

United States Senate

WASHINGTON, DC 20510

March 27, 2026

Robert Cook
Chief Executive Officer
Financial Industry Regulatory Authority
1700 K Street, N.W.
Washington, D.C. 20006

Dear Mr. Cook:

I write to express my concerns regarding the Financial Industry Regulatory Authority's (FINRA) decision to increase member firm fees by \$450 million, or about five percent on a compounded annual basis, through 2029 (the "Fee Increase"), which was approved by the Securities and Exchange Commission (SEC) in January 2025.¹ The Fee Increase comes just three years after FINRA increased fees by \$225 million starting in 2022.² As described below, I question FINRA's strategy to raise member fees rather than pursue other options to address its large operating expenses, much of which (e.g., employee compensation) are likely avoidable. FINRA's desire to consistently increase member fees by hundreds of millions of dollars, among other actions, is a concerning sign that its operations and approach to regulation may have expanded beyond its limited statutory authority to protect investors from fraud and advance confidence in the securities market.

I note that these fee increases come despite the brokerage industry shrinking. Notwithstanding FINRA's argument that the Fee Increase is necessary to address "the continued growth in the breadth and complexity of FINRA's regulatory obligations,"³ the brokerage industry has significantly *contracted* over the last 20 years and the number of FINRA registered broker-dealers has declined each year from 2006 through 2023, from 5,026 to 3,298 (-34%) over that period.⁴ Moreover, the number of FINRA registered representatives has also declined over the last decade to 628,392 in 2023, off almost 2% from a peak of 639,442 in 2015 (and down over 4% since 2006).⁵ Meanwhile, the number of SEC registered investment advisers – which are not regulated by FINRA – reached a record high 15,396 in 2023, a 47% increase since 2006.⁶

Second, another member fee increase is not necessary to address FINRA's burgeoning operating expenses, most of which are driven by outsized and increasing compensation costs. According to FINRA,

¹ See FINRA Adjustment Schedule, <https://www.finra.org/rules-guidance/rule-filings/sr-finra-2024-019/fee-adjustment-schedule>; Filing by FINRA Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934 (Nov. 8, 2024), <https://www.finra.org/sites/default/files/2024-11/sr-finra-2024-019.pdf>.

² See Mason Braswell, "Finra Proposes Fee Increases Starting in 2025," Advisor Hub (Nov. 12, 2024), <https://www.advisorhub.com/finra-proposes-fee-increases-starting-in-2025/#:~:text=Finra%20last%20implemented%20fee%20increases,the%20first%20time%20since%202013>.

³ Fee Increase at 90.

⁴ FINRA 2023 Key Statistics, <https://www.finra.org/media-center/statistics>.

⁵ See *id.* See also Doc Kennedy, MBA, J.D., "Scrutinizing FINRA's Budget: Rational Spending or Excess?" AdvisorLaw (Aug. 1 2024), <https://advisorlawllc.com/scrutinizing-finras-budget/> ("Perhaps indicative of why many in our society harbor a special disdain for bureaucracy (although FINRA is technically a corporation empowered by the government—an entirely separate dilemma) is the fact that FINRA has managed to expand its budget and headcount while simultaneously overseeing a smaller number of firms and representatives.").

⁶ See Investment Adviser Association, Industry Snapshot Shows Increase in Demand for Adviser Services, <https://www.investmentadviser.org/industry-snapshots/>; SEC Investment Adviser Statistics, <https://www.sec.gov/data-research/data-visualizations/investment-adviser-statistics>.

“ninety percent of FINRA's operating expenses are driven by compensation and technology costs.”⁷ In 2023, the average compensation and benefits per employee rose by 4.7% to \$233,500, up from \$223,000 in 2022 – this compares to around \$160,000 in basic earnings on average for an employee in the financial industry according to the U.S. Bureau of Labor Statistics.⁸ The increase in compensation at FINRA has coincided with growth in FINRA's workforce from 3,900 to 4,200 employees during the same period.⁹ The total compensation and benefits expenses for FINRA increased by 12.8%, reaching \$981 million in 2023 compared to \$870 million in 2022, which makes up an outsized 62% of expenses according to FINRA’s most recent annual report.¹⁰ Moreover, FINRA’s CEO has made between \$3.46 million and \$3.84 million in compensation and benefits each of the last three years, and FINRA’s eight highest paid employees (including the CEO) make over *\$1.75 million* on average.¹¹

Third, in addition to reviewing its compensation and benefits programs, we believe FINRA can do (and should have done) more to proactively address its operating expenses before proposing additional member fee increases. For example, FINRA should address the costs associated with legally suspect programs which have included, among other things, a Diversity Leadership Council, annual Diversity Leadership Summit, and multiple affinity groups.¹² FINRA should also critically assess the costs associated with a number of other programs including, but not limited to, its lobbying expenditures (\$850,000 to 21 lobbyists in 2025)¹³; operating leases; “Research and Development” program; “Creatathon” events; employee Award of Distinction program; professional development partnerships with Georgetown University and the Wharton School at the University of Pennsylvania for FINRA employees; internal mentoring programs such as eDriven, reverse mentoring and Inspired to Lead; and video production costs.¹⁴ It does not appear that FINRA addressed additional cost-cutting measures in its analysis of available alternatives.¹⁵

Importantly, I note that the Fee Increase was premised in part on FINRA’s expectation that it would need to implement and enforce certain SEC rule proposals promulgated under former Chairman Gary Gensler that were appropriately – *and predictably* – withdrawn by the SEC under Chairman Atkins’ leadership in

⁷ See FINRA 2024 Annual Budget Summary, <https://www.finra.org/sites/default/files/2024-06/FINRA-2024-Annual-Budget-Summary.pdf>.

