

Registered Representatives Brochure

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Disclaimer

The information and procedures provided within this brochure represent guidelines to be followed by registered representatives and are not inclusive of all laws, rules and regulations that govern the activities of the representative. In a publication of this size, not every situation you will encounter can be covered. Our intent is to cover the situations that come up most frequently and provide resources to help guide you through other situations. Additionally some of the points covered may not apply to your firm's business. Consult your supervisor or compliance department if a question comes up where you are unsure of the answer. Your firm may have policies over and above those outlined herein. Work with them to understand and adhere to their policies.

Introduction

This brochure was created for you, the registered representative, to use in all phases of your career in the securities industry, from considering becoming registered to when you leave the industry.

If you are considering a career in the securities industry or are a new representative, this brochure provides an overview of the requirements to become registered with a firm, including the forms used to register, testing procedures and a brief description of FINRA's Web-based registration system, the Central Registration Depository (CRD®). The brochure also explains what information FINRA provides to the public from your record.

For individuals that are currently registered or employed with a firm, this brochure reviews the requirements for taking qualifying exams, continuing education, keeping your record current, how to make updates and who can make updates to your record. Additionally, it provides high level guidance on proper conduct of a registered representative, information on your responsibilities to your firm and clients, and contains links to resources and pertinent rules on FINRA's website.

If you were previously registered or employed at a firm, this brochure explains the resources available to update and maintain your record while out of the industry and reviews how to dispute information provided by your prior employer.

About FINRA

The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. FINRA's mission is to protect America's investors by making sure the securities industry operates fairly and honestly.

FINRA touches virtually every aspect of the securities business—from registering and educating industry participants to examining securities firms; writing rules; enforcing those rules and the federal securities laws; informing and educating the investing public; providing trade reporting and other industry utilities; and administering the largest dispute resolution forum for investors and registered firms. FINRA also performs market regulation under contract for major U.S. stock markets. Authorized by the federal government, FINRA protects American investors from fraud and bad practices.

All securities professionals associated with a broker-dealer, including salespersons, must register with FINRA. Salespersons may not conduct any securities business with public customers until all required registrations are in effect. You should work with your firm's compliance department to make sure that you are properly registered with FINRA and, where applicable, [state regulators](#) and national securities [exchanges](#).

How to Register With FINRA

FINRA's secure online licensing system, CRD, enables entitled users, typically individuals from a firm's registration or compliance department, to register individuals with FINRA, other self-regulatory organizations and state regulators. In addition to registration and licensing information, CRD includes qualification, employment and disciplinary histories for registered and previously registered individuals.

FINRA makes some of the information you provide through CRD available to the public through [BrokerCheck](#)[®], a free tool to help investors make informed choices about the FINRA-registered representatives and brokerage firms with which they may wish to do business. BrokerCheck may also contain information about you submitted directly by FINRA, other self-regulatory organizations and state regulators. BrokerCheck provides both a high-level summary and a full report that contains more detailed information on brokers and firms. Personal information, such as your residential address and Social Security number, is kept confidential and is not provided in the reports offered through BrokerCheck. BrokerCheck is also a valuable tool to help you make sure that your public information stays current. Visit the [About BrokerCheck Reports](#) page for more details on what information is contained in a BrokerCheck report.

FINRA's website also provides information regarding most [arbitration awards](#) and [disciplinary actions](#) to the public.

Registration

For you to become registered as a securities professional, your firm must file a Uniform Application for Securities Industry Registration or Transfer, commonly referred to as [Form U4](#), with FINRA via CRD. The Form U4 collects administrative information (e.g., residential history, employment address, outside business activities) and [disclosure](#) information (e.g., criminal, civil judicial, financial events). It is important that all of the information you supply on your Form U4 is complete, up-to-date and accurate. If, during its routine review of Form U4 filings, FINRA discovers that any portion of the Form U4 information you submit is misleading or omits relevant information, FINRA may take a regulatory action against you and/or your firm.

In addition to providing employment history, residential history and disclosure information via the Form U4, you are also required to provide your Social Security number and a fingerprint card in order to continue the registration process SEC Rule 17f-2.

Once you register, you will receive a unique CRD number that you will use throughout your career in the securities industry.

It is also important that your firm amend your Form U4 in a timely manner when an event or proceeding occurs that renders a previous response inaccurate or incomplete. This includes not only disclosure events but also administrative information such as employment address, residential address and outside business activities. Speak with your firm to receive a copy of your Form U4, review the form with your supervisor and supply your firm with any updated or missing information. If a Form U4 is not updated in a timely manner (generally not later than 30 days after learning of the facts or circumstances giving rise to the amendment), your firm will be subject to a late disclosure fee. FINRA understands that some firms may ask a representative to pay a [late disclosure fee](#).

Correcting CRD Information

Only a firm can update Forms U4 and U5 (see the [Termination](#) section for information about the Form U5). If you find inaccurate information in your Form U4 or U5, you should first contact the firm that filed the inaccurate information. If working with the firm is not possible or successful and the information is disclosed through BrokerCheck, you may contact FINRA to dispute the accuracy of the information. To initiate a dispute, you must submit a BrokerCheck Dispute Form and supporting documentation. FINRA will review the information you submit, investigate the matter (if eligible) and make any warranted changes to your CRD record. Please see the [BrokerCheck dispute process](#) on FINRA's website.

