Total current liabilities	1,227.8	675.3
Operating lease liabilities	181.8	183.7
Accrued pension and other postretirement benefit costs	77.5	109.4
Other liabilities	24.5	20.3
Total liabilities	1,511.6	988.7
Equity	1,736.6	1,637.0
Accumulated other comprehensive gain (loss):		
Net unrecognized employee benefit plan amounts	32.8	(3.2)
Total equity	1,769.4	1,633.8
Total liabilities and equity	$3,281.0	$2,622.5

See accompanying notes.

FINRA Consolidated Statements of Operations

(In millions)

	Years Ended December 31,	
	2024	**2023**
Revenues		
Operating revenues:		
Regulatory revenues	$ 958.8	$ 714.6
User revenues	347.4	329.0
Contract services revenues	313.3	284.2
Total operating revenues	1,619.5	1,327.8
Fines	66.0	88.4
Activity assessment revenues	1,403.8	555.1
Audit trail reimbursement revenues	18.8	—
Total revenues	3,108.1	1,971.3
Activity assessment cost of revenues	(1,403.8)	(555.1)
Audit trail reimbursement cost of revenues	(19.4)	—
Net revenues	1,684.9	1,416.2
Expenses		
Compensation and benefits	1,098.0	981.0
Cloud computing and software	237.8	229.0
Professional and contract services	229.3	238.1
General and administrative	82.1	66.9
Occupancy	42.2	51.0
Depreciation and amortization	31.8	26.0
Total expenses	1,721.2	1,592.0
Interest and dividend income	63.5	56.7
Operating income (loss)	27.2	(119.1)
Other income (expense)		
Net realized and unrealized investment gains	72.4	101.9
Other expense	—	(5.0)
Net income (loss)	$ 99.6	$ (22.2)

See accompanying notes.

FINRA Consolidated Statements of Comprehensive Income

(In millions)

	Years Ended December 31,	
	2024	**2023**
Net income (loss)	$ 99.6	$(22.2)
Employee benefit plan adjustments	36.0	28.6
Comprehensive income	$135.6	$ 6.4

See accompanying notes.

FINRA Consolidated Statements of Changes in Equity

(In millions)

	Equity	Net Unrecognized Employee Benefit Plan Amounts	Total
Balance, January 1, 2023	$1,659.2	$(31.8)	$1,627.4
Comprehensive income	(22.2)	28.6	6.4
Balance, December 31, 2023	1,637.0	(3.2)	1,633.8
Comprehensive income	99.6	36.0	135.6
Balance, December 31, 2024	$1,736.6	$ 32.8	$1,769.4

See accompanying notes.

FINRA Consolidated Statements of Cash Flows

(In millions)

	Years Ended December 31,	
	2024	**2023**
Reconciliation of net income (loss) to cash provided by (used in) operating activities		
Net income (loss)	$ 99.6	$ (22.2)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	31.8	26.0
Net realized and unrealized investment gains	(72.4)	(101.9)
Provision for credit losses	12.0	9.4
Other	2.1	—
Net change in operating assets and liabilities:		
Receivables, net	(197.6)	39.4
Other current assets	(0.5)	(11.6)
Operating lease assets	(3.5)	26.0
Other assets	(14.7)	(4.5)
Accounts payable and accrued expenses	(7.7)	(12.0)
Accrued personnel and benefit costs	39.6	21.7
Deferred revenue	(1.1)	17.4
Deposits and renewals	(9.2)	10.5
Activity assessment fee payable	524.7	(240.0)
Other current liabilities	2.2	0.7
Accrued pension and other postretirement benefit costs	4.1	13.8
Operating lease liabilities	18.4	(14.0)
Other liabilities	4.2	2.4
Net cash provided by (used in) operating activities	$ 432.0	$(238.9)

See accompanying notes.

FINRA Consolidated Statements of Cash Flows (continued)

(In millions)

	Years Ended December 31,	
	2024	**2023**
Cash flow from investing activities		
Purchases of fixed income investments	$(668.3)	$(885.9)
Proceeds from sales of fixed income investments	691.9	961.6
Purchases of equity investments	(172.7)	(89.2)
Proceeds from redemptions of equity investments	187.0	133.2
Purchases of other investments	(0.7)	—
Proceeds from redemptions of other investments	1.9	29.3
Net purchases of property and equipment	(34.6)	(56.3)
Consolidated Audit Trail loan payments	(55.9)	(20.0)
Consolidated Audit Trail loan proceeds	10.0	—
Cash flow from investing activities of the Consolidated Entity:		
Purchases of other investments	(5.1)	(8.8)
Proceeds from distributions of other investments	26.2	30.7
Net cash (used in) provided by investing activities	(20.3)	94.6
Increase (decrease) in cash and cash equivalents	411.7	(144.3)
Cash and cash equivalents at beginning of year	339.7	484.0
Cash and cash equivalents at end of year	$ 751.4	$ 339.7

See accompanying notes.

FINRA 2024 Notes to Consolidated Financial Statements

1. ORGANIZATION AND NATURE OF OPERATIONS

References to the terms “we,” “our,” “us,” “FINRA” or the “Company” used throughout these Notes to Consolidated Financial Statements refer to FINRA, a Delaware corporation, and its wholly owned subsidiaries. FINRA wholly owns the following significant subsidiaries: FINRA REG, FINRA CAT and the Foundation. The Foundation is a tax-exempt membership corporation incorporated in the State of Delaware, with FINRA as the sole member.

We are an SRO for member firms doing business in the United States. Under the supervision of the SEC, we regulate the activities of member firms and their individual brokers, and perform regulatory services pursuant to our own statutory responsibility and under contract for certain exchanges. Our statutory regulatory functions include examinations of member firms, continuous surveillance of markets, reviews and investigations of fraud allegations, and disciplinary actions against firms and registered representatives. FINRA’s examination process is risk-based, meaning our approach for identifying member firms for examination is based upon risk, scale and scope of firm operations. We also conduct routine examinations to determine whether member firms are in compliance with securities requirements, as well as in response to investor complaints, terminations of brokerage employees for cause, arbitrations and referrals from other regulators. FINRA operates unique equity and options cross-market surveillance programs. Employing advanced technology, these programs look across complex data sets to detect and mitigate potential market manipulation and other rule violations. We conduct heightened and expedited investigations of allegations of serious fraud to prevent further harm to investors. We bring disciplinary actions against member firms and individual brokers that may result in sanctions, including censures, fines, imposition of terms and conditions, suspensions and, in egregious cases, expulsions or bars from the industry. In appropriate cases, we require member firms and individual brokers to provide restitution to harmed investors and often impose other conditions on a member firm’s business to prevent repeated wrongdoing.

We perform regulatory services under contract for the national securities exchanges. We also regulate the OTC securities markets for listed and unlisted equities and conventional options, and the OTC markets for corporate bonds, Treasury securities and other government agency instruments, asset-backed instruments, municipal securities and other fixed income instruments.

We provide arbitration and mediation services to assist in the resolution of monetary and business disputes between and among investors, member firms and individual brokers. We also provide dispute resolution services for several exchanges through contractual agreements, thereby offering consistent procedures and the uniformity of a single forum for the resolution of securities industry-related disputes.

We provide registration, testing and continuing education, and other regulatory services, as well as operational support to firms, other SROs, the SEC, the North American Securities Administrators Association, state regulators, other financial services regulators and investors. We are responsible for administering 300,000 qualifications examinations each year to ensure associated persons who sell a securities product have been tested, qualified and licensed for that purpose. We administer BrokerCheck®, a free tool that enables members of the public to review the conduct of firms and individual representatives.

We are committed to ensuring that investors and market participants have access to market information, so they can more effectively assess securities prices and valuations, through the management and operation of FINRA’s OTC market transparency facilities. These facilities include the TRACE for fixed income securities, the OTC Reporting Facility™ (ORF™) and the Trade Reporting Facilities® (TRFs®), operated in partnership with the New York Stock Exchange and Nasdaq, for OTC trade reporting, as well as the Alternative Display Facility® (ADF®) for OTC trade reporting and quoting, in equity securities that are listed on an exchange. TRACE now disseminates trade and pricing data on nearly every type of corporate debt security on the market. Through our market transparency facilities, FINRA provides the public and professionals with timely trade information for equity and debt securities and quotes for certain equity securities.

1. ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)

Pursuant to a contract with Consolidated Audit Trail, LLC (CAT LLC), FINRA CAT is engaged by CAT LLC to provide certain services in connection with the implementation and maintenance of the CAT, which is designed to provide regulators with an extensive audit trail of trades, quotes and orders for all U.S. exchange-listed and OTC equity securities across all U.S. markets and trading venues, including certain associated customer and account information. The CAT also collects the same data for U.S. exchange-listed options contracts.

The Foundation empowers all Americans with the knowledge, skills and tools to make sound financial decisions throughout life. The Foundation pursues this mission through educational programs and research that help consumers achieve their financial goals and that protect them in a complex and dynamic world.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements are prepared in accordance with U.S. GAAP and include the accounts of the Company, its wholly owned subsidiaries and an entity we consolidate. We account for this entity (referred herein as the Consolidated Entity), a variable interest entity (VIE) for which the Company is the primary beneficiary, as an investment company that follows the industry specialized basis of accounting established by U.S. GAAP.

All intercompany balances and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions, including estimates of fair value of investments, valuation of investments and assumptions related to our employee benefit plans, and the estimated service periods related to our recognition of certain revenue, that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

CONSOLIDATION

FINRA consolidates any VIE in which it is deemed to be the primary beneficiary and reflects the assets, liabilities, revenues, expenses and cash flows of the consolidated VIE on the consolidated financial statements. An entity is determined to be the primary beneficiary if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance; and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (a) whether an entity in which the Company holds a variable interest is a VIE; and (b) whether the Company's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests such as management and performance-based fees, would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment.

The Company determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion at each reporting date. In evaluating whether the Company is the primary beneficiary, FINRA evaluates its economic interests in the entity held either directly by the Company or indirectly through related parties. The consolidation analysis can generally be performed qualitatively; however, if it is not readily apparent that the Company is not the primary beneficiary, a quantitative analysis may also be performed.

Investments and redemptions (either by the Company, affiliates of the Company or third parties) or amendments to the governing documents of a VIE could affect an entity's status as a VIE or the determination of the primary beneficiary. At each reporting date, the Company assesses whether it is the primary beneficiary and will consolidate or deconsolidate accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand cash, cash held in banks, money market funds and all non-restricted, highly liquid investments with maturities of 90 days or less when acquired.

Additionally, cash held at the Consolidated Entity, included in cash and cash equivalents in the consolidated balance sheets, may include overnight investments and money market funds held with financial institutions. As of December 31, 2024 and 2023, the Consolidated Entity held no cash and cash equivalents in foreign currencies. Cash and cash equivalents held at the Consolidated Entity represent cash that may only be used to settle obligations of the Consolidated Entity. Although not legally restricted, these cash and cash equivalents are not available to fund the general liquidity needs of FINRA.

INVESTMENTS

Fixed Income Investments

At the time of purchase, we classify individual fixed income investments as trading, available-for-sale or held-to-maturity based on the type of security and our intent and ability to sell or to hold the securities, and re-evaluate the classification at each balance sheet date. As of December 31, 2024 and 2023, all our fixed income investments were classified as trading. Trading securities are carried at fair value, with changes in fair value recorded as a component of net realized and unrealized investment gains in the consolidated statements of operations. We present cash flows from purchases and sales of trading securities as investing activities based on the nature and purpose for which we acquired the securities.

We determine fair value based on quoted market prices, when available, or on estimates provided by external pricing sources or dealers who make markets in such securities. We include realized gains and losses on sales of securities in earnings using the average cost method.

Equity Investments

We carry our equity security investments at fair value and record the subsequent changes in fair value in the consolidated statements of operations as a component of net realized and unrealized investment gains.

Other Investments

We use net asset value as a practical expedient to measure fair value of our other investments unless it is probable that an investment will be sold for a different amount. In these cases, fair value is measured based on recent observable transaction information for similar investments, the consideration of non-binding bids from potential buyers and third-party valuations.

We elected the fair value option for our investment in a pooled investment fund to better reflect the value of this investment. Such election is irrevocable and applied on a financial instrument by financial instrument basis at initial recognition. This pooled investment fund calculates net asset value per share (or its equivalent) as the investment account value in the absence of readily ascertainable market values to determine fair value.

Investments held in the Consolidated Entity include pooled investment vehicles without a readily determinable fair value. These investments are generally valued at the most recent net asset value per unit or capital account information from the general partners of such vehicles. Investment transactions are accounted for on a trade-date basis. For the purposes of determining net realized gains and losses, the Consolidated Entity uses a specific identification methodology.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES, NET AND ALLOWANCE FOR CREDIT LOSSES

The Company's receivables are primarily concentrated with FINRA-registered firms, associated persons and exchanges. The consolidated financial statements present receivables net of an allowance for credit losses.

PROPERTY AND EQUIPMENT

FINRA records property and equipment at cost less accumulated depreciation. We expense repairs and maintenance costs as incurred. We calculate depreciation and amortization as follows:

Asset category	Depreciation/amortization method	Estimated useful lives
Buildings and improvements	Straight-line	10 to 40 years
Data-processing equipment and software	Straight-line	2 to 5 years
Furniture and equipment	Straight-line	5 to 10 years
Leasehold improvements	Straight-line	Shorter of term of lease or useful life of improvement

Depreciation and amortization expense for property and equipment totaled $12.1 million and $7.6 million for 2024 and 2023, respectively.

SOFTWARE COSTS

FINRA capitalizes internal use software development costs incurred during the application development stage. Software costs we incur before or after the application development stage are charged to expense as incurred. We capitalize significant purchased application software and operational software programs that are an integral part of hardware and amortize them using the straight-line method over their estimated useful life, generally two to five years. We expense all other purchased software as incurred.

We included unamortized capitalized software development costs of $52.1 million and $54.1 million as of December 31, 2024 and 2023, respectively, in the consolidated balance sheets within total property and equipment, net. There were $15.9 million and $17.3 million of net additions to capitalized software related to 2024 and 2023, respectively. We included amortization of capitalized internal use software costs totaling $17.9 million and $16.8 million related to 2024 and 2023, respectively, in depreciation and amortization in the consolidated statements of operations.

IMPAIRMENT OF LONG-LIVED ASSETS

We review our long-lived assets for impairment whenever facts and circumstances indicate that long-lived assets or other assets may be impaired. If indicators are present, we perform an evaluation of recoverability that compares the estimated future, undiscounted cash flows associated with the asset to the asset's carrying amount. If the evaluation fails the recoverability test, we then prepare a discounted cash flow analysis to estimate fair value and the amount of any impairment.

LEASES

The Company determines if an arrangement is a lease at inception. We recognize right-of-use (ROU) lease assets and lease liabilities at commencement date based on the present value of lease payments over the lease term. ROU lease assets represent the Company's right to use a leased asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The operating lease assets include any lease payments made and exclude lease incentives. Lease terms include options to extend or terminate when it is reasonably certain that the Company will exercise that option. The Company does not recognize ROU lease assets and lease liabilities for leases with a term, after consideration of any extension options, of one year or less.

FINRA 2024 Notes to Consolidated Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's leases neither provide an implicit rate nor is the Company's incremental borrowing rate readily determinable. Therefore, upon the adoption of Accounting Standards Codification (ASC) Topic 842, *Leases*, we made the policy election to use a risk-free discount rate for all leases, determined using a period comparable with that of the lease term. In addition, we have elected the practical expedient not to separate lease and non-lease components.

We include ROU lease assets and liabilities related to operating leases within operating lease assets and operating lease liabilities, respectively, in the Company's consolidated balance sheets. Lease expense for operating lease payments, which is comprised of amortization of ROU lease assets and interest accretion on lease liabilities, is generally recognized on a straight-line basis over the lease term and included in occupancy expense in the consolidated statements of operations.

