

A Guide to Your Securities Industry Career



Financial Industry Regulatory Authority

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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 who 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 a self-regulatory organization authorized by federal law to help protect investors and ensure the fair and honest operation of financial markets.

FINRA regulates one critical part of the securities industry – brokerage firms doing business with the public in the United States. FINRA, overseen by the SEC, writes rules, examines for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit www.finra.org.

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, the Central Registration Depository (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, the CRD system includes qualification, employment and disciplinary histories for registered and previously registered individuals.

FINRA makes some of the information you provide through the CRD system available to the public through [BrokerCheck®](#), a free tool that, among other things, helps investors make informed choices about the FINRA-registered representatives and brokerage firms with which they conduct or may wish to conduct business. BrokerCheck may also contain information about you that has been submitted to the CRD system 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. Visit the [About BrokerCheck Reports](#) page for more details on what information is contained in a BrokerCheck report.

In addition to BrokerCheck, FINRA's website also makes most [arbitration awards](#) and [disciplinary actions](#) available to the public.

Another FINRA system you should familiarize yourself with is the [Financial Professional Gateway \(FinPro\)](#), which is a secure system for current and former registered representatives that offers various tools for managing your registration information. In addition to viewing the information filed in CRD, FinPro streamlines access to the following functions:

- ▶ **Complete and Return Forms to Your Firm:** Users can retrieve, complete and return draft filings electronically to their brokerage firm.
- ▶ **Schedule Exams:** Users can make exam appointments online with the test vendor.
- ▶ **Complete Continuing Education (CE):** FinPro links directly to the CE Online system, so users can complete their CE requirements.
- ▶ **Update Residence:** Former registered representatives can update their residential information.
- ▶ **View U5:** Users can view and print a copy of their Form U5.

FINRA is developing additional FinPro tools to help individuals manage their securities registration requirements.

Note: Functions can vary depending on your registration status and what your firm permits.

FINRA's Financial Professional Gateway (FinPro):

Provides current or former representatives direct access to resources and tools to manage their securities registration information. For more information visit the FinPro page. www.finra.org/finpro

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 the [Form U4](#), via the CRD system. The Form U4 collects administrative information (*e.g.*, residential history, employment address, other 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 FINRA discovers that relevant information has been omitted from the Form U4 or any information reported on the form is misleading, FINRA may take a regulatory action against you and/or your firm.

In addition to providing administrative and disclosure information via the Form U4, you are also required to provide your Social Security number and a fingerprint card (Rule 17f-2 under the Securities Exchange Act of 1934) in order to continue the registration process. FINRA forwards your fingerprints to the Federal Bureau of Investigation (FBI) for processing. If your fingerprint check results in the return of Criminal History Record Information (CHRI), you are afforded an opportunity to review the CHRI and, if you believe it is inaccurate, you may challenge it. The procedure to challenge (*i.e.*, to change, correct or update) CHRI is administered by the Federal Bureau of Investigation and is set forth in 28 CFR §16.34. Please see the FBI's website for more information on the [challenge process](#).

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

Updating CRD Information

It is also important that your firm amend your Form U4 in a timely manner (*i.e.*, within 30 days) 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 other business activities. Speak with your firm to receive a copy of your Form U4, or access FinPro to view your record. Then review the information with your supervisor and supply your firm with any updated or missing information. If your firm does not update disclosure information on your Form U4 in a timely manner (generally no later than 30 days after learning of the facts or circumstances giving rise to the amendment), your firm will be assessed a late disclosure fee. FINRA understands that some firms may ask a representative to pay the [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 the information displayed through BrokerCheck. Please see the [BrokerCheck dispute process](#) page 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 statutory disqualification must obtain regulatory approval before being permitted to work in the securities industry. For the definition of statutory 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 of Customer Dispute Information

In limited instances you may seek to have a reference to a customer complaint or arbitration removed from your record in the CRD system. The process of removing this information from the CRD system 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 seeking an expungement from the CRD system, please review the [FINRA Rule 2080 FAQ](#) on FINRA’s website.

Testing and Qualifications

As part of the registration/licensing process, FINRA administers examinations on which you must demonstrate proficiency in the areas in which you 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 provides content outlines of the subject matter covered on all qualifying tests to help you prepare and provides a brief description of the responsibilities for registered representatives and principals.

To schedule a test, call
Prometric:

**Prometric National
Call Center**

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

Appointments/Enrollment

Before scheduling an appointment to take a test, your employing firm must file the proper application form through the CRD system. 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 test as far in advance as possible. The test center will need to know:

- ▶ your name and CRD number;
- ▶ the test name, or its identifying series ID;
- ▶ a telephone number for you or your employer; and
- ▶ an email address to send confirmation of your appointment.

Upon scheduling a test, 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. The additional time for these activities cannot be used towards completing the test itself.

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 the testing vendor (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 Rescheduling Policy

To avoid cancellation or rescheduling fees, candidates seeking to alter a scheduled FINRA test 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 rescheduling policy](#).

