

# Table of Contents

## CHAPTER 1. INTRODUCTION AND SUMMARY

- § 1:1 FINRA regulatory scheme
- § 1:2 —About FINRA
- § 1:3 ——FINRA's standing committees
- § 1:4 FINRA regulatory scheme for broker-dealers—Sources of FINRA guidance
- § 1:5 ——Rules
- § 1:6 ——Notices
- § 1:7 ——Interpretive letters (NTM 97-36)
- § 1:8 ——Exemptive requests
- § 1:9 ——Other guidance
- § 1:10 SEC regulatory scheme for broker-dealers
- § 1:11 —Securities Exchange Act of 1934 (1934 Act)
- § 1:12 —Investment Company Act of 1940 (1940 Act)
- § 1:13 —1933 Act
- § 1:14 —Investment Advisers Act of 1940 (Advisers Act)
- § 1:15 Other regulatory requirements for broker-dealers—MSRB rules
- § 1:16 —Bank regulatory requirements
- § 1:17 Other regulatory requirements—ERISA
- § 1:18 —States

## CHAPTER 2. QUALIFICATION AND REGISTRATION OF SALES PERSONNEL

- § 2:1 Overview
- § 2:2 —“Associated Person”
- § 2:3 Qualification of personnel
- § 2:4 —Investigate background of applicants (Rule 3110(e))
- § 2:5 ——Representatives with a History of Issues (NTM 97-19)
- § 2:6 —Firms with a significant history of misconduct (Rules 4111)
- § 2:7 —Investigate background of applicants (Rule 3110(e))—“Disqualified” persons
- § 2:8 ——“Ineligible Persons” (1940 Act Section 9)
- § 2:9 —Investigate background of applicants (Rule 3010(e))—Employment contract issues
- § 2:10 —Fingerprinting (NTM 05-39)
- § 2:11 —Qualification examinations (Rule 1210)
- § 2:12 Representative examinations—Securities Industry Essentials (SIE)
- § 2:13 Qualification of personnel—Qualification examinations (Rule 1210)—Taking an exam
- § 2:14 ——Examination waivers (Rule 1210.03)
- § 2:15 ——Submitting a waiver request
- § 2:16 ——FINRA review of waiver requests
- § 2:17 Registration of personnel (Rule 1210)
- § 2:18 Registration of personnel—Representative registrations (Rule 1220(b))
- § 2:19 ——Categories of representative registration
- § 2:20 —Representative registrations (Rule 1220)—Categories of representative registration—General Securities Representative (Series 7)
- § 2:21 ——Investment Company and Variable Products Limited Representative (Series 6)

- § 2:22 —Representative registrations—Categories of representative registration—Municipal Securities Representative (Series 52)
- § 2:23 —Representative registrations (Rule 1220)—Categories of representative registration—Corporate Securities Limited Representative (Series 62) (discontinued)
- § 2:24 ——Assistant Representative—Order Processing (Series 11) (discontinued)
- § 2:25 ——Overview of persons not subject to registration (Rule 1230)
- § 2:26 ——Persons not subject to registration—Persons/activities not subject to registration (Rule 1230)
- § 2:27 ——Unregistered persons who contact prospective customers (NTM 88-50)
- § 2:28 —Principal registrations (Rule 1220(a))
- § 2:29 —Principal registrations (Rule 1220)—Categories of principal registration (Rule 1220)
- § 2:30 ——Categories of principal registration (Rule 1220(a)(2))—General Securities Principal (Series 24)
- § 2:31 ——Categories of principal registration (Rule 1220(a)(11))—Investment Company Products/Variable Contracts Limited Principal (Series 26)
- § 2:32 ——Categories of principal registration (Rule 1220)—Municipal Securities Principal (Series 53)
- § 2:32.50 ——Municipal Fund Securities Limited Principal (Series 51)
- § 2:33 ——Categories of principal registration (Rule 1220(a)(4))—Financial Principals (Series 27)
- § 2:34 ——Financial principals (Series 27)—Part-time, off-site, and multiple registered FINOPs (NTM 06-23)
- § 2:35 ——Other principal issues
- § 2:36 ——Status of outside directors as principals
- § 2:37 ——Status of general counsel/secretary as principals
- § 2:38 ——CCO registration as principal (Rule 1220(a)(3)) (Series 14)
- § 2:39 —Principal registrations (Rule 1210)—Other principal issues—Failure to register persons who are acting as principal
- § 2:40 —Operations professionals (Rule 1220(b)(6)) (Series 99)
- § 2:41 —Registration and reporting Forms U4 and U5
- § 2:42 ——Form U4
- § 2:43 ——Ongoing duty to update registration information
- § 2:44 ——Form U5
- § 2:45 —Other registration issues
- § 2:46 ——Permissive registration categories (Rules 1210)
- § 2:47 *[Reserved]*
- § 2:48 Registration of personnel—Other registration issues—Status of independent contractors/consultants
- § 2:49 ——Status of finders
- § 2:50 ——Examination and registration fees
- § 2:51 ——Reinstatement of a lapsed registration (Rule 1210.08)
- § 2:52 ——Reinstatement of a lapsed registration (Rule 1210)—Inactive because of active military service (Rule 1210.10)
- § 2:53 ——Off-site personnel
- § 2:54 ——Dual employment (Rules 3270 and 3040)
- § 2:55 ——Continuing education program (Rule 1240)
- § 2:56 ——Regulatory Element (Rule 1240(a))
- § 2:57 ——Firm Element (Rule 1240(b))