CONSOLIDATED AUDIT TRAIL LOAN RECEIVABLE, NET

In 2016, the SEC approved a National Market System Plan (NMS Plan) for FINRA and other participating SROs to establish a consolidated audit trail to improve regulators' ability to monitor trading activity, and subsequently, the implementation of the CAT began. In addition to increased regulatory obligations, implementation of the CAT has resulted in significant additional expenditures, including developing and implementing new and complex technology necessary for the CAT to meet the NMS Plan's requirements. Through October 2024, this development effort was funded by the participating SROs (including FINRA) through promissory notes. In September 2023, the SEC approved a funding model for the CAT that allocated one-third of CAT expenses to the SROs, including FINRA, and two-thirds of CAT expenses to the industry. This SEC approval order has been appealed to the 11th Circuit U.S. Court of Appeals, and the appeal remains pending. An adverse ruling in the 11th Circuit would result in a delay in recovering expenses or the inability to recover expenses. In addition, challenges that impeded the timely completion of the development and implementation of the necessary technology to enable the CAT to meet all NMS Plan requirements may expose FINRA and other participating SROs to SEC fines or potentially jeopardize the ability of FINRA and such participating SROs to be reimbursed for some of the historical costs of building and maintaining the CAT (pending SEC approval of exemptive relief).

As of December 31, 2024 and 2023, we have accrued a net receivable of $61.1 million and $25.1 million, respectively, in connection with our portion of costs related to the CAT implementation. As of December 31, 2024 and 2023, the allowance for credit losses related to these receivables was $31.5 million and $17.6 million, respectively. Both the net receivable and allowance for credit losses were presented in the accompanying consolidated balance sheets within other current assets and Consolidated Audit Trail loan receivable, net.

DEPOSIT AND RENEWAL LIABILITIES

FINRA's deposit and renewal liabilities primarily represent deposits into our Central Registration Depository (CRD®) system. FINRA-registered firms use these deposits to pay for services, including registration fees that states and other SROs charge.

ACTIVITY ASSESSMENT FEE PAYABLE

FINRA, as an SRO, pays certain fees and assessments pursuant to Section 31 of the Securities Exchange Act of 1934. These fees are designed to recover costs the government incurs to supervise and regulate securities markets and securities professionals and are calculated based on the aggregate dollar amount of sales of covered securities transacted by or through any firm other than on a national securities exchange. Such covered transactions are reported to us through the ADF, ORF and the TRFs. We remit these activity assessment fees to the U.S. Department of Treasury semiannually, in March and September.

We recover the cost of the Section 31 fees and assessments through an activity assessment, charged to the firm responsible for clearing the transaction, based on the aggregate dollar amount of sales of covered securities transacted by or through any firm other than on a national securities exchange. As of December 31, 2024 and 2023, we had $186.5 million

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and $39.4 million, respectively, of activity assessment fee receivables presented in the accompanying consolidated balance sheets within receivables, net.

AUDIT TRAIL REIMBURSEMENT FEES

Full implementation of the CAT NMS Plan requirements was completed on July 15, 2024. For the period July 16, 2024, to December 31, 2024, CAT Executing Brokers for the Buyer (CEBB) and/or CAT Executing Brokers for the Seller (CEBS) were effectively charged CAT funding fees towards the recovery of two-thirds of the budgeted CAT costs, with the remaining one-third budgeted to the participating SROs, including FINRA.

We recover our portion of these CAT funding fees through an audit trail reimbursement fee, assessed between each of the CEBB and CEBS for transactions where FINRA is the relevant Participant. As of December 31, 2024, we had $14.7 million of audit trail reimbursement fee receivables and $10.8 million of CAT funding fees payable presented in the accompanying consolidated balance sheets within receivables, net, and accounts payable and accrued expenses, respectively.

INTEREST AND DIVIDEND INCOME

FINRA recognizes interest income from cash and cash equivalents, fixed income and equity investments as it is earned. We recognize dividend income on the ex-dividend date. We account for interest and dividend income from the Consolidated Entity in the same manner.

CLOUD COMPUTING

We account for our cloud computing arrangement as a service contract and expense applicable costs as incurred. As our hosting arrangement does not give us the contractual right to the software at any time during the hosting period without penalty, we are not deemed to have a software license. Cloud computing costs totaled $169.6 million and $167.4 million for the years ended December 31, 2024 and 2023, respectively, and were included in cloud computing and software expenses in the consolidated statements of operations.

PENSION AND OTHER POSTRETIREMENT LIABILITIES

FINRA offers a variety of employee benefits, including pension and other postretirement benefit plans. Detailed descriptions of FINRA's employee benefits can be found in Note 6, "*Employee Benefits and Liabilities,*" in the accompanying notes. Primarily, FINRA's liabilities under pension and other postretirement benefits are related to our defined benefit pension plans, retiree medical and postretirement life insurance benefit plans.

In calculating the expense and liability related to employee benefit plans, we use several statistical and other factors, which attempt to anticipate future events. Key factors include assumptions about the expected rates of return on plan assets and the discount rate as determined by FINRA, within certain guidelines, as well as assumptions regarding future salary increases, mortality, turnover, retirement ages and the medical expense trend rate. We consider market conditions, including changes in investment returns and interest rates, in making these assumptions. We develop the discount rate using a composite yield curve analysis based on a portfolio of high-quality, non-callable, marketable bonds. We determine the long-term rate of return based on analysis of historical and projected returns in consultation with our actuary and external investment consultant. Amortization of net gain or loss included in accumulated other comprehensive loss reflects a corridor based on 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets as of the beginning of the plan year and is included as a component of net periodic pension cost.

INCOME TAXES

FINRA and FINRA REG are tax-exempt organizations under Internal Revenue Code (IRC) Section 501(c)(6). FINRA CAT is treated as a disregarded entity for federal income tax purposes in accordance with single member limited liability

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

company rules. The Foundation is a tax-exempt organization under IRC Section 501(c)(4). However, unrelated business income activities are taxed at normal corporate rates to the extent that they result in taxable net income. We determine deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities (*i.e.*, temporary differences). We measure these assets and liabilities at the enacted rates we expect will be in effect when we realize these differences. We also determine deferred tax assets based on the amount of net operating loss (NOL) carryforwards. If necessary, we establish a valuation allowance to reduce deferred tax assets to the amount that is more likely than not to be realized.

The Consolidated Entity has elected to be taxed as a Partnership for U.S. federal tax purposes. FINRA is responsible for reporting income or loss from the Consolidated Entity, to the extent required by the federal and state income tax laws, for income tax purposes.

Uncertain Tax Positions

U.S. GAAP provides a two-step approach for evaluating tax positions. Recognition (step 1) occurs when an entity concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Measurement (step 2) occurs when the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, that is more likely than not to be realized upon ultimate settlement. From 2021 through 2024, the years management considers to be open for examination by taxing authorities, management did not identify the existence of any uncertain tax positions related to current operations. Additionally, FINRA has not recognized any material uncertain tax positions related to the prior NOLs.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject us to concentrations of credit risk consist of cash and cash equivalents, investments and accounts receivable. We do not require collateral on these financial instruments.

We maintain cash and cash equivalents in excess of federally insured limits, principally with financial institutions located in the U.S., which subjects us to credit risk should a financial institution be unable to fulfill its obligations. Risk on accounts receivable is reduced by the number of entities comprising our member firm base and through ongoing evaluation of collectability of amounts owed to us. We use outside investment managers to manage our investment portfolio and a custody agent, a publicly traded company headquartered in New York, to hold certain fixed income and equity investments.

We maintain a broadly diversified investment portfolio, representing a wide range of assets and asset classes, to attain acceptable levels of risk and return. Our investment portfolio consists of investments in predominantly investment-grade debt securities, publicly traded equity securities, mutual and commingled funds containing fixed income and equity securities, and other investments.

The Company attempts to minimize credit risk by monitoring the creditworthiness of the financial institutions with which we transact business.

FINRA may be significantly affected by conditions in the global financial markets and economic conditions or events throughout the world that are outside the control of management, including, but not limited to, disease, pandemics or other severe public health events, and national and international political circumstances.

RECENT ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements adopted in 2023

The Company adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as of January 1, 2023, using the modified retrospective approach.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under this approach, we did not restate prior periods. Rather, we recognized the cumulative effect of initially applying the new standard as an adjustment to retained earnings. Accordingly, the cumulative-effect adjustment on the Company's equity as a result of the adoption on January 1, 2023, was minimal.