Disclosure Information

If your Form U4 or U5 contains [disclosure information](#), FINRA reviews it to, among other things, determine whether you are subject to a statutory disqualification. During the review of disclosure information FINRA may request additional information or documentation from you. Pursuant to the Securities Exchange Act of 1934, certain types of disclosure events can render a person subject to a statutory disqualification. Persons subject to a disqualification must obtain regulatory approval before being permitted to work in the securities industry. For the definition of disqualification, a list of disqualifying events and an overview of the process by which persons subject to disqualification may seek to obtain such approval, see the [Statutory Disqualification Process](#) page.

Expungement Requests

In limited instances you may seek to have a reference to a customer complaint or arbitration removed from your CRD record. The process of removing this information from CRD is called "expungement." FINRA Rule 2080 contains the standards that must be met to expunge customer dispute information from CRD. The rule generally requires, among other things, that a court of competent jurisdiction confirm an arbitration award granting expungement relief. Prior to submitting an expungement request, please review the [Expungement Process FAQ](#) on FINRA's website.

To schedule a test or CE session, call either Pearson VUE or Prometric:

Pearson VUE National Registration Center
Call (866) 396-6273
or go to [Pearson VUE online scheduling](#).

Prometric National Call Center
Call (800) 578-6273
or go to [Prometric online scheduling](#).

Testing and Qualifications

As part of the registration/licensing process, securities professionals must pass qualifying tests FINRA administers to demonstrate competence in the areas in which they will work, prior to engaging in the activity. These mandatory tests cover a broad range of subjects on the markets, as well as the securities industry and its regulatory structure (including knowledge of FINRA rules and those of other self regulatory organizations), ensuring a minimum level of understanding and expertise. FINRA offers [outlines of content covered on all qualifying tests to help you prepare and provides a brief description of the responsibilities for registered representatives and principals](#).

Appointments/Enrollment

Before scheduling an appointment to take a test, your firm must file the proper application form through CRD. Upon approval, FINRA will post a scheduling window of 120 days in CRD.

In order to secure an appointment on a desired date, schedule your session as far in advance as possible. The test center will need to know:

- ▶ your name and CRD number;
- ▶ the session name, or its identifying series ID (*e.g.*, Series 7)
- ▶ a telephone number for you or your employer; and
- ▶ an email address to send confirmation of your appointment.

Upon scheduling a test or Continuing Education (CE) session, you will receive a confirmation email from the vendor outlining the details of your appointment, including the scheduled date/time, test center location and security requirements. The length of your appointment will include a 30-minute time block to allow you sufficient time to complete the computer tutorial and the post-test survey.

Test Extensions

You may accept any appointment time available within the 120-day enrollment period. However, if you attempt to schedule an appointment at one of your area testing centers at least 10 business days before your enrollment expires, and there are no appointment times available with either testing vendor (Pearson VUE or Prometric), FINRA may extend your enrollment to the next available appointment. You cannot schedule an appointment past the expiration date of your 120-day window, nor will extensions be granted. Extensions will also be denied if:

- ▶ you call before your enrollment window expires, and there are appointment times available before the expiration date, but you are unable or unwilling to accept the available opening(s); or
- ▶ you call before the enrollment expires, and there are no appointments available before the expiration date, and you are unable or unwilling to take the first available appointment after the expiration date.

It is important to note that FINRA does not have a hardship policy regarding your inability to take a test. If you miss your scheduled appointment, for any reason, the cost of the test will not be refunded or applied to another appointment. Additionally, if your enrollment expires, FINRA will require your firm to submit a new request, along with applicable fees.

FINRA Cancellation and Reschedule Policy

To avoid cancellation or reschedule fees, candidates seeking to alter a scheduled FINRA test or CE session must do so a minimum of 10 business days in advance of their appointment. Appointments cancelled or rescheduled within 10 business days will result in [additional fees](#). Please review FINRA's website, for more information on the [cancellation and reschedule policy](#).

Taking the Test/Continuing Education Session

You should arrive at the testing center 30 minutes before your scheduled appointment time. To gain admission to the center, you must provide one valid form of identification with your signature and your picture as issued by a government agency, such as a valid driver's license, passport or military ID. You are also required to sign the center's "sign-in log," agree to the [FINRA Test Center Rules of Conduct](#) and provide an image and/or biometric capture (*e.g.* candidate photograph, thumb or palm print). Candidates refusing to abide by a vendor's [test center security guidelines](#) and/or protocol will be refused entry to the test center, and a late cancel fee will be charged to the candidate's firm.

You are not allowed to bring personal possessions, such as books, briefcases and notes into the testing room; these items must be placed in the center-provided storage locker. You may take only authorized material issued by center staff into the testing room. The center staff will provide an erasable note board, dry erase markers and a calculator for use during the session. Do not bring a calculator with you for your exam; you will not be allowed to use it.

Severe penalties may be imposed on you if you cheat on a FINRA-administered test or CE session. Any violation of the FINRA Test Center Rules of Conduct will subject you to possible disciplinary action by FINRA, another self-regulatory organization or the SEC, and could result in you being barred from employment/association with any securities dealer and forfeiture of your test results. Cheating on tests is forbidden (NASD Rule 1080 (Confidentiality of Examinations) and FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade)).

For more information on FINRA's computer administered test or CE sessions, see the [Testing](#) page.