TABLE OF CONTENTS

§ 2:58	— — Firm reporting of disciplinary matters and customer complaints (Rule 4530)
§ 2:59	— — — Practical guidance for handling customer complaints
§ 2:60	— — BrokerCheck® disclosure (Rule 8312)
§ 2:61	— — Arbitration disclosure about employment matters for registered persons (Rule 3080)
§ 2:62	— — State registration

## CHAPTER 3. CUSTOMER ACCOUNT AGREEMENTS AND RELATED MATTERS

§ 3:1	Overview
§ 3:2	Customer account requirements
§ 3:3	— Customer account information (Rule 4512 and 1934 Act Rule 17a-3)
§ 3:4	— — Information required for all accounts (Rules 4512(a)(1) and 2266)
§ 3:5	— — Additional information required for certain accounts (Rule 4512(a)(2))
§ 3:6	— — Records for persons who receive recommendations (1934 Act Rule 17a-3(a)(17))
§ 3:7	— Customer account information (Rule 4513 and 1934 Act Rule 17a-3)— Information about written complaints (Rule 4513)
§ 3:8	— — Authorization records (Rule 4514)
§ 3:9	— Discretionary account information (Rules 3260 and 4512(a)(3))
§ 3:10	— — Required documentation (Rules 3260(b) and 4512(a)(3))
§ 3:11	— — Approval of transactions/excessive transactions/churning (Rule 3260(a) and (c))
§ 3:12	— — Advisers Act considerations for firms managing discretionary accounts/SEC's 2019 "solely incidental" interpretive guidance
§ 3:13	— Advisory account agreements
§ 3:14	— Customer account name/address matters
§ 3:15	— — Changes in account name or designation (Rule 4515)
§ 3:16	— — Holding customer mail (Rule 3150)
§ 3:17	— — Customer address changes/use of P.O. boxes
§ 3:18	Controls for transmittals of funds or securities (Rule 3110 and RN 09-64)
§ 3:19	Master accounts and sub-accounts (RN 10-18)
§ 3:20	Customer account requirements—Customer pre-dispute arbitration agreements (Rule 2268)
§ 3:20.50	— FINRA guidance on customer pre-dispute arbitration agreements (Regulatory Notice 21-16)
§ 3:21	— Customer pre-dispute arbitration agreements (Rule 2268)—Limits on pre-dispute agreements (Rule 2268 and NTMs 05-09, 95-85, and 95-16)
§ 3:22	— Changes of investment objectives (Rule 3110(c)(2)(v))
§ 3:23	Confirmations (1934 Act Rule 10b-10 and Rule 2232)
§ 3:24	— Disclosure of deferred sales charges (Rule 2341(n))
§ 3:25	Periodic customer account statements (Rule 2231)
§ 3:26	Consolidated financial account reports: FINRA guidance (RN 10-19)
§ 3:27	Customer account statements (Rule 2231)—Exception for DVP/RVP accounts (Rule 2231(b))
§ 3:28	— Use of EAI and EY in customer account statements (RN 08-77)
§ 3:29	Guidance on consolidated financial account reports (RN 10-19)
§ 3:30	Account transfers (Rule 11870)
§ 3:31	— Portability of mutual fund shares

- § 3:32 —Interfering with customer account transfers (Rule 2140)
- § 3:33 —Use of negative response letters (NTMs 04-72 and 02-57)
- § 3:34 ——Exception for money market bulk exchanges (Rule 3260(d))
- § 3:35 Disclosure of financial condition (Rule 2261)
- § 3:36 Disclosure of credit terms (1934 Act Rule 10b-16)
- § 3:37 Anti-money laundering compliance programs (Rule 3310)
- § 3:38 *[Reserved]*
- § 3:39 *[Reserved]*
- § 3:40 *[Reserved]*
- § 3:41 *[Reserved]*
- § 3:42 *[Reserved]*
- § 3:43 *[Reserved]*
- § 3:44 *[Reserved]*
- § 3:45 *[Reserved]*
- § 3:46 *[Reserved]*
- § 3:47 *[Reserved]*
- § 3:48 *[Reserved]*
- § 3:49 *[Reserved]*
- § 3:50 Cybersecurity
- § 3:51 Fidelity insurance coverage (Rule 4360)
- § 3:52 Forwarding of proxies and shareholder reports (Rule 2251)
- § 3:53 —Use of a “designated investment adviser” (Rule 2251(f))
- § 3:54 BrokerCheck®—Investor Education and Protection (Rule 2267)
- § 3:55 Privacy of customer information (Regulation S-P and NTM 05-49)
- § 3:56 —Regulation S-P
- § 3:57 —Safeguarding customer information (NTM 05-49)
- § 3:58 —Identity theft red flag requirements (Regulation S-ID; RN 08-69)
- § 3:59 SIPC coverage information (Rule 2266)—Background
- § 3:60 *[Reserved]*

## CHAPTER 4. ADVERTISEMENTS AND OTHER COMMUNICATIONS TO THE PUBLIC

- § 4:1 Overview
- § 4:2 Categories of communications with the public (Rules 2210)
- § 4:3 —Retail Communications (Rule 2210(a)(5))
- § 4:4 —Correspondence (Rule 2210(b)(2))
- § 4:5 —Institutional communications (Rule 2210(b)(3))
- § 4:6 —Public appearances (Rule 2210(f))
- § 4:7 Content standards for communications (Rule 2210(d))
- § 4:8 —General standards applicable to all communications (Rule 2210(d)(1))
- § 4:9 —Specific content standards (Rule 2210(d)(2) to (d)(8))
- § 4:10 —Standards applicable to all communications (Rule 2210(d)(1))—
  - Advertising recent mutual fund performance (NTM 00-21)
  - Investing CD proceeds into securities products (NTM 93-87)
  - Replacing a CD with a bond fund (NTM 91-74)
  - Hedge fund advertising
  - Alternative Mutual Funds (“Alt Funds”) (RN 22-11)
  - Hedge fund advertising—Hedge fund advertising enforcement actions
  - Communications about “stretch” IRAs
  - Interactive calculators