New accounting pronouncements to be adopted subsequent to December 31, 2024

In December 2023, the Financial Accounting Standards Board issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, requiring entities to provide additional information in the rate reconciliation and additional disclosures about income taxes paid. While the disclosure on rate reconciliation is only required for public business entities, the ASU requires all entities to disclose annual income taxes paid (net of refunds received) disaggregated by federal (national), state and foreign taxes and to disaggregate the information by jurisdiction based on a quantitative threshold. The ASU is effective for the Company on January 1, 2026. Early adoption is permitted; however, we do not intend to early adopt the ASU. The adoption of this ASU is not expected to have a material impact on our consolidated financial statements.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

We recognize revenue when we transfer control of the promised goods or services to our customers, in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. We generate substantially all our revenue from contracts with customers.

Disaggregation of revenue

The following table provides a summary of revenues by contract for the years ended December 31, 2024 and 2023, all of which is recognized over time.

($ in millions)	**2024**	**2023**
FINRA rules and by-laws	$1,335.1	$1,095.7
Regulatory agreements	283.0	268.6
All other contracts	66.8	51.9
Net revenues	$1,684.9	$1,416.2

We generally recognize revenue over time as we perform services. We measure our progress in completing these services based upon the passage of time. This method faithfully depicts our performance of transferring control of the services to the customer as our customers simultaneously receive and consume the benefits provided by our performance.

The following is a description of our contracts with customers.

FINRA rules and by-laws

FINRA's rules and by-laws govern the relationship between FINRA and its member firms and individual brokers. We provide the following supervision of our members: i) oversight services; ii) member application, associated person registration and qualification services; and iii) transparency services. Oversight services include surveillance; member firm and market examinations; enforcement and disciplinary procedures; fraud detection; dispute resolution; and rulemaking and policies. Member application, associated person registration and qualification services include member firm applications; associated person and branch office registrations; and qualification exams and continuing education. Transparency services include the management and operation of FINRA's OTC market transparency facilities, such as TRACE and ORF, which provide the public and professionals with timely market information for debt and equity securities. Revenues related to FINRA's rules and by-laws are included in regulatory, fines and user revenues in our consolidated statements of operations.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Under U.S. GAAP, consideration is due as the services are rendered. Consideration for services provided in accordance with our rules and by-laws is variable, taking into account provisions for adjustments, refunds, rebates, fee waivers and penalties for late filings. Our estimate of variable consideration is not typically constrained, as the effects of such variable consideration are known to us prior to the release of our consolidated financial statements.

Regulatory agreements

We have various regulatory agreements through which we provide regulatory services, such as surveillance reviews, investigations, examinations and disciplinary functions. Pursuant to a contract with CAT LLC, FINRA CAT is engaged by CAT LLC to provide certain services in connection with the implementation and maintenance of the CAT, including recurring operations, cloud hosting, and customer account and database services. We include revenues related to our regulatory agreements in contract services revenues in our consolidated statements of operations. Consideration is due as services are rendered. Consideration for services provided in accordance with our regulatory agreements is variable, taking into account provisions for cost-of-living adjustments, changes in the scope of services and changes in trading volumes. Our estimate of variable consideration related to our provision of regulatory agreements is not typically constrained, as the effects of such variable consideration are known to us prior to the release of our consolidated financial statements.

All other contracts

All other contracts primarily include contracts related to our provision of mortgage system modernization and support services, administration of the Investment Adviser Registration Depository program, provision of OTC data to the Nasdaq Unlisted Trading Privileges plan and testing services agreements for the benefit of investment advisers and mortgage brokers. Consideration for these services is variable and due as services are rendered. Our estimate of variable consideration is not typically constrained, as the effects of such variable consideration are known to us prior to the release of our consolidated financial statements.

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers as of December 31, 2024 and 2023:

($ in millions)	**2024**	**2023**
Receivables, net	$350.4	$155.9
Current deferred revenue	83.5	84.6

See Note 2, "*Receivables, Net*" for additional information about our receivables balances.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Deferred revenue for the years ended December 31, 2024 and 2023, primarily consists of prepayments of registration and renewal fees, annual assessments, and arbitration and mediation fees under FINRA's rules and by-laws. The revenue recognized from contract liabilities and the remaining balance is shown below:

($ in millions)	**January 1, 2024**	**Additions (1)**	**Revenue recognition**	**December 31, 2024**
Registration and renewal (2)	$79.5	$101.2	$(101.0)	$79.7
Assessments (3)	—	554.7	(554.7)	—
Arbitration and mediation (4)	4.6	6.5	(7.8)	3.3
Regulatory (5)	0.4	0.6	(0.6)	0.4
Qualification exams (6)	0.1	1.5	(1.5)	0.1
Total deferred revenue	$84.6	$664.5	$(665.6)	$83.5

($ in millions)	**January 1, 2023**	**Additions (1)**	**Revenue recognition**	**December 31, 2023**
Registration and renewal (2)	$63.3	$101.6	$ (85.4)	$79.5
Assessments (3)	—	364.9	(364.9)	—
Arbitration and mediation (4)	3.6	8.9	(7.9)	4.6
Regulatory (5)	0.3	0.7	(0.6)	0.4
Qualification exams (6)	—	1.4	(1.3)	0.1
Total deferred revenue	$67.2	$477.5	$(460.1)	$84.6

(1) Additions reflect fees charged during the period.

(2) We assess fees for initial registrations, membership applications and renewals of FINRA member firms, registered representatives, principals and branch offices primarily to cover CRD system processing. These registration and renewal fees are amortized and recorded ratably over the annual period to which they apply, and are included in user revenues in the consolidated statements of operations.

(3) Annually, each FINRA member is charged assessments based on: 1) their gross revenue; and 2) the member's number of registered representatives and principals. These fees support the supervision and regulation of firms through examination, policy making, rulemaking and enforcement activities performed each year. These fees are amortized and recorded ratably over the annual period to which they apply, and are included in regulatory revenues in the consolidated statements of operations.

(4) Arbitration and mediation filings and arbitration member surcharges provide a material right to access to FINRA's arbitration and mediation forums. As such, these fees are amortized and recorded over the period of benefit of the fee, and are included in user revenues in the consolidated statements of operations. We have determined the period of benefit to be the average turnaround time for an arbitration case (14 months) or mediation case (four months).

(5) Fees are assessed for regulatory services provided to customers. These regulatory agreement fees are recorded ratably over the period to which they apply, and are included in contract services revenues in the consolidated statements of operations.

(6) Certain qualifications exams may be purchased using vouchers, which allow individuals to self-enroll for the exam within six months from the date of purchase. The fees related to these vouchers are recorded in the period of exam enrollment or expiration of the voucher, whichever occurs first, and are included in user revenues in the consolidated statements of operations.

4. INVESTMENTS

FINRA owns a diverse investment portfolio. Our investment policy strives to preserve principal, in real terms, while seeking to earn a long-term rate of return commensurate with the degree of risk deemed appropriate by FINRA's Board. We execute our investment strategy through separately managed accounts and direct investments. FINRA's investment portfolio consisted of the following as of December 31, 2024 and 2023:

($ in millions)	**2024**	**2023**
Fixed income investments	$ 631.7	$ 638.8
Equity investments	680.5	673.5
Other investments:		
Pooled investment fund	267.0	239.2
Investments of Consolidated Entity	194.4	194.6
Other	0.3	0.3
Total	$1,773.9	$1,746.4

FIXED INCOME INVESTMENTS

Our fixed income portfolio consists of U.S. government (state and local) securities, mortgage-backed securities, corporate and asset-backed securities managed by an external investment manager, who had the authority to buy and sell investments within pre-established parameters. The primary objective of our fixed income investments is to provide protection of capital and long-term total return through investment in high-quality, stable assets. Our fixed income investments, summarized based on the primary industry of the issuers, are disclosed in Note 5, "*Fair Value Measurement*."

EQUITY INVESTMENTS

Our equity investment portfolio consists of commingled funds, mutual funds and publicly traded securities. Our commingled funds employ a variety of strategies, including exposures to domestic fixed income and equity securities, and international equity securities. Some of our mutual funds—which consist of funds invested in domestic bonds, domestic and international equities, and a life-cycle fund focused on asset allocation through investments in other mutual funds, primarily in bonds with the remainder in equities—relate to our deferred compensation plan for officers, our supplemental defined contribution plan for senior officers and our closed non-qualified defined benefit obligation. Additionally, the portfolio includes mutual funds that invest in high-quality domestic companies with a dividend focus and international equities. Finally, our publicly traded securities, managed by an external investment manager, are primarily in high-quality companies across the world.

