



Understanding Brokerage Account Statements and Trade Confirmations

Brokerage account statements and trade confirmations provide valuable information that can alert you to errors—or potential misconduct by your investment professional or brokerage firm. The firm will mail you statements, but you can also view them online via the firm's webpage or mobile application.

Always review your statements carefully—and immediately call the firm's inquiries or complaints number about any transaction or entry you don't understand or didn't authorize.

Tip

In most cases, brokerage firms are required to provide customers with quarterly account statements and written notification of trade confirmations following each transaction. Be aware that you might get your confirmations or statements from your brokerage firm's clearing and carrying firms, which finalize ("settle" or "clear") trades and hold the funds or securities.

Red Flag

A statement that looks unprofessional or altered in any way is a big red flag. For instance, logos might have an oddly low resolution or inconsistent fonts, or they might not align with other statements or communications from the firm. Scammers sometimes even include legitimate firm logos on fraudulent statements.

WHO IS FINRA?

FINRA is a not-for-profit organization dedicated to investor protection and market integrity. FINRA regulates one critical part of the securities industry—member brokerage firms doing business in the U.S. For more information, visit www.finra.org.

NAVIGATING YOUR ACCOUNT STATEMENT

Account statements all contain certain common information.

- **Statement Period or End Date:** Your statement should show the value of your investments at the end of the statement period, which can help you gauge performance over a certain time frame. Statement end dates typically follow a consistent pattern, such as the last day of every month.
- **Account Information:** This includes your account's ownership (individual, joint, etc.), type (personal, business, retirement, etc.) and number(s). Be sure the account number matches your previous statements and that all information is correct, including your mailing and email addresses and any joint account owners.
- **Contact Information:** Your investment professional's name and contact information is generally located at the top of your statement. Statements from online brokerages or other firms that don't provide investment advice might not include the name of a specific investment professional but will include contact information for customer service.
- **Clearing Firm:** The clearing firm on your statement is the brokerage firm that maintains custody of the securities and cash in your account. The clearing firm may be a subsidiary of your brokerage firm and have a similar name, or your firm may have an arrangement with another broker-dealer to act as its clearing firm. Report any inaccuracies or discrepancies on your statement in writing to both your primary brokerage firm and the listed clearing firm.
- **Account Summary:** Always review your account summary, which shows the big picture of your account's performance, and report any unauthorized or unexpected activity. Also be wary if your statement always shows a similar rate of return, regardless of market conditions and especially if the return is above market norms. This can be a sign of fraud.
- **Income Summary:** This section helps you see income earned and its source and may be consolidated with your account summary, deposits, withdrawals, dividend interest and bond maturity dates. Raise concerns about unfamiliar sources of dividend and interest income or if you see income that appears on your statement but hasn't been deposited to your account.
- **Fees:** Most fees must be disclosed on your account statements or trade confirmations. Ask about any fees, including commissions, that seem excessive or unusual or if you see unanticipated handling charges or other costs.

- **Account Activity:** This should include details about account activity during the period, including trades made and money going out or in. Check the information, including deposits and withdrawals, and be sure the activity matches your trade confirmations, including the price at which you bought or sold a security and quantity of securities transacted.
- **Margin:** Margin is a loan from your brokerage firm that's secured by the securities you've purchased. A margin account is generally required to sell securities—such as options—short. Your statement will show which securities are held in a margin account, the outstanding loan amount, and how much margin interest you've paid on this loan in a given account period. Ask for explanation of any margin costs that exceed the disclosed rate of interest or any securities purchased on margin without your permission.
- **Portfolio Detail:** This information shows your individual account assets and might include a breakdown of investments by asset class. From here, you can assess whether the list of holdings is accurate and get a sense of how diversified your portfolio is. Detail here might also include other information like bond ratings, unrealized gains and losses, and investment income.
- **Disclosures and Definitions:** From fee explanations to key definitions, this section is designed to help you understand your statement. It's also where you'll find important legal details. Any fees disclosed here should match those being charged in the account. Disclosures and definitions may be at the end of the statement and/or on the back of a hard copy.

CAREFULLY REVIEW YOUR TRADE CONFIRMATIONS

Trade confirmations contain key details such as the date of a transaction, price at which you bought or sold a security, and quantity of securities bought or sold. The confirmation might also include the time of execution. When a single keystroke can make the difference between 100 and 1,000 shares, it's important to review this information carefully as soon as you receive a confirmation.

Confirmations also tell you whether your brokerage firm acted as an agent for you or another customer, or whether the firm acted as a principal for its own account. Generally, a firm that acts as agent is acting on your behalf to buy or sell a security. In this capacity, the firm must disclose the amount of the commission you were charged, if any, on the confirmation. If the firm acts as principal, it's executing trades from its own account, and the price you pay (or receive) might include a markup or markdown, which is the firm's compensation for the transaction. For stock transactions, any markup or markdown typically must be disclosed on the confirmation.

In addition, if you're a retail customer trading municipal debt securities or corporate or agency bonds, your brokerage firm is generally required to separately disclose on the confirmation the markup or markdown you pay when the firm acted as principal and traded that same security with a third party on the same trading day as your transaction. Your confirmation will show the markup or markdown as both a dollar amount and a percentage of the prevailing market price of the security.

BOTTOM LINE

Always review the information in your account statements and trade confirmations for accuracy. Contact your brokerage firm or investment professional as soon as possible if you find a problem.

If the problem isn't resolved, file a complaint with FINRA online at www.finra.org/complaint. If you have questions or concerns about your brokerage account statements or your investments, you can call the toll-free FINRA Securities Helpline for Seniors at 844-57 HELPS (844-574-3577).

Don't Be Shy

Don't hesitate to ask your investment professional or brokerage firm to provide the details about markups, markdowns or any fees or commissions associated with your investments.

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

- ▶ Check trade confirmations against the information in your account statement for the period in which the trade took place. Contact the firm, in writing, about any trade you didn't authorize.
- ▶ Confirmations might indicate whether trades are unsolicited or solicited. Make sure trades are properly categorized. Treat as a red flag an investment that was your investment professional's idea but is reflected on the confirmation as an unsolicited trade.
- ▶ Scrutinize all fees, especially those that might have been added, such as handling fees or mailing charges. Be sure to ask for an explanation concerning fees you didn't expect or that seem unreasonable.