TABLE OF CONTENTS

§ 4:17	— — Use of FINRA’s name or logo in communications (Rule 2210(e) and 2210(d)(8))
§ 4:18	— — Unit investment trust communications
§ 4:19	— — Misleading presentations checklist
§ 4:20	— Standards for advertisements and sales literature (Rule 2210(d)(2))— Mutual fund performance ranking guidelines (Rule 2212)
§ 4:21	— — Bond mutual fund volatility ratings (Rule 2213)
§ 4:22	— — Investment analysis tools (Rule 2214)
§ 4:23	— — Use of index comparisons in fund sales material
§ 4:24	— Business cards and stationery/letterhead
§ 4:25	— Networking Arrangements with financial institutions (Rule 3160(a)(4))
§ 4:26	— Fee, expense, and standardized performance disclosure (Rule 2210(d)(5))
§ 4:27	— — Additional guidance on fees and expenses—Disclosure of mutual fund fees and expenses (NTM 98-107)
§ 4:28	— — Additional FINRA guidance on performance advertising—Related performance information for newly-organized funds
§ 4:29	— — Advertising exchange-traded fund performance
§ 4:30	— — Guidance on sudden performance changes
§ 4:31	— — Use of performance graphs in fund advertisements
§ 4:32	— — Use of “predated” performance in variable annuity advertisements
§ 4:33	— — Yield disclosures (NTM 86-41)
§ 4:34	— Standards for institutional sales material (Rule 2210)
§ 4:35	SEC advertising and other requirements (Rules 482, 34b-1, and 156)
§ 4:36	— Performance advertisements (1933 Act Rule 482)
§ 4:37	— — Disclosure requirements for Rule 482 advertisements
§ 4:38	— Proposed target date fund disclosure (1940 Act Rule 482)
§ 4:39	— Sales literature (1940 Act Rule 34b-1)
§ 4:40	— SEC content standards for sales material (1933 Act Rule 156)
§ 4:41	— Summary prospectus
§ 4:42	Approval, filing, and recordkeeping requirements (Rule 2210)
§ 4:43	— Principal approval of communications (Rule 2210(b)(1)(A))
§ 4:44	— — Exception for intermediary firms (Rule 2210(b)(1)(C))
§ 4:45	— — Designing an effective retail communication review program
§ 4:46	— FINRA filing requirements/review procedures for retail communications (Rule 2210(c))
§ 4:47	— FINRA filing requirements/review procedures (Rule 2210(c))— Exclusions from filing requirements (Rule 2210(c)(7))
§ 4:48	— — Voluntary and other filings
§ 4:49	— — Filing fees
§ 4:50	— Recordkeeping requirements (Rule 2210(b)(4))
§ 4:51	Other communications issues
§ 4:52	— Oral communications
§ 4:53	— — Telemarketing/“cold calling” (Rule 3230)
§ 4:54	— — — Cold calling to persons in the U.K. (NTM 98-91)
§ 4:55	— — — Broker “taping” rule (Rule 3170 (formerly Rule 3010(b)(2)))
§ 4:56	— Electronic communications
§ 4:57	— — Electronic communications with customers—Guidance for representatives
§ 4:58	— — — Compliance with applicable rules
§ 4:59	— — — Other internet compliance issues
§ 4:60	— — — — E-mail and instant messaging

- § 4:61 ——Other internet compliance issues
- § 4:62 —Third-party hyperlinked materials
- § 4:63 —Supervising and recordkeeping for instant messaging (NTM 03-33)
- § 4:64 —Suitability and online communications (NTM 01-23)
- § 4:65 —Disclosure Innovation (Regulatory Notice 19-31)
- § 4:66 —Review and supervision of electronic communications (RN 07-59)
- § 4:67 —Dealer-use/internal-use-only materials
- § 4:68 FINRA and other guidance on social media websites (NTMs 17-18, 11-39, and 10-06)
- § 4:68.50 Social media influencers, customer acquisition, and related information protection (2023 guidance)
- § 4:69 Other communications issues—FINRA guidance on customer communications relating to departing representatives (Regulatory Notice 19-10)