OTHER INVESTMENTS

As of December 31, 2024 and 2023, our other investments consisted of a pooled investment fund and investments of the Consolidated Entity. The following table summarizes 2024 and 2023 activity related to our pooled investment fund and Consolidated Entity.

4. INVESTMENTS (CONTINUED)

($ in millions)	Pooled Investment Fund	Consolidated Entity
Carrying value, January 1, 2023	$252.5	$214.0
Investment gains	16.0	8.4
Contributions	—	—
Distributions	(29.3)	(25.3)
Carrying value, December 31, 2023	239.2	197.1
Investment gains	27.1	18.5
Contributions	0.7	—
Distributions	—	(17.8)
Carrying value, December 31, 2024	$267.0	$197.8

FINRA invests in a pooled investment fund for which the fair value option was elected. The fund's portfolio maintains broad diversification across multiple investment strategies that is intended to reduce volatility and produce downside protection. We did not record interest and dividends during 2024 and 2023.

FINRA holds a 100 percent equity interest in the Consolidated Entity, and the general partner of the Consolidated Entity is fully independent of FINRA management and its Board. The objective of the Consolidated Entity is to maximize risk-adjusted returns over the long-term horizon through potential investment in a wide array of investments and strategies.

The carrying value represents the net assets and liabilities of the Consolidated Entity at each period end, which also represents the maximum risk of loss as of those dates. The assets of the Consolidated Entity primarily consisted of cash and investments, while the liabilities primarily represented accrued expenses of the Consolidated Entity. The assets of the Consolidated Entity may be used only to settle obligations of the Consolidated Entity. In addition, there is no recourse to the Company for the Consolidated Entity's liabilities.

Investments held by the Consolidated Entity as of December 31, 2024, summarized below, primarily consist of limited partnerships managed by the investment manager of the Consolidated Entity, as well as hedge funds, private equity funds or similar investment vehicles managed by external managers directly or through subsidiary funds that are controlled by the investment manager of the Consolidated Entity. The Consolidated Entity's net assets consist primarily of its investments accounted for at fair value; the majority of the Consolidated Entity's fair value measurements are based on the estimates made by the general partner of the Consolidated Entity. The investment strategy of these limited partnerships is multi-strategy.

($ in millions)	Fair value	Percentage of investments of Consolidated Entity
Investments of Consolidated Entity (a)		
North America		
HighVista Master Fund Limited Partnership	$100.8	51.8%
Other	93.6	48.2%
Total investments (cost $132.0 million)	$194.4	100.0%

(a) As of December 31, 2024, no underlying investment held by these limited partnerships had a fair value that exceeded five percent of FINRA's total consolidated equity.

4. INVESTMENTS (CONTINUED)

INVESTMENT GAINS AND LOSSES

Investment gains and losses for each of the two years ending December 31, 2024, are summarized below:

($ in millions)	**Fixed income investments**	**Equity investments**	**Pooled investment fund**	**Investments of Consolidated Entity**	**Total**
For the year ending December 31, 2024					
Unrealized investment gains on securities held at period end	$ 3.1	$ 0.9	$27.1	$12.4	$ 43.5
Investment (losses) gains on securities sold during the period	(1.6)	11.2	—	7.4	17.0
Other gains	—	11.4	0.5	—	11.9
Total	$ 1.5	$23.5	$27.6	$19.8	$ 72.4
For the year ending December 31, 2023					
Unrealized investment gains on securities held period end	$ 36.8	$46.4	$16.0	$ 2.8	$102.0
Investment (losses) gains on securities sold during the period	(17.5)	8.9	—	7.0	(1.6)
Other gains	—	0.9	0.6	—	1.5
Total	$ 19.3	$56.2	$16.6	$ 9.8	$101.9

Realized and unrealized gains and losses on our investments, including investments of the Consolidated Entity, are included in net realized and unrealized gains in the consolidated statements of operations. Unrealized gains or losses result from changes in the fair value of these investments. Upon disposition of an investment, unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the period the disposition occurs.

5. FAIR VALUE MEASUREMENT

The Company considers cash and cash equivalents, our investment portfolio, receivables, investments receivable and investments payable to be its financial instruments. The carrying amounts reported in the consolidated balance sheets for these financial instruments equal or closely approximate fair value.

U.S. GAAP defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (*i.e.*, an exit price).

U.S. GAAP prioritizes the level of market price observability used in measuring assets and liabilities at fair value. There are a number of factors that impact market price observability, including the type of assets and liabilities, and the specific characteristics of the assets and liabilities. Assets and liabilities with prices that are readily available, actively quoted or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and less degree of judgment used in measuring fair value.

Assets and liabilities measured at fair value are classified into one of the following categories:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access as of the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, through corroboration with observable data.
- Level 3 Unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

5. FAIR VALUE MEASUREMENT (CONTINUED)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability's level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The assessment of significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents information about our assets that are measured at fair value on a recurring basis as of December 31, 2024 and 2023, and indicates the fair value hierarchy of the valuation techniques used to determine fair value:

($ in millions)	**2024**			**2023**		
Description	**Total carrying value**	**Level 1**	**Level 2**	**Total carrying value**	**Level 1**	**Level 2**
Assets:						
Fixed income investments						
Corporate debt securities						
Industrial	$ 110.2	$ —	$110.2	$ 114.6	$ —	$114.6
Banking	109.5	—	109.5	112.9	—	112.9
Insurance	67.0	—	67.0	55.9	—	55.9
Utility	47.8	—	47.8	53.8	—	53.8
Other financial institutions	41.1	—	41.1	44.0	—	44.0
Government securities						
U.S. Treasury	86.5	86.5	—	72.8	72.8	—
Other government securities	19.8	—	19.8	24.3	—	24.3
Mortgage-backed securities						
Collateralized mortgage obligation	51.1	—	51.1	54.6	—	54.6
Agency	40.9	—	40.9	67.5	—	67.5
Non-agency	8.7	—	8.7	9.7	—	9.7
Asset-backed securities	49.1	—	49.1	28.7	—	28.7
Equity investments						
Commingled funds						
U.S. fixed income	292.7	—	292.7	292.8	—	292.8
U.S. equity	56.7	—	56.7	58.1	—	58.1
Other	17.8	—	17.8	15.7	—	15.7
Mutual funds						
U.S. equity	119.6	119.6	—	121.4	121.4	—
Other	82.1	82.1	—	69.9	69.9	—
Publicly traded securities						
Europe	49.2	49.2	—	53.9	53.9	—
Asia	44.3	44.3	—	43.6	43.6	—
Other regions	18.1	18.1	—	18.1	18.1	—
Total assets in the fair value hierarchy	1,312.2	399.8	912.4	1,312.3	379.7	932.6
Pooled investment fund, measured at net asset value (a)	267.0	—	—	239.2	—	—
Investments of Consolidated Entity (a)	194.4	—	—	194.6	—	—
Total assets measured at fair value	$1,773.6	$399.8	$912.4	$1,746.1	$379.7	$932.6

(a) In accordance with ASC Subtopic 820-10, *Fair Value Measurement*, certain investments that are measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The fair value amount presented in this table is intended to permit reconciliation of the fair value hierarchy to the fair value of assets presented in the consolidated balance sheets.

5. FAIR VALUE MEASUREMENT (CONTINUED)

Changes in the fair value of our fixed income, equity and other investments measured at net asset value are recorded as a component of net realized and unrealized investment gains in the consolidated statements of operations. The following is a description of the valuation methodologies we use for financial assets measured at fair value on a recurring basis and the general classification of these instruments pursuant to the fair value hierarchy.

Fixed Income Investments

All our fixed income investments are priced using the services of third-party pricing vendors; however, pricing for some of the U.S. Government securities are publicly available. These vendors use evaluated and industry-accepted pricing models that vary by asset class and incorporate market inputs such as available trade, bid and other market information to determine the fair value of the securities. Accordingly, the valuation of these investments is categorized in Levels 1 and 2 of the fair value hierarchy.

