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It Pays to Understand Your Brokerage Account Statements and Trade Confirmations

FINRA often reminds investors to review their brokerage account statements and trade confirmations—with good reason. Not only do these documents help you stay on top of your investment holdings, but they also provide valuable information that can alert you to errors, or even misconduct by your broker or brokerage firm such as unauthorized trading or overcharging customers for handling transactions. The accuracy of statements and trade confirmations is something securities regulators take very seriously.

FINRA is issuing this alert to guide investors through the key elements of their brokerage account statements and trade confirmations and to provide tips that can help avoid problems. Investors should review their statements carefully—and immediately call the firm that issued the statement or confirmation about any transaction or entry they do not understand or did not authorize, and re-confirm any oral communication in writing with the firm.

In most cases, brokerage firms are required to provide customers with quarterly account statements and written notification of trade confirmations at or before completion of a transaction. Be aware that the brokerage firm you opened an account with may not be the one that sends you your account statements and trade confirmations. **Introducing firms** generally make recommendations, take orders and have an arrangement with **clearing and carrying firms**, which are the ones that finalize (“settle” or “clear”) trades and hold the funds or securities. If you work with an introducing firm, your statements most likely come from the clearing firm.



Spotting Fraud: Appearance Counts

Keep an eye peeled for statements that look unprofessional, crooked or altered in any way. This may signal fraud. Check graphic elements such as logos—if a logo has poor resolution or is inconsistent with other statements or communications from the firm, it is a red flag. In some cases, fraudsters simply cut and paste the logo of a legitimate firm onto their own bogus statement.

Anatomy of Your Account Statement

Brokerage account statements provide valuable information, including your account number, contact information for your financial professional and clearing firm, and a summary of your holdings. Your statement also generally includes the recent market value of your holdings or, in the case of illiquid securities (such as direct participation programs or public non-traded REITS), an estimated value. Account statements may not all look the same—and can come to you either electronically or in the mail—but they all contain certain common information. Below are some key elements of account statements, why each element is important and red flags that can help you recognize or avert problems.

Key Information	Why Is It Important?	Red Flags
Statement period or statement end date	The value of your investments is figured at the end the statement period, so it is an important reference point for how your investments are doing.	<ul style="list-style-type: none"> • No specified end date or statement period. • End dates or statement periods that don't follow a consistent pattern (such as the last day, last business day or last Friday of each month).
Account number and account holder(s) name and address	Identifies account ownership as well as the type of account (for example, an individual account, joint account or UGMA account). Promptly notify your firm with any change in account ownership status (for example, from a personal to a business account, or from an individual account to a joint account) or contact information, including a change in your name. If you receive account information electronically, notify the firm if you change your email address—or if your email account is “hacked” or otherwise compromised. If there are multiple account holders on the statement, give each holder an opportunity to review the statement.	<ul style="list-style-type: none"> • Account number that doesn't match previous statements. • Wrong or outdated address, which could hamper delivery of account information. • Incorrect or outdated account ownership information.
Contact information	Name and contact information for your financial professional. Statements from online brokerages or other investment firms that do not provide investment advice generally will not include the name of a specific financial professional, but are required to provide a phone number to call for information about your account.	<ul style="list-style-type: none"> • The financial professional's name is unfamiliar to you. • A phone number that is out of service or always busy or not answered.

Anatomy of Your Account Statement (con't)

Key Information	Why Is It Important?	Red Flags
Clearing firm name and contact information	The clearing firm holds your securities. FINRA rules require that account statements provide clearing firm contact information, including a phone number.	<ul style="list-style-type: none"> No clearing firm information on your statement. A phone number that is out of service or calls that do not get answered or returned.
Account summary	Offers a helpful, high-level picture of your account performance from the end point of the previous statement, including the total value of your account. Careful review can be helpful in assessing buy/sell/hold decisions.	<ul style="list-style-type: none"> Information that you suspect is incorrect or activity you did not authorize or expect. Performance that seems unrealistic (return is always positive).
Income	Often consolidated with your account summary, deposits, withdrawals, dividends interest and maturity dates of bonds. Helps you stay in tune with your investments and “follow the money.”	<ul style="list-style-type: none"> Unfamiliar sources of dividend and interest income. Income that appears on your statement, but has not been deposited to your account.
Fees	Fees associated with your account are required to be disclosed and should be factored into the overall performance of a given investment.	<ul style="list-style-type: none"> Fees, including commissions, handling charges or other costs that seem excessive or are unfamiliar.
Account activity	This is where you find detailed information about account activity during a statement period, including any trades that have been made in your account, money or securities coming in/going out of your account and your beginning and ending balance for the statement period. Compare trades in your account statement with trade confirmations, especially if your financial professional has the ability to make trades on your behalf (this is called a discretionary account).	<ul style="list-style-type: none"> Information that is inaccurate or does not match trade confirmations.