## CHAPTER 5. REGULATION BI AND OTHER SALES-RELATED ACTIVITIES

- § 5:1 Overview
- § 5:2 Overview of Regulation Best Interest and Related Matters
- § 5:2.50 Regulation Best Interest—The Broker-Dealer Standard of Conduct (Rule 15l-1(a)(1))
  - § 5:3 Form CRS/ADV Part 3—The Relationship Summary
  - § 5:4 Standards of commercial honor and principles of trade (Rule 2010)
  - § 5:5 —Illiquid investments (Regulatory Notice 08-30)
  - § 5:6 —Advertising and promoting commission discounts
  - § 5:7 —“Naked” ETF redemptions
  - § 5:8 Fair dealing with customers
  - § 5:9 “Know-your-customer” obligation (Rule 2090)
  - § 5:10 Suitability of recommendations to customers (Rules 2111)—Summary
  - § 5:11 —“Customer-specific” suitability
  - § 5:12 ——Obtain customer investment profile information
  - § 5:13 ——Appropriate recommendations
  - § 5:14 ——Definition of a “recommendation?”
  - § 5:15 ——Internal controls
  - § 5:16 —“Reasonable basis” suitability
  - § 5:17 —“Quantitative” suitability
  - § 5:18 —Other suitability issues—Suitability and online communications (NTM 01-23)
    - § 5:19 —Suitability issues for multiclass funds (NTMs 95-80 and 94-16)
    - § 5:20 —Sales of hedge funds to retail customers (NTM 03-07)
    - § 5:21 ——Rollovers to Individual Retirement Accounts (NTM 13-45)
    - § 5:22 ——Suitability obligations to institutional customers (Rule 2111(b))
    - § 5:23 Sales to senior investors
    - § 5:24 Sales to senior investors (Regulatory Notice 07-43)—Suitability of recommendations to senior investors
      - § 5:25 —Communications with senior investors
      - § 5:26 —Other senior investor issues
      - § 5:27 Exploitation of certain senior investors—(Rule 2165)
      - § 5:28 Investment company rule (Rule 2341)
        - § 5:29 —Sales by underwriters (Rule 2341(c) and 2040)
    - § 5:30 *[Reserved]*

TABLE OF CONTENTS

§ 5:31	Investment company rule (Rule 2341)—Sales by underwriters (Rule 2341(c) and 2040)—Conditions for discounts to dealers (Rule 2341(c))
§ 5:32	—Sales charges (Rule 2341(d))
§ 5:33	—Selling dividends (Rule 2341(e))
§ 5:34	—Withhold orders (Rule 2341(f))
§ 5:35	—Principal purchases of fund shares (Rule 2341(g), (i), and (j))
§ 5:36	—Secondary trading of ETF shares
§ 5:37	—Refund of sales charges (Rule 2341(h))
§ 5:38	Investment company rule (Rule 2431)—Directed brokerage arrangements (Rule 2431(k))
§ 5:39	Investment company rule (Rule 2341)—Compensation issues (Rule 2431(l))
§ 5:40	—Prompt payment for investment company shares (Rule 2341(m))
§ 5:41	—Disclosure of deferred sales charge on confirmation (Rule 2341(n))
§ 5:42	Additional mutual fund sales practices requirements
§ 5:43	—Compliance with dealer agreements
§ 5:44	—Mutual fund sales practice obligations (NTMs 94-16 and 95-80)
§ 5:45	—Supervision of mutual fund sales practices
§ 5:46	—Obligations when selling bonds and bond funds (NTM 04-30)
§ 5:47	—Obligations when selling securities in a high-yield environment (Regulatory Notice 08-81)
§ 5:48	—Obligations when selling cash alternatives (Regulatory Notice 08-82)
§ 5:49	—“Switching” or trading in fund shares (NTMs 95-80 and 94-16)
§ 5:50	—Late trading/market timing transactions (NTM 03-50)
§ 5:51	—Redemption fees on short-term trades
§ 5:52	—Recommendations by representatives changing firms (NTM 07-06)
§ 5:53	—Extending margin for mutual fund shares (1934 Act section 11(d))
§ 5:54	—Principal-protected mutual funds
§ 5:55	—Non-Traditional ETFs (Regulatory Notice 09-31)
§ 5:56	—Sales on military installations (Rule 2272)
§ 5:57	—Sales practice obligations for alternative mutual funds (Regulatory Notice 22-11)

## CHAPTER 6. SALES CHARGES AND OTHER SELLING COMPENSATION/SHARE CLASSES

§ 6:1	Overview
§ 6:2	Mutual Fund Share Classes
§ 6:3	Sales charge limits (Rule 2341(d))
§ 6:4	—Funds without an Asset-Based Sales Charge (Rule 2341(d)(1))
§ 6:5	—Funds with an Asset-Based Sales Charge (Rule 2341(d)(2))
§ 6:6	—Fund of funds (Rule 2341(d)(3))
§ 6:7	—Use of term “no load” (Rule 2341(d)(4))
§ 6:8	—Service fees (Rule 2341(d)(5))
§ 6:9	—Calculation of CDSCs (Rule 2341(d)(6)(A))
§ 6:10	—Sales loads on reinvested dividends (Rule 2341(d)(6)(B))
§ 6:11	—Disclosure of deferred sales charge on confirmation (Rule 2341(n))
§ 6:12	Quantity discounts in sales charges (Regulatory Notice 21-07)
§ 6:13	Quantity discounts in sales charges—Breakpoint discounts
§ 6:14	—“Breakpoint Sales” (Rule 2342; Special NTM 02-85)
§ 6:15	—Breakpoints industry task force/written disclosure document
§ 6:16	—SEC/FINRA breakpoint actions

- § 6:17 ——SEC breakpoint prospectus disclosure requirements
- § 6:18 —Letters of intent
- § 6:19 —Rights of accumulation
- § 6:20 SEC sales charge requirements (1940 Act Section 22(d))
- § 6:21 —Scheduled variations in sales loads (1940 Act Rule 22d-1)
- § 6:22 —Transaction or service fees on sales or redemptions
- § 6:23 —Deferred sales loads
- § 6:24 ——Rule 6c-10 and exemptive relief
- § 6:25 —Asset-based sales charges (1940 Act Rule 12b-1)—1940 Act Rule 12b-1
- § 6:26 ——Mutual fund “supermarkets”
- § 6:27 ——Rule 12b-1 rebates
- § 6:28 —Revenue sharing
- § 6:29 —Prospectus disclosure about sales charges (Item 12 of Form N-1A)
- § 6:30 Other sales charge matters
- § 6:31 —Sales of B shares
- § 6:32 —Exchange offers: 1940 Act Section 11
- § 6:33 —Discounts in UIT sales charges (NTM 04-26)
- § 6:34 —NAV transfers
- § 6:35 —Share class conflicts from Rule 12b-1 fees