FINRA Testing Arrangements Procedures

Americans with Disabilities Act (ADA)

FINRA, in compliance with the provisions of ADA, provides testing modifications and aids to individuals with disabilities and/or learning impairments that substantially limit a major life activity (*e.g.*, learning, speaking, hearing, vision). FINRA makes arrangements to offer tests/CE sessions in a place and manner appropriate to persons with disabilities according to the ADA. Please review FINRA's website, for more information on [ADA](#) accommodations.

Limited English Proficiency (LEP)

FINRA provides individuals with Limited English Proficiency (LEP) additional time to complete a test/CE session provided they follow certain protocols. Individuals with LEP are persons who do not speak English as their primary language and have limited ability to read, speak, write or understand English. Individuals and their sponsoring firm must follow specific protocols to request the additional time due to LEP before scheduling an appointment. Please review FINRA's website, for more information on requesting [LEP](#).

Maintaining Your Registration

Once you are registered or employed with a firm, you must comply with FINRA rules, federal and state securities regulations, and your firm's policies to maintain your registration. FINRA provides guidance on the proper conduct of a registered representative, as well as information on your responsibilities to your firm and clients.

Continuing Education (CE)

Continuing Education consists of two mandatory programs: Firm Element and Regulatory Element.

Firm Element

The Firm Element is designed, implemented and overseen by your firm, not FINRA. The Firm Element consists of training programs designed to keep specified covered employees current regarding job- and product-related subjects. Consult your firm for costs, requirements and credit hours.

Regulatory Element

The Regulatory Element consists of periodic computer-based training on regulatory, compliance, ethical, supervisory subjects and sales practice standards. Registered persons are required to participate and complete a designated Regulatory Element within a 120-day period that commences with the second anniversary of their initial securities registration (base date), and every three years thereafter for as long as they remain in the securities business.

FINRA has several [resources](#) available to help you prepare for your computer-based CE session, including content outlines, for each session type (determined by registrations held), an abbreviated sample scenario as well as a [library](#) of retired CE scenarios.

CE Cycles

The initial securities registration date or "base date" is the first date a person became registered (*i.e.* approved) with a self-regulatory organization (SRO). (Note: The initial registration date is not the date the person completed and passed the qualification examination.) FINRA uses the initial securities registration date as a base date from which to determine a person's CE Regulatory Element anniversary. As a registered representative you are required to complete the Regulatory Element CE Program two years from your base date and every three years thereafter for as long as you remain registered in the industry. Your base date will remain the same as long as you are registered in the securities industry, unless you are required to re-qualify by examination or have a significant disciplinary action.

Upon your anniversary date you will have a 120-day period to complete the CE requirement. During that 120-day period and until you complete your requirement, you are considered CE Required, indicating that you have a CE session that needs to be completed. Once you complete the CE session, you are considered CE Satisfied, indicating that you have met your CE requirement. Failure to complete the Regulatory Element within 120 days of your anniversary date (FINRA Rule 1250) will result in your registration becoming inactive (CE Inactive). This means that you may not engage in, or be compensated for, activities requiring a securities registration until you satisfy the requirements. If your registration remains CE inactive for two years it will be administratively terminated (CE Two Year Termed) and you will be required to re-qualify for your registration by examination.

If you are currently registered with a firm and are unsure of your CE base date or when your next CE window will begin, you should contact your firm. You may [schedule](#) and complete the Regulatory Element of CE only while you are registered with a firm. If you are not currently registered with a firm you can request a [snapshot report](#) that contains your registration information directly from FINRA.

For more information, please see the [Continuing Education](#) page on FINRA's website.

Information

To locate specific FINRA or NASD rules, mentioned in the brochure, use the rule number search in the FINRA manual

www.finra.org/finramanual

Obligations to Your Firm

As a registered representative, whether you are an employee or an “independent contractor” (for regulatory purposes there is no distinction between the two terms), you are obligated to follow all applicable securities laws and regulations.

In addition, you are expected to know, understand and comply with your firm’s procedures. Firms are required to maintain and distribute written supervisory procedures in accordance with [NASD Rule 3010](#). Among these policies, you must comply with NASD Rule 3010(a)(7) which requires your participation at a meeting (often referred to as an “annual compliance meeting”) at least annually to formally discuss regulatory and compliance matters relevant to your activities at the firm.

Below are descriptions of some rules that govern your activities, conduct and obligations to your firm.

Form Updates

You are responsible for ensuring that all updates to your [Form U4](#) are accurate, timely and provided to your firm. [The FINRA Bylaws](#) also require firms to file a [Form U5](#) within 30 days of your termination from the firm and to provide you with a copy of the filing. In addition, if the firm learns of any facts or circumstances that make the previously filed U5 inaccurate or incomplete, the firm is required to amend the filing at that time and provide you with a copy.

Outside Business Activities

During your association with a firm you may not be an employee, independent contractor, sole proprietor, officer, director or partner of another person as a result of any business activity outside the scope of the relationship with your firm, unless you have provided prior written notice to your firm pursuant to [FINRA Rule 3270](#). Accordingly, you should discuss with your supervisor any offer to work part-time or off-hours with any other business concern or receipt of any form of compensation from a source other than your firm. Your firm must evaluate your proposed outside business activities to determine whether to impose conditions, limit or even prohibit your proposed activity because such activity may interfere with your role at the firm or be perceived by customers as part of the firm’s business.

