

Information Notice

August 2010 Supplement to the Security Futures Risk Disclosure Statement

Effective Date: October 7, 2010

FINRA has released the August 2010 Supplement (Supplement) to the October 2002 Security Futures Risk Disclosure Statement (Statement).¹ The Statement contains general disclosures on the characteristics and risks of security futures. The Supplement adds new disclosure to accommodate proposed changes by OneChicago, LLC to list a class of security futures for which adjustments will be made for ordinary dividends. The Supplement should be read in conjunction with the current Statement, both of which are available at www.finra.org/issues/securityfutures.

FINRA Rule 2370(b)(11)(A) requires broker-dealers to deliver the current Statement to each customer at or prior to the time the customer's account is approved for trading security futures. Thereafter, each new or revised Statement shall be distributed to every customer having an account approved for such trading or, in the alternative, shall be distributed not later than the time a confirmation of a transaction is delivered to each customer who enters into a security futures transaction. The rule requires FINRA to advise firms when revisions to the Statement are made.

To comply with the requirements of FINRA Rule 2370(b)(11)(A), firms may distribute the Supplement in various ways, including, but not limited to, one of the following:

1. conducting a mass mailing of the Supplement to all of its customers approved to trade security futures who have already received the Statement; or
2. distributing the Supplement to a customer who has already received the Statement not later than the time a confirmation of a transaction is delivered to each customer that enters into a security futures transaction.

September 7, 2010

Suggested Routing

- Compliance
- Institutional
- Legal
- Senior Management
- Trading

Key Topic(s)

- Security Futures
- Security Futures Risk Disclosure Statement

Referenced Rules & Notices

- FINRA Rule 2370
- NTM 98-3

FINRA reminds firms that they may electronically transmit documents that they are required to furnish to customers under FINRA rules, including the Statement and Supplement, provided the firm adheres to the standards contained in the May 1996 and October 1995 Securities Exchange Commission Releases,² and as discussed in *Notice to Members 98-3* (www.finra.org/notices/ntm/98-3). Firms may also transmit the Statement and Supplement to customers who have consented to electronic delivery through the use of a hyperlink.

The effective date for the August 2010 Supplement is October 7, 2010.

Questions regarding this *Notice* may be directed to Matthew E. Vitek, Counsel, Office of General Counsel, at (202) 728-8156.

Endnotes

- 1 See Securities Exchange Act Release No. 62787 (August 27, 2010), 75 FR 53998 (September 2, 2010) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change; File No. SR-FINRA-2010-045).
- 2 See Securities Act Release No. 7288 (May 9, 1996) 61 FR 24644 (May 15, 1996) and Securities Act Release No. 7233 (October 6, 1995) 60 FR 53458 (October 13, 1995).