## CHAPTER 7. COMPENSATION, GIFTS, AND OUTSIDE BUSINESS ACTIVITIES

- § 7:1 Overview
- § 7:2 Compensation limitations (Rule 2341(l))
- § 7:3 —General limits on compensation (Rule 2341(l)(1))
- § 7:4 —Prohibition on receipt of securities (Rule 2341(l)(2))
- § 7:5 —Recordkeeping (Rule 2341(l)(3))
- § 7:6 —Limits on cash compensation (Rule 2341(l)(4))
- § 7:7 ——Limits on non-cash compensation (Rule 2341(l)(5))
- § 7:8 ——Gifts (Rule 2341(l)(5)(A))
- § 7:9 ——Occasional entertainment (Rule 2341(l)(5)(B))
- § 7:10 ——Training and education meetings (Rule 2341(l)(5)(C))
- § 7:11 ——Non-cash “contests” (Rule 2341(l)(5)(D))
- § 7:12 ——Examples of non-cash compensation arrangements (NTM 95-56)
- § 7:13 ——Contributions to non-cash arrangements (Rule 2341(l)(5)(E))
- § 7:14 Fee-based brokerage accounts
- § 7:15 —SEC Rule 202(a)(11)-1 (vacated)
- § 7:16 —Fee-based compensation arrangements (NTM 03-68)
- § 7:17 Influencing or rewarding employees of others (Rule 3220)—General prohibition (Rule 3220(a))
  - § 7:18 —Recordkeeping (Rule 3220(c))
  - § 7:19 —Exception for personal gifts, promotional items, and business entertainment—Personal gifts
  - § 7:20 ——De minimis and promotional items
  - § 7:21 ——Business entertainment
  - § 7:22 —Proposed 2016 amendments (RN 16-29)
  - § 7:23 —Exception for personal gifts, promotional items, and business entertainment—Business entertainment—Additional guidance on business entertainment (Proposed IM-3060)
- § 7:24 Outside activities of representatives (Rules 3270 and 3280)
- § 7:25 —Outside business activities (Rule 3270)

## TABLE OF CONTENTS

- § 7:26 —Private securities transactions (Rule 3280)
- § 7:27 ——Advisory activities of RR/IAs (NTMs 96-33 and 94-44)
- § 7:28 Other compensation issues
- § 7:29 —Compensation to retired representatives (Rule 2040(b))
- § 7:30 —Securities accounts at other firms (Rule 3210)
- § 7:31 —Finder's fees (Rule 2040)
- § 7:32 —Solicitor's fees
- § 7:33 —Guarantees/sharing in customer accounts (Rules 2150(b) and (c))
- § 7:34 —Borrowing from and lending to customers (Rule 3240)
- § 7:35 —Solicitation of charitable gifts by customers (NTM 06-21)
- § 7:36 —Charges for services performed (Rule 2122)
- § 7:37 —Foreign Corrupt Practices Act compliance (Regulatory Notice 11-12)
- § 7:38 Recruitment compensation practices disclosure (Rule 2273)
- § 7:39 FINRA compensation practices sweep (2015)

## CHAPTER 8. SELLING NO-LOAD FUNDS

- § 8:1 Overview
- § 8:2 Suitability/“know-your-customer” requirements (Rules 2111 and 2090)
- § 8:3 Use of term “no-load” (Rule 2341(d)(4) and NTMs 98-107 and 89-35)

## CHAPTER 9. SELLING FUNDS THROUGH FINANCIAL INSTITUTIONS (RULE 3160)

- § 9:1 Overview
- § 9:2 Selling funds on bank premises (Rule 3160(a)(1))
- § 9:3 —Kiosks
- § 9:4 Selling funds on bank premises (Rule 3160(a)(4))—ATM machines
- § 9:5 Networking arrangements (Rule 3160(a)(2))
- § 9:6 Required customer disclosures when selling funds (Rule 3160(a)(4))
- § 9:7 Required written and oral customer disclosures when selling funds—
  - Disclosures when opening an account (Rule 3160(a)(3))
- § 9:8 Required customer disclosures when selling funds—Communications with the Public (Rule 3160(a)(4))
  - Disclosure Exception (Rule 3160(a)(4)(C))
  - § 9:10 —Disclosure in fund prospectuses
  - § 9:11 —Confirmations and account statements (Rule 3160(a)(4))
- § 9:12 *[Reserved]*
- § 9:13 Required customer disclosures when selling funds—Use of bank and financial institution logos (NTM 95-49)

## CHAPTER 10. SELLING VARIABLE INSURANCE PRODUCTS

- § 10:1 Overview
- § 10:2 Background: variable insurance products
- § 10:3 —Variable annuities
- § 10:4 —Variable life insurance
- § 10:5 —Status of variable insurance products under the 1933 and 1940 Acts
- § 10:6 Registration of sales personnel offering variable insurance products
- § 10:7 Communications about variable insurance products
- § 10:8 —General guidelines (Rule 2111)
- § 10:9 —General guidelines ((former)IM-2210-2)—“Do’s” and “don’ts” and common problems of variable product communications