Books and Records

As a registered representative, your work-related documents, such as correspondence with customers, new account forms and copies of customer statements must be reviewed and retained by your firm in specific ways according to [FINRA Rule 4510](#) and other rules. Regardless of the name on the incoming envelope, these documents are also the property of the firm.

Professional Designations

[FINRA Rule 2210](#) prohibits brokerage firms and brokers registered with FINRA from referencing legitimate degrees or designations in a misleading manner or referencing non-existent or self-conferred degrees/designations. FINRA's page on [Understanding Professional Designations](#) will help you learn more about professional designations generally while FINRA's [Senior Designations](#) page will help you learn more about designations relating to elderly investors.

Personal Securities Accounts and Investments Away From Your Firm

Before opening an account, placing an order in an account or initiating any investment in which you have a financial interest or over which you have discretionary authority, you must first provide written notification to your firm and the firm with which you are opening the account. [NASD Rule 3050](#) also contains requirements for any such accounts with investment advisors, banks or other financial institutions. Your firm will likely require duplicate copies of confirmations, statements and other information with respect to the account. These requirements also apply if someone associated with another broker-dealer is your customer.

Securities Transactions Away From Your Firm

You may conduct a securities business as an agent only while under the direct supervision of your firm. You cannot participate in any private securities transactions (*e.g.* securities transactions away from your firm) unless you get prior written approval to do so pursuant to [NASD Rule 3040](#). Accordingly, you should discuss with your supervisor any potential securities transactions you wish to execute away from your employing broker-dealer.

Even if you are registered to sell only insurance-related securities products, you must be aware of FINRA rules and comply with them. Further, as an insurance agent you must familiarize yourself with, and obey, any restrictions that your firm may have concerning selling other companies' insurance products.

New Issues

[FINRA Rule 5130](#) generally prohibits you from buying a new issue (initial public offering or IPO) or selling a new issue to other broker-dealers and its employees, portfolio managers, finders and fiduciaries.

Conflicts of Interest

[FINRA Rule 2010](#) requires you to observe high standards of commercial honor and just and equitable principles of trade. As such, you should avoid any conflicts of interest in transactions with your customers and should disclose any potential conflicts of interest to your supervisor as soon as you are aware of such conflict. For instance, if you own shares of a thinly traded stock in your personal account, a potential conflict surfaces when you recommend purchases of those shares to your customers because such a recommendation is likely to drive up the price of that stock and provide you with a personal benefit.

Gifts and Gratuities

[FINRA Rule 3220](#) prohibits giving anything of value over \$100 per individual per year to any person, as a gift or gratuity, where such payment is in relation to the business of the recipient's employer. In addition, with limited exceptions, you are prohibited from accepting money or gifts from certain outside parties like those connected to issuers of mutual funds, variable insurance products and limited partnerships. Accordingly, you should discuss with your supervisor all such payments or gratuities in any amount in advance to determine whether you should make or receive them. Your firm is also required to record any such gifts or gratuities.

Advertising Requirements

All communications you use and distribute to the public are subject to some form of regulatory review and approval depending on the type of communication and its content. Communications with the public, including electronic and social media communications, fall under three defined categories called retail communications, institutional communications and correspondence. All communications, including public speaking activities and business-related interactive electronic or social media communications, must comply with [FINRA Rule 2210](#) and the applicable SEC advertising rules. The general advertising rules require that all communications be based upon the principles of fair dealing and good faith, be fair and balanced, and provide a sound basis for evaluating the facts. Communications should not omit material facts if such omission would make the communication misleading. Communications should also not include false, exaggerated, promissory or misleading claims.

In general, most communications require approval by a qualified principal prior to use. Firms are required to adopt internal procedures to supervise communications that may not require prior principal approval, such as retail communications posted on interactive web forums and public appearances. Certain communications may require filing with FINRA's Advertising Regulation Department. Proper records of your communications must be maintained for a period beginning from the date a communication was first used and ending three years from the date it was last used, in accordance with SEC requirements. It is important that you follow your firm's procedures to ensure you are in compliance with the approval, recordkeeping, filing requirements and content standards.

For information and guidance regarding the FINRA advertising rules, see the [Advertising Regulation](#) page.

Obligations to Your Customers

The foundation of the securities industry is fair dealing with customers. Whether your work is with individuals, institutions or business entities, your obligation in this profession is to serve your customers with honesty and integrity by putting their interests first.

Below are descriptions of some rules that govern your activities, conduct and obligations to your customers.

Contact With Investors

You are obligated to disclose material information about investments that you discuss with or recommend to potential investors. Misrepresenting or omitting any material information in both discussions and distributed materials is prohibited and, under certain circumstances, may be considered fraud. Finally, you are prohibited from guaranteeing that a securities transaction will not lose money. You should consult your supervisor if you have any questions regarding disclosures.

There are also restrictions on calling investors and telemarketing. For example, [FINRA Rule 3230](#) generally prohibits “cold calling” a prospective customer before 8 a.m. or after 9 p.m. as well as calling an individual who previously stated that he or she does not want to receive calls or is on the national do-not-call registry. If you telemarket, you should have received training from your firm that addressed these and other requirements.