⁸ See U.S. Bureau of Labor Statistics, Industries at a Glance, <https://www.bls.gov/iag/tgs/iag523.htm#earnings>. See also n.4 (“In contrast, the US Bureau of Labor Statistics counts 272,190 personal financial advisors, with a mean wage as of May 2023 of \$150,670, with total compensation a broader term than a wage because it includes other benefits.”).

⁹ See 2023 FINRA Annual Financial Report, <https://www.finra.org/sites/default/files/2024-06/2023-finra-annual-financial-report.pdf>.

¹⁰ *Id.*

¹¹ See <https://projects.propublica.org/nonprofits/organizations/521959501/202423209349313927/IRS990ScheduleJ>

¹² I note that FINRA appears to have recently removed a significant amount of content about its DEI activities and programs from its website. See <https://www.finra.org/events-training/conferences-events/finra-diversity-summit>; https://www.linkedin.com/posts/finra_updates-from-our-diversity-leadership-council-activity-7058797874926481408-26hf?trk=public_profile_like_view; FINRA Employee Resource Group 2022 Year in Review, https://www.finra.org/sites/default/files/2023-10/2022_ERG_YIR_Report.pdf https://www.finra.org/sites/default/files/2023-10/2022_ERG_YIR_Report.pdf; Seramount, “How FINRA Built a Sustainable Employee Resource Group Program Through Diversity Best Practices Membership,” January 2023, <https://seramount.com/resources/how-finra-built-a-sustainable-employee-resource-group-program-through-diversity-best-practices-membership/>. See also Charles Gasparino, “Trump likely to take an ax to the gov’s vast ‘woke’ bureaucracy if he’s back in office,” New York Post, September 28, 2024, <https://nypost.com/2024/09/28/business/trump-likely-to-take-an-ax-to-the-govs-vast-woke-bureaucracy-if-hes-back-in-office/> (“DEI is so big at FINRA, [Rep. Byron] Donalds discovered, that the agency actually boasts it’s ‘integral to FINRA’s operations.’ No one is against diversity, of course, but FINRA apparently believes that bean-counting race and gender will automatically help it catch bad guys on Wall Street.”).

¹³ See <https://www.opensecrets.org/federal-lobbying/clients/lobbyists?cycle=2025&id=D000021564>.

¹⁴ See <https://www.finra.org/about/technology/blog/finras-r-d-program-explores-emerging-and-innovative-technologies>; <https://www.finra.org/about/technology/blog/createathon-our-innovation-pipeline>; <https://www.finra.org/about/technology/blog/award-of-distinction-2024>; https://www.linkedin.com/posts/finra_mentoring-month-i-am-a-mentor-day-finraorg-activity-7150532002075529216-iS9g/; <https://www.finra.org/sites/default/files/2024-06/2023-finra-annual-financial-report.pdf>.

¹⁵ See Fee Increase at 81-82.

June 2025, including the Use of Predictive Data Analytics, Regulation Best Execution, and the Order Competition Rule.

Please respond to the following questions no later than May 1, 2026:

1. To help manage costs, FINRA recently engaged “a third party to conduct operational reviews across core business and support functions to assess our effectiveness and efficiency and identify opportunities for improvement and potential cost savings.”¹⁶ Please describe (i) the total expenses incurred by FINRA in connection with this third party engagement; (ii) all recommendations to reduce costs proposed by the third party and the associated dollar value of such savings; and (iii) which recommendations FINRA has fully implemented as of the date of this letter. Please also produce any reports prepared by the third party.
2. Please provide a description of all real estate owned or leased by FINRA including, but not limited to, the total cost of each location, how many staff are assigned to each location, and the number of days each employee reports to each location on average each week in each of 2023, 2024, and 2025 year-to-date.
3. Please detail any technical efficiencies that FINRA has employed (for example, artificial intelligence) that can help reduce costs, including compensation costs.
4. Please detail the impact on FINRA’s budget of its current deferred compensation and retirement benefits programs (including any early retirement packages), the growth of the benefits on average, per employee over each of the past 5 years, and to the extent payments are still being made, any former retirement benefits programs.
5. Please detail the current composition of FINRA’s front office (including, but not limited to, the office of the CEO and his direct reports) and provide compensation information for each person and a rationale for the role that person performs.

Sincerely,



Bill Hagerty
United States Senator

Cc: Hon. Paul S. Atkins
Chairman, U.S. Securities and Exchange Commission

¹⁶ <https://www.finra.org/media-center/blog/funding-finras-mission-111224>.