- § 10:10 —General guidelines (Rule 2211)—Deficient variable annuity communications
- § 10:11 —Hypothetical variable annuity tax—Deferral illustrations
- § 10:12 —Variable life performance communications
- § 10:13 ——Use of IRR in variable life hypothetical illustrations
- § 10:14 ——Use of fund level expenses in VLI hypothetical illustrations
- § 10:15 —Use of predicated performance in variable annuity advertisements
- § 10:16 —Advertising of bonus variable annuities
- § 10:17 Suitability considerations for variable insurance products
- § 10:18 —Suitability responsibilities for deferred variable annuities (Rule 2330)
- § 10:19 ——Recommendation requirements (Rule 2330(b))
- § 10:20 ——Requirements when recommending exchanges (Rule 2330(b)(1)(B))
- § 10:21 ——Principal review and approval (Rule 2330(c))
- § 10:22 ——Supervisory procedures (Rule 2330(d))
- § 10:23 ——Training (Rule 2330(e))
- § 10:24 Additional suitability factors for variable insurance products (NTM 96-86)
- § 10:25 —Suitability reminder for variable annuity replacement activity
- § 10:26 —Suitability reminder for variable life insurance (NTM 00-44)
- § 10:27 Selling practices for variable insurance products
- § 10:28 —Group variable contract sales practices (NTM 97-27)
- § 10:29 —Sales of life settlements to third parties (NTM 06-38 and RN 09-42)
- § 10:30 —Variable annuity replacement activity
- § 10:31 —Sales of charitable gift annuities
- § 10:32 Variable contracts rule (Rule 2320)
- § 10:33 —Receipt of payment (Rule 2320(c))
- § 10:34 —Transmittal (Rule 2320(d))
- § 10:35 —Selling agreements (Rule 2320(e))
- § 10:36 —Redemption (Rule 2320(f))
- § 10:37 —Compensation limitations (Rule 2320(g))
- § 10:38 ——General limits on compensation (Rule 2320(g)(1))
- § 10:39 ——Prohibition on receipt of securities (Rule 2320(g)(2))
- § 10:40 ——Recordkeeping (Rule 2320(g)(3))
- § 10:41 ——Limits on non-cash compensation (Rule 2320(g)(4))
- § 10:42 ——Gifts (Rule 2320(g)(4)(A))
- § 10:43 ——Occasional entertainment (Rule 2320(g)(4)(B))
- § 10:44 ——Training and education meetings (Rule 2320(g)(4)(C))
- § 10:45 ——Non-cash “contests” (Rule 2320(g)(4)(D))
- § 10:46 ——Contributions to non-cash arrangements (Rule 2320(g)(5)(E))
- § 10:47 Supervision of variable insurance products—Supervising variable annuity sales (NTM 99-35)
- § 10:48 —Supervising variable life insurance sales (NTM 00-44)
- § 10:49 —Supervising sales of equity-indexed annuities (NTM 05-50)
- § 10:50 ——Status of equity-indexed annuities (EIA) under the federal securities laws
- § 10:51 Other issues—Rule 12b-1 plans for underlying funds
- § 10:52 —Insurance agency networking arrangements

## CHAPTER 11. MUNICIPAL FUND SECURITIES/SECTION 529 PLANS

- § 11:1 Overview

## TABLE OF CONTENTS

- § 11:2 MSRB rules
- § 11:3 Registration of sales personnel
- § 11:4 FINRA advertising issues (NTM 03-17)
- § 11:5 SIPC membership/fidelity bond requirements
- § 11:6 Enforcement activities

## CHAPTER 12. ERISA ISSUES WHEN SELLING MUTUAL FUNDS

- § 12:1 Overview
- § 12:2 Transactions in fund shares (PTCE 84-24)
- § 12:3 Investing plan assets in affiliated mutual funds (PTCE 77-4)
- § 12:4 Investments in funds by in-house plans (PTCE 77-3)
- § 12:5 —Alliance programs
- § 12:6 Disclosure of service provider compensation
- § 12:7 *[Reserved]*
- § 12:8 *[Reserved]*
- § 12:9 *[Reserved]*
- § 12:10 *[Reserved]*
- § 12:11 SEC “Clean Shares” (Capital Group No-Action Letter (2017))
- § 12:12 SEC “T” share guidance on DOL Fiduciary Rule (Guidance update 2016-6)
- § 12:13 DOL Proxy Voting Guidance

## CHAPTER 13. SELLING TO INSTITUTIONAL CUSTOMERS

- § 13:1 Overview
- § 13:2 Suitability obligations to institutional customers (Rule 2111(b))
- § 13:3 Institutional communications (Rule 2210)
- § 13:4 Institutional communications—Use of PIP data

## CHAPTER 14. CLOSED-END FUNDS

- § 14:1 Overview
- § 14:2 Registration of sales personnel
- § 14:3 Underwriting process
- § 14:4 Initial public offering of shares (Rule 5110)
- § 14:5 —Exemption for interval funds (NTM 00-53)
- § 14:6 Distribution/repurchase of closed-end fund shares (1940 Act Section 23)
- § 14:7 —Distribution of shares (1940 Act sections 23(a) and (b))
- § 14:8 —Repurchases (1940 Act Section 23(c) and Rule 23c-2)
- § 14:9 Advertising, sales literature, and other communications by closed-end funds
- § 14:10 Advertising and sales literature for closed-end funds—Performance advertisements for closed-end funds
- § 14:11 Other communications for closed-end funds—Securities offering reforms for closed-end funds (2020)
- § 14:12 Partial redemptions of auction rate securities (Regulatory Notice 08-21)

## CHAPTER 15. OVERSIGHT AND SUPERVISION OF REPRESENTATIVES (RULES 3110, 3120, AND 3130)

- § 15:1 Overview
- § 15:2 Supervisory system (Rule 3110)