Opening Accounts and Knowing Your Customer

The first step in serving your customers properly is to “know your customer” in accordance with [FINRA Rule 2090](#). You are responsible for ensuring that the essential facts concerning your customer are accurate and updated. You will obtain some of this information, including at least the customer information described in [FINRA Rule 4512](#), when opening a new customer’s account with your firm. Your firm must also have a [Customer Identification Program](#) to verify the customer’s identity. Firm procedures on this will vary, but they may require that you review the customer’s driver’s license or passport or, for legal entity accounts, the entity’s formation documents. You may learn additional information through a review of your customer’s background, as required by your firm’s account opening procedures. For information about Anti Money Laundering (AML) compliance during account opening and thereafter, see FINRA’s [AML](#) page.

Privacy and Protection of Customer Data

FINRA’s [Customer Information Protection](#) page will provide you with an understanding of the restrictions against disclosing non-public personal information about a customer and the manner in which customer information and records can become compromised (*i.e.*, theft, intrusions into customer accounts and cyber security threats).

Alert your supervisor immediately if you believe that customer information may have been lost or stolen, (including a lost lap top, smart phone or other electronic device), or if you suspect that customer accounts or company systems may have been subject to intrusion.

Suitability Requirements

If you make recommendations, you must understand the customer's investment profile, which includes, but is not limited to, factors such as the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance and any other information that the customer may disclose. [FINRA Rule 2111.05](#) imposes the following three obligations when making a recommendation: reasonable basis suitability (recommendation must be suitable for at least some investors), customer specific suitability (recommendation must be suitable for a particular customer) and quantitative suitability (a series of recommendations must be suitable when taken together in light of a customer's investment profile).

Securities Transactions

You should know about different types of securities as well as the process of clearance and settlement of securities transactions (*i.e.*, the timing of the actual exchange of money and securities). Depending on the security traded, settlement is usually three business days after the trade date, but may be the same day, the next day or some other time period. It is important that you inform your customers that money or securities are due on the settlement date and that your customer might be "bought in" at a higher price if securities are not promptly received, or may be "sold out" at a lower price if payment is not promptly received. To avoid misunderstandings later, it is advisable that you explain the requirements and risks of buying securities in a [cash account](#) as well as a [margin account](#) prior to entering any order.

According to [FINRA Rule 5310](#), firms must provide the customer with the most favorable price ("best execution price") under prevailing market conditions.

Orders for securities transactions are contracts. Unlike many business contracts, which are usually written, most securities orders are verbal. You should know how to place an order and, thereafter, how it is settled. Until you feel comfortable that your customer understands this process, take a few moments with each order from that customer to explain the mechanics of the transaction and the market conditions that may delay or prohibit its execution. Generally speaking, you should not enter an order for your customers without his/her expressed and detailed permission, as these trades may be deemed "unauthorized transactions." In addition, when frequently processing trades for a particular customer you should ensure that the trading is in line with the customer's investment profile and not excessive, as frequent or excessive trading in a customer's account may be deemed "churning."

Generally, your customer must approve each order prior to your entering it and should receive confirming documentation after the order has been placed. Under certain circumstances, a customer may grant you discretionary authority in accordance with [NASD Rule 2510](#). The customer must provide such authority in writing and it must be approved by your firm prior to your using discretion. Discretionary orders require more frequent supervisory review and, as a best practice, you should discuss such authority with your supervisor in advance of trading.

Markups, Commissions and Fees Charged for Services

Federal and state securities laws, SEC rules, and FINRA regulations affect the fees charged for all transactions including, for example, placing new securities issues, secondary market offerings, and transactions involving mutual funds and variable contracts.

Remember, if your customer is to benefit, the investment's performance must first overcome the initial charges. When in doubt, ask your supervisor, review your firm's procedures or consult [NASD Rule 2440](#), [IM-2440-1](#) and [IM-2440-2](#). It is deemed a violation of NASD Rule 2440 for a firm to enter into any transaction with a customer in any security at any price not reasonably related to the current market price of the security, or to charge a commission which is not reasonable.

NASD Rule 2440 generally requires firms to charge only fair commissions or charges, and to buy or sell securities only at fair prices. When acting for its own account in a transaction with a customer, a member firm must buy or sell the security at a fair price to the customer, taking into consideration all relevant circumstances, including market conditions, the expense involved and the fact that the firm is entitled to a profit. In addition, the rule provides that when acting as an agent on behalf of its customer, the firm must not charge its customer more than a fair commission or service charge, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense of executing the order and the value of any service the firm may have rendered by reason of its experience in and knowledge of such security and the market.

In determining the meaning of "fair and reasonable" commission or mark-up, FINRA has a "5% Policy" guideline. Rarely is a markup on equity securities above 5 percent considered fair or reasonable. In fact, depending on the circumstances and the type of security involved markups at or below 5 percent may be considered unfair or unreasonable. For example, mark ups on debt securities are usually much less than 5 percent. Commissions approaching or exceeding 5 percent are subject to close regulatory scrutiny and must be justified, taking into account all relevant circumstances. You should always question situations in which you are asked to market securities with extraordinarily high markups, sales charges or payouts.

FINRA is concerned about retail customers being charged hidden, mislabeled or excessive fees of various types. Fair dealing with customers requires that charges be reasonable and disclosed up front in a manner that will allow investors to make informed investment decisions. Furthermore, under [NASD Rule 2430](#), any miscellaneous charges must be reasonable and related to the services performed.

Customer Funds and Accounts

You are not permitted to place customers' checks or money intended for securities transactions into your own bank account or in the accounts of businesses that you are involved with outside of your broker-dealer, regardless of the amount of money or the length of time involved. Additionally, holding or hiding securities in someone else's or a fictitious account (*i.e.*, parking securities) is misleading and strictly prohibited. Mishandling customer funds is a serious violation of FINRA rules and could result in prosecution by state or federal criminal agencies.