Equity Investments

Commingled funds are valued at the quoted net asset value per unit, computed as of the close of business on the balance sheet date. Units of these investments are valued daily and a unit-holder's ability to transact in the funds' units occurs daily; however, units are not traded on an active exchange. As the fair value per unit is readily determinable, the valuation of these investments is categorized in Level 2 of the fair value hierarchy.

Mutual funds are valued at the publicly quoted net asset value per share, which is computed as of the close of business on the balance sheet date. Publicly traded securities listed or traded on a securities exchange are valued at the last quoted price the security is traded. Accordingly, the valuation of these investments is categorized in Level 1 of the fair value hierarchy.

Pooled Investment Fund

The Company invests in a pooled investment fund for which the fair value option has been elected. This investment is an offshore feeder fund in a "master-feeder" structure, and substantially all its capital is invested in the master fund. The master fund's investment objectives include producing risk-adjusted returns while maintaining low correlation to traditional markets by taking long and short positions in major equities, fixed income, currencies and commodities markets offering a high level of liquidity, as well as investments in other pooled investment vehicles. This investment generally has a redemption notice period of no less than 95 days, and shares may be redeemed on a semiannual (June 30 and December 31) basis. We do not have any outstanding capital commitments related to this investment.

5. FAIR VALUE MEASUREMENT (CONTINUED)

Investments of the Consolidated Entity

The investments of the Consolidated Entity consist of limited partnerships managed by the investment manager of the Consolidated Entity as well as hedge funds, private equity funds or similar investment vehicles. These investments generally employ a diversified investment strategy. The fair value of the investments of the Consolidated Entity is measured at net asset value on the balance sheet date. The investment manager of the Consolidated Entity has a valuation committee consisting of its key officers and select members of the investment operations team for the investment manager. The valuation committee reviews and approves valuations for all investments for which the third-party administrator is unable to obtain a price independently. The Consolidated Entity had unfunded commitments through its investment in limited partnerships of $55.5 million and $62.2 million as of December 31, 2024 and 2023, respectively. Capital calls will be funded with available cash held by the Consolidated Entity or by liquidating investments of the Consolidated Entity, as needed. The underlying investments held by these limited partnerships may be subject to various levels of liquidity restrictions.

6. EMPLOYEE BENEFITS AND LIABILITIES

FINRA offers current employees a choice of health plans, a dental plan, short-term and long-term disability plans, life insurance and a variety of other benefits. In addition, we have various qualified and non-qualified retirement benefit plans available to eligible employees.

Voluntary Contributory Savings Plan

FINRA maintains a voluntary contributory savings plan for eligible employees. Employees are immediately eligible to make elective contributions to the plan up to specified plan limits. Employees are also eligible to receive from FINRA a corresponding dollar-for-dollar matching contribution on any elective contribution made by the participant to the savings plan up to a maximum of six percent of base compensation. The savings plan expense for 2024 and 2023 was $36.3 million and $35.2 million, respectively, which was included within compensation and benefits expense in the consolidated statements of operations.

Defined Contribution Component of the Savings Plan

FINRA offers a defined contribution component of the savings plan to eligible employees hired after January 1, 2011, and those who transitioned out of FINRA's defined benefit plan. The Company's contributions for this component are based on a participant's age plus years of service, and vesting is on a graduated scale over six years. The investment options are the same as the current options in the savings plan. Expenses related to the defined contribution component of the savings plan for 2024 and 2023 were $34.5 million and $33.0 million, respectively, which were included within compensation and benefits expense in the consolidated statements of operations.

Deferred Compensation Plan for Officers and Supplemental Defined Contribution Plan for Senior Officers

FINRA maintains a deferred compensation plan for officers under the provisions of Section 457(b) of the IRC. Eligible employees may contribute to the plan and, at its discretion, FINRA may make additional contributions to the plan. FINRA also maintains a supplemental defined contribution plan for the Company's senior officers and makes annual contributions based on salary and a portion of incentive compensation. FINRA has recorded both an asset and a liability related to these plans of $70.8 million and $60.4 million as of December 31, 2024, and 2023, respectively; the assets are included in equity investments and the liabilities are included in accrued personnel and benefit costs in the consolidated balance sheet.

6. EMPLOYEE BENEFITS AND LIABILITIES (CONTINUED)

Voluntary Incentive Program

On November 30, 2023, FINRA announced the implementation of the VIP. The VIP was designed for those employees who met specific eligibility requirements. Eligible participants had until January 31, 2024, to accept the VIP. The VIP included provisions for benefits in the form of severance payments; outplacement services; and eligibility and payout for various bonus programs, as applicable.

Curtailments, settlements and special termination benefits with respect to our pension and other plans under the VIP are included in the plan disclosures below. As of December 31, 2023, no other special termination benefits were recorded in the consolidated financial statements since the decision period for eligible participants had not been reached. As of January 31, 2024, 187 eligible employees accepted the VIP with separation dates in 2024 and 2025. As a result, we recorded special termination benefits of approximately $33.3 million in 2024 in connection with the VIP which were included within compensation and benefits expense in the consolidated statements of operations. In 2024, $16.2 million of special termination benefits were paid out to VIP participants.

Defined Benefit Pension Plans

We provide a qualified and a non-qualified non-contributory defined benefit pension plan to eligible employees. The benefits are based primarily on years of service and employees' average compensation during the highest 60 consecutive months of employment. Both plans are now closed to new participants.

Postretirement health and life insurance benefits

The Company offers the postretirement health coverage and life insurance to eligible retired employees and their eligible dependents. Eligible retirees pay the full premium cost to be enrolled in the Company's retiree medical coverage. Under the Retiree Medical Plan, the Company offers a Retiree Medical Savings Plan that provides eligible retirees with credits retirees can use to help pay for health care premiums during retirement. Included in the Retiree Medical Plan are Retiree Medical Accounts created for eligible employees and retirees with fixed annual credits applied to those accounts for each year of FINRA service beginning at age 40, and accrual of credits for a portion of the active employee's unused vacation and personal leave. Employees can access the credits only in retirement and may use the credits only toward paying a portion of monthly premiums under FINRA-sponsored retiree health plans. The postretirement life insurance benefit plan is closed to new participants.

PLAN DISCLOSURES

The following tables disclose information related to our "Pension Plans," which include the defined benefit pension plans described above, and "Other Plans," which include the postretirement health and life insurance benefit plans described above. The reconciliation of the projected benefit obligation, the change in the fair value of plan assets for the periods ended December 31, 2024 and 2023, and the accumulated benefit obligation at December 31, 2024 and 2023, were as follows:

	Pension Plans		**Other Plans**	
($ in millions)	**2024**	**2023**	**2024**	**2023**
Change in benefit obligation				
Benefit obligation at beginning of period	$550.0	$526.1	$79.1	$73.5
Service cost	9.1	9.8	3.0	2.6
Interest cost	25.2	25.6	3.9	3.7
Actuarial (gains) losses	(43.8)	3.1	(5.7)	1.6
Benefits paid	(35.3)	(18.8)	(3.0)	(2.7)
Curtailment loss	—	4.2	—	—
Special termination benefits	—	—	—	0.4
Benefit obligation at end of period	$505.2	$550.0	$77.3	$79.1

6. EMPLOYEE BENEFITS AND LIABILITIES (CONTINUED)

	Pension Plans		Other Plans	
($ in millions)	**2024**	**2023**	**2024**	**2023**
Change in plan assets				
Fair value of plan assets at beginning of period	$516.4	$471.6	$ —	$ —
Actual return on plan assets	17.8	63.6	—	—
Company contributions	20.0	—	3.0	2.7
Benefits paid	(35.3)	(18.8)	(3.0)	(2.7)
Fair value of plan assets at end of period	$518.9	$516.4	$ —	$ —
Funded (unfunded) status of the plan	$ 13.7	$ (33.6)	$(77.3)	$(79.1)
Accumulated benefit obligation	$483.3	$521.4		

Our total pension and other postretirement assets and liabilities in the consolidated balance sheets comprised the following:

	Pension Plans		Other Plans	
($ in millions)	**2024**	**2023**	**2024**	**2023**
Noncurrent assets	$17.0	$ —	$ —	$ —
Current liabilities	—	—	(3.1)	(3.3)
Noncurrent liabilities	(3.3)	(33.6)	(74.2)	(75.8)
Net amount at December 31	$13.7	$(33.6)	$(77.3)	$(79.1)

There are no plan assets for the non-qualified defined benefit plan, postretirement health and life insurance benefit plans. The noncurrent assets of the pension plans represented the fair value of plan assets in excess of benefit obligation as of December 31, 2024 and was included in other assets in the consolidated balance sheet.