- § 15:3 —Supervisory system—Overview of minimum elements (Rule 3110(a)(1)–(7))
- § 15:4 —Written procedures (Rule 3110(a)(1))
- § 15:5 —Supervisory system—Minimum elements (Rule 3110(a)(1)–(7))—
  - Designate principals for each type of business (Rule 3110(a)(2))
  - Designate Branch Offices and OSJs (Rule 3110(a)(3))
  - Designation of supervisors at OSJs and non-OSJs (Rule 3110(a)(4))
  - Branch office definition/exclusions (Rule 3110(f)(2)(A))
  - Representative and principal supervision (Rule 3110(a)(5))
  - Qualification of supervisory personnel (Rule 3110(a)(6))
  - Annual compliance meetings (Rule 3110(a)(7))
- § 15:6 —Written procedures (Rule 3110(b))
- § 15:7 —Establish, maintain, and enforce written procedures (Rule 3110(b)(1))
- § 15:8 —Review of business (Rule 3110(b)(2))
- § 15:9 —Review of Correspondence and Internal Communications (Rule 3110(b)(4))
- § 15:10 —Review of Customer Complaints (Rule 3110(b)(5))
- § 15:11 —Documentation and Supervision of Supervisory Personnel (Rule 3110(b)(6))
- § 15:12 —Maintain written supervisory procedures (Rule 3110(b)(7))
- § 15:13 —Heightened supervisory procedures (RN 18-15 and NTM 97-19)
- § 15:14.50 —Brokers and firms with a significant history of misconduct (RN 21-09)
- § 15:15 —Internal inspections (Rule 3110(c))—Annual review (Rule 3110(c)(1)–(3))
- § 15:16 Supervisory system (Rule 3110—Internal inspections (Rule 3110(c))—Annual review (Rule 3110(c)(1))—Reasonable review standards (Rule 3110.12))
- § 15:17 Supervisory system (Rule 3110)—Transaction review and investigation regarding non-public information (Rule 3110(d))
- § 15:18 —Investigate Representatives Qualifications (Rule 3110(e))
- § 15:19 Supervisory control system (Rule 3120)
- § 15:20 —“Test and Verify” procedures (Rule 3120(a)(1))—“Test and Verify” guidance (NTM 05-29)
- § 15:21 Broker-dealer compliance programs (Rule 3130)
- § 15:22 —Designate chief compliance officer (Rule 3130(a))
- § 15:23 —Annual CEO compliance certification (Rule 3130(b) and (c))
- § 15:24 Other supervision issues
- § 15:25 —Remote office supervision
- § 15:26 —“Off-site” representatives (NTMs 86-65 and 98-38)
- § 15:27 —Supervision
- § 15:28 —Inspections of unregistered offices
- § 15:29 —Private securities transactions (Rule 3280)
- § 15:30 —Fair dealing with customers
- § 15:31 —Gifts and entertainment (Rule 3220)
- § 15:32 —Communications with the public
- § 15:33 —Unregistered broker-dealer status
- § 15:34 —Supervision of off-site series 9/10 or 24 salespersons
- § 15:35 —SEC Staff Legal Bulletin No. 17
- § 15:36 —Electronic communication review and supervision (NTM 07-59)

## TABLE OF CONTENTS

§ 15:42	—Written policies and procedures
§ 15:43	—Types of electronic communications requiring review—External communications
§ 15:44	—Internal communications
§ 15:45	—Identify responsible review person
§ 15:46	—Method of correspondence review
§ 15:47	—Lexicon-based reviews of electronic correspondence
§ 15:48	—Random reviews of electronic correspondence
§ 15:49	—Combination of lexicon-based and random reviews
§ 15:50	—Frequency of correspondence review
§ 15:51	—Documentation of correspondence review
§ 15:52	—New product review (NTM 05-26)
§ 15:53	—Heightened supervision of retail sale of complex products (RN 12-03)
§ 15:54	—Employing statutorily disqualified persons (NTM Members 90-2)
§ 15:55	—Supervision of core business activities or regulatory functions outsourced to third-party vendors (NTM 05-48 and RN 21-29)
§ 15:56	—Risk management practices (NTM 99-92 and RN 10-57)
§ 15:57	—Unauthorized trading (Regulatory Notice 08-18 and SEC staff guidance)
§ 15:58	—Pay-to-Play Practices (Rule 2030)

## CHAPTER 16. FINRA/SEC EXAMINATIONS AND INVESTIGATIONS/PROCEEDINGS

§ 16:1	FINRA and SEC examinations and inspections
§ 16:2	—FINRA examinations
§ 16:3	—Cycle examination process
§ 16:4	—Branch office inspections (Regulatory Notice 11-54)
§ 16:5	—Cultural values examination letter
§ 16:6	—Improving examination results/Compliance outreach
§ 16:7	—SEC examinations (1934 Act Section 17)
§ 16:8	—Examination process
§ 16:9	—SEC examinations (1934 Act section 17)—Compliance alert letter
§ 16:10	—SEC examinations (1934 Act Section 17)—Branch office examinations
§ 16:11	Investigations and enforcement proceedings—FINRA investigations/enforcement proceedings
§ 16:12	—FINRA investigations/enforcement proceedings (Regulatory Notice 09-17)—FINRA cooperation guidance (Regulatory Notices 08-70 and 19-23)
§ 16:13	Stanford and Madoff schemes: special review committee report
§ 16:14	Investigations and enforcement proceedings—SEC investigations/proceedings
§ 16:14.50	—Cooperation guidance
§ 16:15	—Enforcement manual
§ 16:16	—Specialized units