The sharing of profits or losses in an account with a customer is generally prohibited. Before contemplating entering into such an arrangement, you should discuss it with your supervisor and consult [FINRA Rule 2150](#).

Customer Complaints

Customers have a right to complain about the handling of their accounts. Your firm should report any complaints that you receive in accordance with [FINRA Rule 4530](#) and maintain records of customer complaints in accordance with [FINRA Rule 4513](#). Your firm is required to maintain records of customer complaints regardless of the manner in which they were received, including oral complaints, emails, letters and text messages. These requirements apply regardless of the validity of the complaints or your belief that the complaint is frivolous. You must promptly notify your supervisor of any complaints that you receive and should not attempt to unilaterally resolve such complaints.

Manipulative, Deceptive and Fraudulent Actions, Insider Trading

[FINRA Rule 2020](#) prohibits any manipulative, deceptive or fraudulent actions. These actions are governed by securities rules and regulations, including FINRA rules. Some prohibited practices include insider trading (violation of SEC Rule 10b-5), front-running (violation of [FINRA Rule 5270](#)), intimidation (violation of [FINRA Rule 5240](#)) as well as other prohibited practices described in other sections of this brochure. These practices may harm the customer, another member firm, the integrity of the marketplace, the issuer of the securities or the public in general, and they would likely end your career in the securities business.

It is illegal to use or pass on to others material, nonpublic information or enter into transactions while in possession of such information. If you tell your customer to buy or sell a security based on a “hot tip,” you may have committed securities fraud. If the “hot tip” is not real, or is not “hot,” you have misled your customer. If it is a “hot tip,” you may be violating insider-trading rules. Either way, you can be subject to civil liability, disciplinary action and even criminal charges. If you become aware of insider trading or other fraud, you should contact your supervisor or file a [Regulatory Tip](#). Illegal insider trading arises under many circumstances, so it is important to obtain sufficient training from your firm on this topic, and to consult with a supervisor or your firm’s compliance department whenever you are unsure whether a particular situation may cross the line into violative conduct.

Interacting With FINRA

FINRA monitors the activities of FINRA firms and their registered representatives for compliance with FINRA's rules, as well as the rules and regulations of the federal government, NYSE, Municipal Securities Rulemaking Board (MSRB) and other self-regulatory organizations. In this regard, FINRA conducts examinations of firms as well as their representatives.

FINRA Examinations

FINRA conducts more than two thousand onsite cycle examinations each year. These examinations are meant to determine whether firms and their registered representatives are in compliance with federal securities laws, rules and regulations. Member firms and their brokers are also subject to "cause examinations" which may stem from a customer complaint or disclosure in a regulatory filing.

Cooperation With FINRA Staff

You may be asked to provide information, documentation or to testify on the record during the examination or investigative process. If you are contacted by FINRA staff in conjunction with an examination or investigation, you must cooperate fully and answer all written and oral inquiries clearly and truthfully in accordance with your obligations under [FINRA Rule 8210](#). You should always feel free to ask the examiner any questions that you have about the requests. Failure to respond to requests for information or for making misrepresentations to FINRA may lead to you being permanently barred from the securities business.

The obligation continues for at least two years after you have left the securities industry, during which time FINRA retains regulatory and enforcement jurisdiction over you. However, the two-year period may be extended if your [Form U5](#) is amended to disclose certain reportable misconduct. Your firm may be notified of any FINRA investigation in which you could be involved. You may have to update and amend your [Form U4](#) with your firm as a result of a FINRA investigation or customer complaint, among other factors, just as your firm may have to update your Form U5 if these issues present themselves after you have left the firm.

Violations

FINRA prepares a report at the conclusion of a FINRA staff examination or investigation, and if apparent violations of rules and regulations are discovered FINRA may initiate a disciplinary action. Our [Adjudication](#) page discusses the system FINRA uses for disciplining firms and individuals who break the rules.

Public Information

In addition to the information in Broker Check, arbitration awards and disciplinary actions, FINRA also makes public fines greater than \$10,000 and when a firm or registered representative is suspended or barred from the securities business. The [sanction guidelines](#), which are published by the FINRA Board of Governors, lists typical sanctions that may be expected for various rule violations and are a good resource in helping you better understand the importance of maintaining compliance with FINRA rules and regulations.

FINRA Office of the Ombudsman

FINRA Ombudsman
9509 Key West Avenue
Rockville, MD 20850

Phone: (240) 386-6270

Fax: (240) 386-6271

Toll-Free Number:
(888) 700-0028

Email: ombuds@finra.org

Notification to State and Federal Authorities

FINRA may inform state or federal authorities if it uncovers suspected fraud, criminal behavior or other violations by member firms and their associated persons. Federal and state regulatory authorities likewise have the power to discipline firms and registered representatives and may bring civil or criminal proceedings for violations of their laws and rules.

FINRA Office of the Ombudsman

The [FINRA Office of the Ombudsman](#) provides a forum for firms and their associated persons, public investors, and FINRA staff members to voice their concerns of unfair practices or disparate treatment. The objective of the Ombudsman's Office, as an independent, neutral and confidential source of assistance, is to receive and address concerns and complaints from any source concerning the operations, enforcement or other activities of FINRA or any of its staff. Where established procedures exist currently regarding the application of rules, policies, procedures or interpretations, the Ombudsman will direct the matter to the appropriate office, department or company. The function of the Ombudsman's Office is not intended to be an appeals forum for decisions made in other forums, or an arbitrary alternative to a program that already exists.