The components of net periodic benefit cost included in the consolidated statements of operations were as follows:

	Pension Plans		Other Plans	
($ in millions)	**2024**	**2023**	**2024**	**2023**
Service cost	$ 9.1	$ 9.8	$ 3.0	$ 2.6
Interest cost	25.2	25.6	3.9	3.7
Expected return on plan assets	(30.5)	(28.5)	—	—
Recognized net actuarial gains	(0.4)	(1.2)	(0.4)	(0.6)
Curtailment expense	—	4.2	—	—
Special termination benefits	—	—	—	0.4
Net periodic benefit cost	$ 3.4	$ 9.9	$ 6.5	$ 6.1

Service cost was included in compensation and benefits expense in the consolidated statements of operations. All other components of net periodic benefit cost were included in other income (expense) in the consolidated statements of operations.

The net amounts included in accumulated other comprehensive gain (loss) were as follows:

	Pension Plans		Other Plans	
($ in millions)	**2024**	**2023**	**2024**	**2023**
Unrecognized net actuarial gain (loss)	$13.4	$(17.3)	$19.4	$14.1

6. EMPLOYEE BENEFITS AND LIABILITIES (CONTINUED)

The following amounts were included in other comprehensive gain during 2024:

($ in millions)	**Incurred but not yet recognized in net periodic benefit cost**	**Reclassification adjustment for prior period amounts recognized**
Actuarial gains (losses)		
Pension plans	$31.1	$(0.4)
Other plans	5.7	(0.4)
	$36.8	$(0.8)

Assumptions and health care cost trend rates used in determining the year end obligation as well as the net periodic benefit cost of the pension and other plans were as follows:

	Pension Plans		**Other Plans**	
	2024	**2023**	**2024**	**2023**
Weighted-average assumptions used to determine benefit obligations as of December 31:				
Discount rate	5.53%	4.85%	5.48%	4.81%
Rate of compensation increase	3.00%	3.00%	—	—
Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31:				
Discount rate	4.85%	5.03%	4.81%	5.01%
Rate of compensation increase	3.00%	3.00%	—	—
Expected return on plan assets	6.30%	6.30%	—	—
Assumed health care cost trend rate:				
Health care cost trend rate assumed for next year	—	—	7.8%	7.4%
Ultimate trend rate	—	—	3.8%	4.3%
Year that the rate reaches the ultimate trend rate	—	—	2075	2075

We use the assumptions above to develop the benefit obligations at year end and to develop the net periodic benefit cost for the subsequent year. Therefore, the assumptions we use to determine benefit obligations are established at each year end while the assumptions we use to determine net periodic benefit cost for each year are established at the end of each previous year. The expected return on plan assets that will be used in the determination of 2025 net periodic benefit cost is 6.3 percent.

The benefit obligations and the net periodic benefit cost are based on actuarial assumptions that are reviewed on an annual basis. We revise these assumptions based on an annual evaluation of long-term trends, as well as market conditions, which may have an impact on the cost of providing retirement benefits.

PLAN ASSETS

Plan assets are primarily related to our qualified defined benefit pension plan. In accordance with Employee Retirement Income Security Act requirements, FINRA has established a trust to hold these plan assets.

The investment policy and strategy for the investment portfolio of our qualified defined benefit pension plan strive to achieve a rate of return on plan assets that will, over the long term, in concert with Company contributions, fund the plan's liabilities to provide for required benefits. As the funded status of the plan improves, the plan will assume less risk through reductions in return-seeking exposure or improved matching of fixed income assets with liabilities.

6. EMPLOYEE BENEFITS AND LIABILITIES (CONTINUED)

We allocate the plan assets among a diversified portfolio of equity investments, fixed income securities, alternative investments and cash equivalents with both domestic and international strategies. Derivatives are permitted on a limited scale for hedging or creation of market exposures. Direct debt and equity interests are prohibited in any member firm, exchange, contract market, regulatory client, alternative or electronic trading system or entity that derives a certain threshold of revenue from the activities of member firms. We review asset allocations at least quarterly and make adjustments, as appropriate, to remain within target allocations. We also review the investment policy at least annually, under the guidance of an investment consultant, to determine whether a change in the policy or asset allocation targets is necessary.

The asset allocation of the investment portfolio for the qualified defined benefit pension plan at December 31, 2024 and 2023, along with target allocations for 2024, is as follows:

	2024 Target	2024	2023
Equity securities:			
U.S. equity	12.7%	12.7%	13.2%
Non-U.S. equity	10.0%	9.9%	11.7%
Global equity	15.3%	15.2%	16.6%
U.S. fixed income securities	58.5%	57.5%	55.4%
Alternative investments	2.0%	2.1%	2.2%
Cash equivalents	1.5%	2.6%	0.9%
Total	100.0%	100.0%	100.0%

The expected long-term rate of return for the plan's total assets is based on the expected returns of each of the above categories, weighted based on the current target allocation for each class. At least annually, we evaluate whether adjustments are needed based on historical returns to more accurately reflect expectations of future returns.

The following table presents information about the fair value of the Company's plan assets at December 31, 2024 and 2023, by asset category, and indicate the fair value hierarchy of the valuation techniques used to determine fair value:

	2024			2023		
($ in millions)	Total	Level 1	Level 2	Total	Level 1	Level 2
Cash and cash equivalents	$ 15.4	$15.4	$ —	$ 7.4	$ 7.4	$ —
U.S. Government securities	12.4	12.4	—	12.3	12.3	—
Corporate debt instruments	15.7	—	15.7	14.5	—	14.5
Corporate stocks	11.0	11.0	—	11.4	11.4	—
Common/collective trusts:						
Equity	174.2	—	174.2	190.5	—	190.5
Fixed income	183.0	—	183.0	176.1	—	176.1
Registered investment companies:						
Equity	10.5	10.5	—	11.9	11.9	—
Fixed income	108.0	10.0	98.0	99.2	10.2	89.0
Other	1.5	—	1.5	0.5	—	0.5
Total assets in the fair value hierarchy	531.7	59.3	472.4	523.8	53.2	470.6
Partnership/joint venture interests measured at net asset value (a)	1.0	—	—	1.0	—	—
Payables, net (b)	(13.8)	—	—	(8.4)	—	—
Total	$518.9	$59.3	$472.4	$516.4	$53.2	$470.6

6. EMPLOYEE BENEFITS AND LIABILITIES (CONTINUED)

(a) In accordance with ASC Subtopic 820-10, a certain investment that is measured at fair value using the net asset value per share practical expedient has not been classified in the fair value hierarchy. The fair value amount presented in this table is intended to permit reconciliation of the fair value hierarchy to the fair value of plan assets presented in the plan disclosures section of this footnote.

(b) Represents pending trades at December 31, 2024 and 2023.

For the years ended December 31, 2024 and 2023, there were no transfers between Level 1, Level 2 or Level 3 of the fair value hierarchy.

Common/collective trusts invest in both domestic and international equity and fixed income strategies. Fair values are readily available and have been estimated using the net asset value per unit of the funds. Units of these investments are valued daily and a unit-holder's ability to transact in the trusts' units occurs daily; however, units are not available on an active exchange. As the fair value per unit is readily determinable, the valuation of these securities is categorized in Level 2 of the fair value hierarchy.

Registered investment companies invest primarily in domestic fixed income securities. Fair values are readily available and have been estimated using the net asset value per share of the funds. Investments included in this category include registered investment companies that are publicly traded and private placement securities. Shares of these investments are valued and transacted daily; however, shares through private placement are not available on an active exchange. As the fair value per share is readily determinable, the valuation of these securities is categorized in Level 1 and Level 2 of the fair value hierarchy.

The investment in partnership/joint venture interests included a private equity fund that invests in the natural resources and real estate industries. The investment is nonredeemable. The fair value of the investment has been estimated using the net asset value per share of the investment.

The valuation techniques and inputs used to measure fair value of the plan assets are consistent with the Company's valuation procedures as disclosed in Note 5, "*Fair Value Measurement*."