Anatomy of Your Account Statement (con't)

Key Information	Why Is It Important?	Red Flags
Margin	Margin is a loan from the firm that is secured by the securities you purchase and therefore comes with costs and risks. Your statement will tell you which securities, if any, have been purchased on margin. Margin interest charges let you know, in effect, how much interest you have paid on this loan in a given account period.	<ul style="list-style-type: none"> • Securities purchased on margin without your authorization. • Margin costs that exceed disclosed interest rate.
Portfolio detail	Shows you the individual assets in your account, allowing you to check the accuracy and details of each of your holdings. This area may also include a breakdown of investments by asset class, which can help you determine if you are adequately diversified. Other information such as bond insurance ratings, income, yield and unrealized gains and losses may also be included and help you assess whether your investments are in line with your financial goals.	<ul style="list-style-type: none"> • Missing assets that you believe to be held at, or purchased through, your brokerage firm. • An asset mix that does not match your risk profile.
Disclosures and definitions	From explanations about fees to definitions of various terms and codes used in your statement, this information helps you understand your statement and stay informed and protected. For instance, this is where you will find an explanation of any account type that may appear on your statement, such as cash, short or margin. It is also where you will find details about new or revised legal information and fee details. Your statement may also include “stuffers” such as brochures or letters deemed to be important, or in some cases mandated by regulators.	<ul style="list-style-type: none"> • Absence of any disclosures or definitions. • Fee disclosures that are not in keeping with actual fees assessed to your account.

Many account statements include an investment objective that characterizes your investment strategy—for example “growth,” “speculative” or “conservative.” Make sure this description accurately describes your financial goals, and that the activity in your account reflects these goals. Keep in mind that your financial objectives may change over time and should be updated accordingly.

Consolidated Account Statements

Consolidated account statements are growing in popularity as a way to provide customers with a single document that combines information regarding most or all of the customer’s financial holdings, regardless of where those assets are held. These consolidated reports offer a broad view of customers’ investments, and may provide not only account balances and valuations, but also performance data. In many cases, these consolidated reports are prepared at the request of the customer, who may also direct which of his or her accounts to include and provide access to data for accounts not held by their brokerage firm.

Investors should understand that these communications supplement, **but do not replace**, the required brokerage account statement. If you receive consolidated statements—read them carefully. Many of the red flags cited above also apply to consolidated statements. But you shouldn't substitute the reading of your brokerage statement with reading only the consolidated one. If you get both—read, compare and understand both—but keep in mind that it is the official brokerage statement which is used in case of a dispute with your broker or brokerage firm.



Carefully Review Your Trade Confirmations

Trade confirmations contain key trade details. These include the date and time of the transaction, price at which you bought or sold a security and the quantity of shares bought or sold. When a single keystroke can make the difference between 100 and 1,000 shares, it is important to review this information carefully—and as soon as you receive a confirmation.

Confirmations also inform you of whether your broker acted as an **agent** for you or another customer, or whether the broker or brokerage firm acted as a **principal** for its own account. In equity transactions, if the firm acts as agent, that means the firm acts on your behalf to buy or sell a security. In this capacity, the firm must disclose the amount of the commission you were charged either on the confirmation, or upon request by you. If the firm acts as principal, it is acting for its own benefit, and any markup, markdown or commission-equivalent must be disclosed on the confirmation. In bond transactions, if the firm acts as agent, it must disclose the amount of the commission you were

charged either on the confirmation, or upon request by you, just as with equity transactions. However, where the firm acts as principal and executes trades from its own account at **net prices** the price you pay (or receive) for the bond includes the firm's markup or markdown. The firm is not required to disclose this amount to you.