Taking the Test at a Testing Center

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 issued by a government agency with your signature and your picture, 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, finger 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 permitted to bring personal possessions, such as mobile devices, cameras, any communication or recording devices, and notes into the testing room; these items must be placed in the center-provided storage locker. Only authorized material issued by center staff is permitted in the testing room. The center staff will provide an erasable note board, dry erase markers and a calculator for use during the test. You will not be allowed to use your own calculator during the test.

Severe penalties may be imposed for cheating on a FINRA-administered test. 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 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, 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 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 qualifying test that certifies an individual for registration with FINRA or to engage in securities business, 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 by 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 (CE) consists of two mandatory programs: Regulatory Element and Firm Element.

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.

Content for the Regulatory Element is derived from industry rules and regulations, as well as widely accepted standards and practices within the industry. There are two Regulatory Element Programs:

- ▶ **S101 Program** – for registered persons; and
- ▶ **S201 Program** – for registered Supervisors/Principals.

The S101 and S201 Programs are available to complete online using the CE Online Program which provides you with the flexibility to satisfy your Regulatory Element of Continuing Education requirement from a home or office computer—anytime, anywhere within the 120-day period. Please review FINRA's website for more information on the [CE Online Program](#).

It is important to note, regardless of the number of securities registrations you hold with your firm, you only take one Regulatory Element program. In most cases the session type is determined based on the highest license(s) you hold at your current firm. Your firm can advise you which Regulatory Element Program to take and when you must take it.

FINRA recognizes that some CE participants may require additional assistance beyond what CE Online provides. Participants or firms may choose to apply for accommodations such as a reader, a recorder or both, if needed. For additional details, please see the [CE Online Delivery Accommodation](#) page.

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).

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.

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 1240) 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 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 access your information within [FinPro](#).

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 compliance procedures. Also, you must comply with [FINRA Rule 3110\(a\)\(7\)](#) 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 By-Laws](#) 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 and customer complaints must be reviewed and retained by your firm in specific ways according to [FINRA Rule 4510](#) and other rules (e.g. FINRA rules 4511, 4512, 4513, 4514, and 4515). 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

[FINRA Rule 3210](#) requires a registered representative to receive prior written consent from the member firm with which they are registered (the employing member) before opening any account, in which securities transactions can be effected and in which the registered person has a beneficial interest, at any other member firm (the executing member) or other financial institution. The registered representative must also notify in writing the executing member, or other financial institution, of their association with the employing member. In turn, the executing member is required, upon written request by the employing member, to transmit duplicate copies of confirmations and statements to the registered representative's employer for their account(s) including any account they have a beneficial interest in. A registered representative is presumed to have a beneficial interest in any account that is held by:

1. the spouse of the registered representative;
2. a child of the registered representative or of the registered representative's spouse;
3. any other related individuals over whose account the registered representative has control; or
4. any other individual over whose account the registered representative has control and to whose financial support the registered representative materially contributes (FINRA Rule 3210.02).

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 [FINRA Rule 3280](#). Accordingly, you should discuss with your supervisor any potential securities transactions you wish to execute away from the broker-dealer with which you are currently registered.

Initial Public Offerings

[FINRA Rule 5130](#) generally prohibits you from buying a new issue (initial public offering or IPO of an equity security) 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 distribute to the public are subject to some form of regulatory review by FINRA or another regulator depending on how they are used and their content. 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. FINRA Rule 2210 requires that most communications be approved by a qualified principal prior to use. In addition, all communications are subject to record keeping requirements and certain communications may require filing with FINRA's Advertising Regulation Department. The rule's general content standards 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 must not mislead by omitting material information and must not include false, exaggerated, promissory or misleading claims. It is important that you follow your firm's procedures to ensure you are in compliance with the rule's approval, recordkeeping, filing requirements and content standards.

FINRA Rule 2210 also requires each of a firm's websites to include a readily apparent reference and hyperlink to BrokerCheck on the initial web page that the firm intends to be viewed by retail investors and any other Web page that includes a professional profile of one or more registered persons who conduct business with retail investors. FINRA views websites operated by registered representatives that promote their firm's business to be websites of the firm. For additional information on the requirement visit the [Complying with BrokerCheck Link Requirements](#) page.

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. Additionally, 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 or [FINRA Rule 3310](#).

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 via a lost laptop, smartphone or other electronic device), or if you suspect that customer accounts or company systems may have been subject to intrusion.

Cybersecurity

With the threat of cyberattacks increasing, you should be vigilant in the protection of your firm's and clients' information, especially confidential information. The costs of a successful cyberattack can be significant, and may include, for example, recovery of lost data, litigation and reputational damage. In February 2015, FINRA issued the [Report on Cybersecurity Practices](#) to share with firms information that may help them improve their cybersecurity practices. In addition, FINRA has published [Investor Alerts](#) that offer advice on steps individuals can take to protect themselves from cyber threats.