EXPECTED FUTURE BENEFIT PAYMENTS

In 2025, we do not expect to contribute to our qualified and non-qualified defined benefit plans. In addition, we expect to make the following benefit payments to participants over the next 10 years:

($ in millions)	**Pension Plans**	**Other Plans**
Year ending December 31,		
2025	$ 59.8	$ 6.4
2026	33.7	6.8
2027	34.3	7.6
2028	35.2	8.7
2029	36.0	13.3
2030 through 2034	196.5	86.8
Total	$395.5	$129.6

7. ACCUMULATED OTHER COMPREHENSIVE GAIN (LOSS)

The following is a summary of changes in accumulated other comprehensive gain (loss) as of December 31, 2024 and 2023. All amounts in accumulated other comprehensive loss relate to net unrecognized employee benefit plan amounts.

($ in millions)	**Total**
Balance, January 1, 2023	$(31.8)
Other comprehensive gain before reclassifications	30.4
Amounts reclassified from accumulated other comprehensive loss (a)	(1.8)
Net current-period other comprehensive gain	28.6
Balance, December 31, 2023	(3.2)
Other comprehensive gain before reclassifications	36.8
Amounts reclassified from accumulated other comprehensive loss (a)	(0.8)
Net current-period other comprehensive gain	36.0
Balance, December 31, 2024	$ 32.8

(a) Reclassified net unrecognized employee benefit plan amounts were included as a component of net periodic benefit cost and recorded in other income (expense) in the consolidated statements of operations—see Note 6, "*Employee Benefits and Liabilities*," for additional information.

8. LEASES

The Company has non-cancelable operating leases for its corporate and district offices throughout the United States. The Company's leases have remaining lease terms of one to ten years, some of which may include options to extend the lease up to ten years.

Details for our operating lease assets and liabilities as of December 31, 2024 and 2023 follow:

($ in millions)	**2024**	**2023**
Assets		
Operating lease assets	$147.6	$157.7
Total lease assets	147.6	157.7
Liabilities		
Current portion of operating lease liabilities	25.4	27.3
Non-current operating lease liabilities	181.8	183.7
Total lease liabilities	$207.2	$211.0

Operating lease assets obtained in exchange for operating lease obligations for the year ended December 31, 2024 and 2023, were $12.7 million and $0.9 million, respectively.

8. LEASES (CONTINUED)

Details for operating lease expense and lease payments for the year ended December 31, 2024 and 2023 follow:

($ in millions)	**2024**	**2023**
Operating lease expense		
Occupancy	$28.2	$34.1
Equipment	0.1	0.1
Total operating lease expense	$28.3	$34.2
Lease payments included in the measurement of operating lease liabilities		
Operating cash flows	$30.9	$32.0
Total operating lease cash flows	$30.9	$32.0

Details of the weighted average remaining lease term and weighted average discount rate we used to determine the operating lease liabilities as of December 31, 2024 and 2023 follow:

	2024	**2023**
Weighted average remaining lease term	7.6 years	8.0 years
Weighted average discount rate	2.1%	1.9%

Details for the maturity of operating lease liabilities as of December 31, 2024 for each of the next five years and thereafter follow:

($ in millions)	**Operating leases**
Year ending December 31, 2025	$ 30.8
2026	30.5
2027	29.4
2028	29.1
2029	29.5
Remaining years	81.0
Total lease payments	230.3
Less: Imputed interest	(23.1)
Present value of operating lease liabilities	$207.2

9. COMMITMENTS AND CONTINGENCIES

Alpine Securities Corporation v. FINRA, No. 23-5129 (D.C. Circuit)

In October 2022, Scottsdale Capital Advisors and Alpine Securities Corporation (Alpine) filed a complaint against FINRA in United States district court seeking declaratory and injunctive relief based on challenges under the federal constitution to FINRA's structure and enforcement proceedings. Alpine alleged that FINRA's Hearing Officers and Board members are subject to Article II's appointment and removal requirements and must be appointed and removable by the President of the United States. Alpine also alleged that FINRA's expedited proceeding against Alpine is government action subject to the U.S. Constitution. Alpine argued it should therefore have the same constitutional rights as if the government were prosecuting it. Finally, Alpine alleged that if FINRA is not acting as the government, it is violating the private non-delegation doctrine in enforcing the federal securities laws and its own rules because Congress and the SEC cannot delegate federal power to a private entity.

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The United States District Court for the District of Columbia denied Alpine's request for a preliminary injunction to stay an expedited proceeding in FINRA's Office of Hearing Officers.

On appeal, the D.C. Circuit Court of Appeals concluded in its "narrow and limited" opinion that Alpine was entitled to a preliminary injunction enjoining FINRA from expelling Alpine in an expedited proceeding prior to SEC review of the merits (or expiration of the time for seeking SEC review) based upon the private non-delegation doctrine. The D.C. Circuit otherwise allowed FINRA to move forward with its expedited proceeding against Alpine.

Alpine filed a Petition for Writ of Certiorari in the Supreme Court, which was denied on June 2, 2025. The case has been remanded to the United States District Court for the District of Columbia for further proceedings.

At this time, FINRA is not able to reasonably estimate a potential loss on this lawsuit or any other impact. As a result, FINRA has not recorded any estimate for loss as of December 31, 2024.

General Litigation

Management is not aware of any unasserted claims or assessments that would have a material adverse effect on the Company's financial position and the results of operations. Currently, there are certain legal proceedings pending against us. While the outcome of any pending litigation cannot be predicted, management does not believe that any such matter will have a material adverse effect on our business or financial position. Such pending legal matters involve unspecified claim amounts, in which the respective plaintiffs seek an indeterminate amount of damages. The outcome of such matters is always uncertain, and unforeseen results can occur. It is possible that such outcomes could require us to pay damages or make other expenditures or establish accruals in amounts that we could not estimate as of December 31, 2024.

Indemnities

The general partner and investment manager of the Consolidated Entity, on behalf of the Consolidated Entity, enter into certain contracts that contain a variety of indemnifications. The Consolidated Entity's maximum exposure under these arrangements is unknown. However, the Consolidated Entity has not had prior claims or losses pursuant to these contracts and expects any risk of loss to be remote.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 27, 2025, the date these financial statements became available to be issued. These financial statements have been approved by management, who has determined that no subsequent event occurred that would require disclosure in the consolidated financial statements or accompanying notes.

FINRA Board of Governors as of June 27, 2025

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St. Petersburg, FL

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Springfield, MA

FINRA Officers as of June 27, 2025

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Executive Vice President, Board and External Relations

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Acronyms and Abbreviations

ADF®	Alternative Display Facility®
Alpine	Alpine Securities Corporation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Board	FINRA’s Board of Governors
CAT	Consolidated Audit Trail
CAT LLC	Consolidated Audit Trail, LLC
CEBB	CAT Executing Brokers for the Buyer
CEBS	CAT Executing Brokers for the Seller
CEO	Chief Executive Officer
CFAO	Chief Financial and Administrative Officer
CRD®	Central Registration Depository
ERM	Enterprise Risk Management
EY	Ernst & Young LLP
Finance Committee	Finance, Operations and Technology Committee
FINRA CAT	FINRA CAT, LLC
FINRA REG	FINRA Regulation, Inc.
FINRA®	Financial Industry Regulatory Authority, Inc.®
Foundation	FINRA Investor Education Foundation®
GIA	Gross Income Assessment
IRC	Internal Revenue Code
IRPA	Independent Registered Public Accountants
Meridian	Meridian Compensation Partners, LLC
NAC	National Adjudicatory Council
NMS Plan	National Market System Plan
NOL	Net operating loss
ORF™	OTC Reporting Facility™
OTC	Over-the-counter
PA	Personnel Assessment
PCAOB	Public Company Accounting Oversight Board
ROU	Right-of-use
SEC	U.S. Securities and Exchange Commission
SOC	Service Organization Control
SRO	Self-Regulatory Organization
TAF	Trading Activity Fees
TRACE®	Trade Reporting and Compliance Engine®
TRFs®	Trade Reporting Facilities®
U.S. GAAP	U.S. generally accepted accounting principles
VIE	Variable Interest Entity
VIP	Voluntary Incentive Program


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H-36860—06/25