The Ombudsman will attempt to assist you in identifying the appropriate method of resolving your problem or complaint, even if the office does not become directly involved in the matter.

The Ombudsman's Office functions independently from all other FINRA business line functions; as such, it reports directly to the Audit Committee of FINRA's Board of Governors. The Office of the Ombudsman serves as an alternative channel of communication—complementing, but not replacing, FINRA's comprehensive program of formal resolution channels that include adjudication and dispute resolution. It has unrestricted access to all company functions, records and personnel. The Ombudsman's Office does not have direct authority over FINRA personnel or the departments it reviews.

The Office of the Ombudsman is a department staffed with several Ombudsmen who are trained and have experience in handling a variety of matters. The Ombudsman, as a designated neutral party, has the responsibility of maintaining strict confidentiality concerning matters that are brought to his/her attention unless given explicit permission to do otherwise, or unless (a) there appears to be imminent risk of serious harm; (b) in response to binding legal or judicial process; or (c) in response to a request from the SEC. In addition, notice to the office is deemed notice to FINRA in those instances where FINRA is required by law to take corrective or other action upon being put on notice of specific facts or allegations. In such instances, where confidential information is required to be disclosed or corporate action is required, the office will take reasonable steps to maintain confidentiality as to the identity of the provider of the information where possible. The Ombudsman will take all reasonable steps to protect any records or files pertaining to confidential discussion from inspection by all other persons, including management.

FINRA Regulatory Tip Form

Mail:

FINRA - Regulatory Tips
1735 K Street, NW
Washington, DC
20006-1500

Fax: (866) 397-3290

FINRA Dispute Resolution

FINRA Dispute Resolution operates the largest arbitration and mediation forum in the securities industry. FINRA Dispute Resolution resolves disputes in a fair, expeditious, and cost-effective manner between customers and securities firms and their associated persons and between associated persons and securities firms. Arbitration and mediation are separate from the functions performed by the District Offices, which include surveillance and enforcement functions that may result in the assessment of sanctions or other disciplinary measures against firms or their associated persons. For additional information please review the [overview and comparison](#) of the Arbitration and Mediation processes.

FINRA rules require that all brokers and brokerage firms submit to arbitration to resolve investment-related disputes with their customers, as well as most intra-industry disputes. For more information on this requirement please refer to [FINRA Rule 2263](#).

Mediation, however, is a voluntary process in which the mediator, an impartial person trained in facilitation and negotiation techniques, helps the parties reach a mutually acceptable resolution. In mediation, as distinguished from arbitration, the mediator does not impose a solution, but rather, works with the parties to create their own solution.

To learn more, please visit the [Dispute Resolution](#) page or review the Dispute Resolution [brochure](#).

FINRA Office of the Whistleblower

If you are aware of unfair practices or specific instances of misconduct, FINRA wants to know about it immediately. Often, violations of our rules and the federal securities regulations come to light through the receipt and investigation of regulatory tips from members of the industry and other industry professionals.

There are two primary ways to share regulatory intelligence with FINRA.

For more routine matters, you can file a regulatory tip by using our online [regulatory tip form](#), or by mailing or faxing a tip to FINRA.

For more sensitive or high-risk matters, including those involving potential fraud or ongoing investor harm, you can contact FINRA's Office of the Whistleblower. The Office of the Whistleblower expedites the review of high-risk tips by FINRA senior staff and ensures a rapid response for tips believed to have merit. Through the Office of the Whistleblower, individuals with evidence of, or material information about, potentially illegal or unethical activity can reach senior staff, who can quickly assess the level of risk involved and make sure that each tip is properly evaluated. Those tips warranting additional review and investigation will be subject to an expedited regulatory response. FINRA may refer whistleblower tips that fall outside its jurisdictional reach to the appropriate regulatory or law enforcement agencies.

FINRA Office of the Whistleblower

Email:

whistleblower@finra.org

Phone: (866) 96-FINRA
(866) 963-4672

When filing a regulatory tip or contacting the Office of the Whistleblower, please provide as much specific information as you can, including a brief summary of the conduct and/or rule violations that you believe:

- ▶ has taken place;
- ▶ may now be occurring; and/or
- ▶ may be about to occur.

To the extent possible, provide the names of the involved parties, their roles and their relationships, the securities or product involved, and the time periods or dates applicable to these events.

Once you have submitted a tip, FINRA may contact you to verify the information provided and to obtain additional information. While anonymous tips will be accepted and reviewed, their value may be diminished if FINRA is unable to conduct this additional inquiry.

If you are in possession of written materials or other documentation that supports your tip, FINRA staff will ask for this information following the receipt and review of your tip. The documents can also be attached to your email to the Office of the Whistleblower or provided with the online regulatory tip submission. All regulatory tip information received will be treated in confidence to the fullest extent possible. FINRA, however, cannot guarantee that during the course of a related investigation or possible prosecution of the matter that the identity of the source of a regulatory tip will not become known.