## CHAPTER 17. RECENT REGULATORY TRENDS/DEVELOPMENTS/STUDIES

### I. LEGISLATIVE AND REGULATORY DEVELOPMENTS

§ 17:1	Financial reform legislation: overview
--------	--

- § 17:2 —Financial planner regulation—The GAO Report and the CFPB Senior Designations Report
- § 17:3 —Access to registration information—The information access study

## II. SEC, FINRA, AND OTHER RULE PROPOSALS

- § 17:4 Regulation BI and Form CRS
- § 17:5 Regulatory responses to COVID-19
- § 17:6 Arbitration award incentives (Regulatory Notice 20-15)
- § 17:7 Finders and placement agents
- § 17:8 Target date funds

## APPENDICES

- APPENDIX A. Rule Conversion Chart: NASD to FINRA (eff. 9/23/16)
- APPENDIX B. Form U4
- APPENDIX C. Form U5
- APPENDIX D. Section 4—Fees (eff. July 1, 2016)
- APPENDIX E. Rule 1240 Continuing Education Requirements
- APPENDIX F. FINRA New Account Application Template
- APPENDIX G. Rule 4512 Customer Account Information (eff. Feb. 5, 2018)
- APPENDIX H. Rule 2210 Communications with the Public (eff. Jan. 9, 2017)
- APPENDIX H1. Rule 2030 Engaging in Distribution and Solicitation Activities with Government Entities
- APPENDIX H2. Investment Company Act of 1940—Section 22(d) Capital Group
- APPENDIX I. Rule 2212 Use of Investment Companies Rankings in Retail Communications (eff. Feb. 4, 2013)
- APPENDIX J. *[Reserved]*
- APPENDIX K. Rule 482 (Performance Advertising)
- APPENDIX L. Rule 34b-1 (Sales Literature)
- APPENDIX M. Rule 156 (Content Standards for Sales Material)
- APPENDIX N. Rule 2111 Suitability (eff. 5/1/14)
- APPENDIX O. Mutual Fund Distribution and Shareholder Servicing Practices (SIFMA White Paper)
- APPENDIX P. Reid and Rea, “Mutual Fund Distribution Channels and Distribution Costs”
- APPENDIX Q. Notice to Members 01-23. Suitability Rule and Online Communications
- APPENDIX R. Regulatory Notice 07-43 Senior Investors
- APPENDIX R1. Rule 2165 Financial Exploitation of Specified Adults
- APPENDIX S. Rule 2341 Investment Company Securities (eff. Sept. 5, 2017)
- APPENDIX T. Rule 3220 (Influencing or Rewarding Employees of Others) (eff. 12/15/08)
- APPENDIX T1. Reg BI: The B-D Standard of Conduct
- APPENDIX T2. Reg BI: Small Entity Guide
- APPENDIX T3. SEC Form CRS

## TABLE OF CONTENTS

APPENDIX T4.	FINRA Reg BI and Form CRS Firm Checklist
APPENDIX T5.	Risk Alert: Examinations Reg BI
APPENDIX T6.	Risk Alert: Examinations Form CRS
APPENDIX T7.	CRS Relationship Summary
APPENDIX T8.	Staff Bulletin
APPENDIX T9.	Frequently Asked Questions on Regulation Best Interest
APPENDIX T10.	Standards of Conduct for Broker-Dealer and Investment Advisers Care Obligations
APPENDIX T11.	Risk Alert
APPENDIX U.	Rule 2090 (Know Your Customer) (eff. 7/9/12)
APPENDIX V.	Rule 3280 Private Securities Transactions of an Associated Person (eff. 9/21/15)
APPENDIX W.	Rule 3270. Outside Business Activities of Registered Persons
APPENDIX W1.	Rule 3210 Accounts At Other Broker-Dealers and Financial Institutions
APPENDIX X.	Rule 3160 (Selling Funds Through Financial Institutions) (eff. 2/4/13)
APPENDIX Y.	Rule 2211 Communications with the Public About Variable Life Insurance and Variable Annuities (eff. Sep. 30, 2016)
APPENDIX Z.	Rule 2330 Members' Responsibilities Regarding Deferred Variable Annuities (eff. Dec. 1, 2014)
APPENDIX A1.	Rule 2320 Variable Contracts of an Insurance Company (eff. July 9, 2016)
APPENDIX B1.	Section 529 College Savings Plan MSRB Rule Compliance Checklist
APPENDIX C1.	Rule 8312 FINRA BrokerCheck Disclosure (eff. 12/12/15)
APPENDIX D1.	Rule 3110. Supervision (eff. April 3, 2017)
APPENDIX E1.	Written Supervisory Procedures Review Checklist
APPENDIX E2.	Rule 1210. Registration Requirements
APPENDIX E3.	Rule 1220. Registration Categories
APPENDIX E4.	Rule 1230 Associated Persons Exempt from Registration
APPENDIX F1.	Rule 3120 Supervisory Control System (eff. 12/1/14)
APPENDIX G1.	Rule 3130 Annual Certification of Compliance and Supervisory Processes (eff. 12/15/08)
APPENDIX G2.	Rule 4513 (Records of Written Customer Complaints) (eff. 12/5/11)
APPENDIX G3.	Rule 2268 (Requirements When Using Predispute Arbitration Agreements for Customer Accounts) (eff. 12/5/11)
APPENDIX G4.	FINRA Reminds Member Firms of the Scope of FINRA Rule 3110
APPENDIX G5.	Rule 4111. Restricted Firm Obligations
APPENDIX G6.	Rule 4111 Restricted Firm Obligations

## Table of Laws and Rules

## Table of Additional Authorities

**Table of Cases**

**Index**