Some of the suggestions for you as an individual include: encrypting all confidential client data in transit, never sharing passwords, never downloading email attachments from unknown persons, not responding to email requests for confidential information, logging-out completely and using only your own computer to access confidential information. In addition, you should know your firm's procedures for reporting a breach or attempted unauthorized access to confidential data as well as understand your role, if any, in your firm's incident response plan.

For additional information on cybersecurity practices, please see FINRA's [Cybersecurity page](#) and cyber-related [Investor Alerts](#) as well as the [SEC's Investor Bulletin: Protecting Your Online Brokerage Accounts from Fraud](#).

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). For additional information, please review the FAQ on the [Suitability](#) page.

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 recommending 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, sales of 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 [FINRA Rule 2121](#). It is deemed a violation of FINRA Rule 2121 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.

FINRA Rule 2121 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 [FINRA Rule 2122](#), 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](#).

You are not permitted to borrow or lend money between registered representatives and customers of the firm. There are a few conditions under which an arrangement could be permissible if specific conditions are met, under [FINRA Rule 3240](#).

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. Some customer complaints will require an amendment to the Form U4 and/or U5 to be filed, by the firm, in the CRD system.

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 on-site firm and branch office 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 to respond to FINRA 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 BrokerCheck, 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.

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

Mail:

FINRA Ombudsman
9509 Key West Avenue
Rockville, MD 20850

Phone:

(240) 386-6270

Toll-Free Number:

(888) 700-0028

Fax:

(240) 386-6271

Email:

ombuds@finra.org

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 currently exist 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. Instead, it 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.

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. 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 the Office of the Ombudsman's 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 Dispute Resolution

FINRA operates the largest arbitration and mediation forum in the securities industry. FINRA's Office of 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 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.

FINRA Regulatory Tip Form

Mail:

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

Fax:

(866) 397-3290

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 material evidence or first-hand knowledge of 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 Regulatory Services and Operations

Fax:
(301) 216-3716

Email:
webcrd@finra.org

Residential Address Changes:

CRD Address Changes
P.O. Box 9495
Gaithersburg, MD
20898-9494

How to Terminate Your 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.

Since the information filed on the Form U5 is part of your registration record, it is important that you review the form and notify your prior employer if you discover any incomplete or inaccurate information.

While your previous employer is required by rule to provide you with a copy of your Form U5, for convenience purposes, you can obtain a copy through [FinPro](#) or by contacting Regulatory Services and Operations at FINRA.

Transferring to a New Firm

If you are considering leaving your current firm to join a new one, there are a few things to keep in mind. Remember to keep your Form U4, up-to-date and accurate by providing any changes to your firm. Prospective employers must obtain your written consent in order to check your CRD record. Note that your current firm is not notified if another firm runs a pre-registration check of your record in CRD.

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 the CRD system to make such requests or otherwise contact formerly registered persons. Formerly registered individuals who move to a new residence within two years following their termination can either mail their updates to FINRA or update their residential address of record through [FinPro](#).

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 and Education 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 and Education 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 Guide to Your Securities Industry Career 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

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
- ▶ 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/industry/qualification-exams
- ▶ Prometric Test Centers: www.prometric.com/finra
- ▶ Test Centers & Appointments: www.finra.org/RegistrationQualifications/TestCenters

Maintaining Your Registration

- ▶ Continuing Education: www.finra.org/ce
- ▶ Continuing Education (CE) Online Program: www.finra.org/industry/ce-online
- ▶ CE Online Delivery Accommodations: www.finra.org/industry/accommodations-continuing-education-ce-online-participants
- ▶ FINRA Financial Professional Gateway: www.finra.org/finpro

Obligations to Your Firm

- ▶ FINRA Manual: www.finra.org/FINRAManual
- ▶ Books and Records: www.finra.org/industry/books-records
- ▶ Understanding Professional Designations: www.finra.org/designations
- ▶ Conflicts of Interest: www.finra.org/industry/conflicts-of-interest
- ▶ Advertising Regulation: www.finra.org/industry/advertising-regulation

Obligations to Your Customers

- ▶ FINRA Manual: www.finra.org/FINRAManual
- ▶ Anti-Money Laundering: www.finra.org/aml
- ▶ Customer Information Protection: <http://www.finra.org/industry/customer-information-protection>
- ▶ Cybersecurity: www.finra.org/industry/cybersecurity
- ▶ Suitability: www.finra.org/industry/suitability

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
- ▶ Office of the Whistleblower: www.finra.org/whistleblower
- ▶ Filing a Regulatory Tip: www.finra.org/fileatip
- ▶ BrokerCheck: <https://brokercheck.finra.org>

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
- ▶ FINRA Financial Professional Gateway: www.finra.org/finpro



Investor protection. Market integrity.

1735 K Street, NW
Washington, DC 20006-1506
www.finra.org

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