FINRA Registration Management

9509 Key West Avenue
Rockville, MD 20850

Fax: (301) 216-3716

How to Terminate Registration With FINRA

Form U5

Once your employment ends, your firm must, within 30 days of your employment termination, file a Uniform Termination Notice for Securities Industry Registration, [Form U5](#), with FINRA via CRD and provide you with a copy of that filing. The Form U5 indicates the date you terminated employment with the firm and the reason for your departure. Prospective employers may also ask you to consent to a pre-registration check in CRD, which would permit the firm to review your registration record.

Therefore, it is important that you review the form and notify your prior employer if you discover any incomplete or inaccurate information. Note that your current firm is not notified if another firm runs a pre-registration check of your record in CRD.

If you do not receive a copy of your Form U5 from your firm, you may request a copy by mailing or faxing a signed request to FINRA's Registration Management group. The request should include your CRD number or the last 4 digits of your Social Security number, the month and day of your birth, and the name of the firm that filed the Form U5. Please be sure to include your contact information (address and telephone number) so that we can send the Form U5 to you.

Formerly Registered Individuals

If you are no longer registered, you may submit a Broker Comment to update or add context to information that is disclosed through BrokerCheck. When you return to the securities industry, the Broker Comment will no longer display through BrokerCheck because you will have the ability to add the information from the Broker Comment to your Form U4. For additional information on the Broker Comment process, please visit the [Broker Comments](#) page on our website.

Individuals who were formerly registered with FINRA continue to be subject to its jurisdiction for at least two years after the registration is terminated. Such persons are required to, among other things, respond to FINRA requests for information (regarding activities that occurred while they were registered). FINRA relies on the residential address in CRD to make such requests or otherwise contact formerly registered persons. Therefore, formerly registered individuals who move within two years following their termination should submit a [CRD Change of Address Form](#) to update their residential address of record in CRD.

Questions

If you are currently registered with a FINRA member firm, it is important that you first work with your firm (your direct supervisor or compliance department) when issues or questions arise. However, if you are unable to resolve issues or get answers to your questions please contact the Gateway Call Center at (301) 590-6500.

Suggestions

If you have feedback about additional items that should be included in this brochure or would like to suggest improvements to the brochure, please send an email to memberrelations@finra.org. Also, if you have any suggestions on resources and information that FINRA can provide to help you comply with the rules, you should contact your compliance department or senior management to share your thoughts. FINRA's Member Relations Department works with firms' senior management to develop and promote a range of resources to help firms and representatives comply with FINRA rules. Additionally Member Relations fosters candid two-way communication with FINRA member firms in a variety of forums. The dialogues from the forums raise both FINRA's understanding of member firm issues and firms' understanding of FINRA actions.

Resources

Below is a list of key resources referenced in the Registered Representatives Brochure with direct URLs for each page. If the resource you are looking for is not listed below please review the brochure at: www.finra.org/registeredrepbrochure and select the link from the section.

Introduction

- ▶ North American Securities Administrators Association (NASAA): www.nasaa.org
- ▶ CRD Directories Page: www.finra.org/CRD/Directories

How to Register With FINRA

- ▶ BrokerCheck: www.finra.org/brokercheck
- ▶ Arbitration Awards Online: www.finra.org/awardsonline
- ▶ Disciplinary Actions Online: <http://disciplinaryactions.finra.org>
- ▶ CRD Forms Page: www.finra.org/crd/forms
- ▶ Web CRD Manual: www.finra.org/crdmanual
- ▶ CRD Filing & Guidance Page: www.finra.org/crd/FilingGuidance
- ▶ National Adjudicatory Council: www.finra.org/NAC

Testing and Qualifications

- ▶ Qualification and Exam Requirements: www.finra.org/RegistrationQualifications/Individuals
- ▶ Pearson VUE Test Centers: www.pearsonvue.com/finra
- ▶ Prometric Test Centers: www.prometric.com/finra
- ▶ Test Centers & Appointments: www.finra.org/RegistrationQualifications/TestCenters

Maintaining Your Registration

- ▶ Continuing Education: www.finra.org/ce
- ▶ FINRA E-Learning Courses: www.finra.org/elearning
- ▶ Snapshot Reports: www.finra.org/snapshot

Obligations to Your Firm

- ▶ FINRA Manual: www.finra.org/FINRAManual
- ▶ Understanding Professional Designations: www.finra.org/designations
- ▶ Advertising Regulation: www.finra.org/advertising

Obligations to Your Customers

- ▶ FINRA Manual: www.finra.org\FINRAManual
- ▶ Anti-Money Laundering: www.finra.org/aml
- ▶ Customer Information Protection: www.finra.org/customerprotection

Interacting with FINRA

- ▶ FINRA Manual: www.finra.org/FINRAManual
- ▶ FINRA Sanction Guidelines: www.finra.org/sanctionguidelines
- ▶ Office of the Ombudsman: www.finra.org/AboutFINRA/Ombudsman
- ▶ Dispute Resolution: www.finra.org/ArbitrationandMediation/FINRADisputeResolution
- ▶ Office of the Whistleblower: www.finra.org/whistleblower
- ▶ Filing a Regulatory Tip: www.finra.org/fileatip

How to Terminate with FINRA

- ▶ CRD Forms Page: www.finra.org/crd/forms
- ▶ Guidelines for Broker Comments on BrokerCheck: www.finra.org/BrokerCheck/comments
- ▶ CRD Filing & Guidance Page: www.finra.org/crd/FilingGuidance



Investor protection. Market integrity.

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Washington, DC 20006-1506
www.finra.org

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