As with account statements, trade confirmations also include the clearing firm and its contact information, which may be extremely helpful should you have trouble tracking down your investments, or in the event your brokerage firm closes its doors.

Many of the tips and red flags associated with account statements also apply to trade confirmations. In addition, the following checklist can help you avoid problems:

- ▶ Check your trade confirmation against the information in your brokerage statement for the period in which the trade took place. Confirm the date and transaction amount. Contact the firm about any trade you did not authorize, and re-confirm any oral communication in writing with the firm.
- ▶ Confirmations might indicate whether trades are unsolicited or solicited. Check to be sure trades are properly categorized. Treat as a red flag an investment that was the broker's idea, but reflected on the confirmation as an unsolicited trade.
- ▶ Scrutinize any fees that might have been added—for example, handling fees or mailing charges—and be sure to ask for an explanation for any fees you had not expected or that seem unreasonable. For example, FINRA recently took enforcement actions against five brokerage firms that mischaracterized commissions on trade confirmations and fee schedules to look like handling services and postage charges.



Don't Be Shy

Don't hesitate to ask your broker to provide the details about mark-up, mark-downs or any fees or commissions associated with your investment. These costs ultimately impact the overall return on your investment and you have a right to know this information. If you feel that these costs are excessive, you may file a complaint using FINRA's online Complaint Center at www.finra.org/complaint.



Bottom Line

Always check to see if there are inaccuracies or discrepancies in any of your statements—and, if so, contact your broker or firm as soon as possible. If the problem is not resolved, file a complaint using FINRA's online Complaint Center at www.finra.org/complaint.

Additional Resources

For additional information, the following resources are available at www.finra.org:

- ▶ Investor Alert: *Email Hack Attack? Be Sure to Notify Brokerage Firms and Other Financial Institutions*
- ▶ Investor Alert: *10 Tips to Keep Track of Your Investments*
- ▶ Investor Alert: *What to Expect When You Open a Brokerage Account*
- ▶ Investor Alert: *Bearing Up in a Bear Market: You Still Need to Open Your Account Statements*

FINRA Regulatory Notice 10-19
(Consolidated Reports)

NASAA, SIPC and SIFMA: *Understanding Your Brokerage Account Statements*

To receive the latest Investor Alerts and other important investor information sign up for Investor News at www.finra.org.

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Investor Resources

FINRA Investor Information—Investor Alerts, tools and much more to help you invest smarter and safer.

- Investor Alerts
- Smart Saving for College
- Fund Analyzer
- Smart Bond Investing
- Smart 401(k) Investing
- Financial Calculators

Website: www.finra.org/investor
Phone: (202) 728-6964

FINRA Market Data—Data on equities, options, mutual funds and a wide range of bonds, including real-time corporate bond prices and FINRA-Bloomberg Bond Indices.

Website: www.finra.org/marketdata

FINRA BrokerCheck—Check the background of an investment professional or firm.

Website: www.finra.org/brokercheck
Toll-free: (800) 289-9999

FINRA Investor Complaint Center—If you feel you've been treated unfairly.

FINRA Investor Complaint Center
9509 Key West Avenue
Rockville, MD 20850-3329

Website: www.finra.org/complaint
Fax: (866) 397-3290

FINRA Dispute Resolution—If you seek to recover damages.

FINRA Dispute Resolution
One Liberty Plaza
165 Broadway, 27th Floor
New York, NY 10006

Website: www.finra.org/ArbitrationMediation
Phone: (212) 858-4400
Fax: (212) 858-4429

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FINRA, the Financial Industry Regulatory Authority, is an independent regulatory organization empowered by the federal government to ensure that America's 90 million investors are protected. Our independent regulation plays a critical role in America's financial system—at no cost to taxpayers. We register brokers and brokerage firms, write and enforce rules governing their activities, examine firms for compliance, and foster market transparency and educate investors. For more information, visit www.finra.org.