**BOUSTEAD SECURITIES, LLC WSP SECTIONS 5-7**

# Books and Records Requirements 5.00

**Introduction**

All broker-dealer firms that engage in a securities business are required maintain and preserve certain records within certain time specifications. The creation and maintenance of such records are detailed in *SEC Rule 17a-3* and *SEC Rule 17a-4*. *SEC Rule 17a-3* requires specific records that must be maintained, and how often a firm must update each record. *SEC Rule 17a-4* specifies the length of time that a firm must preserve such records. Additionally, broker-dealer firms must not only maintain and update the following records, but also monitor that each record contains the requisite information in accordance with all applicable rules and regulations.

## 5.01 SEC Rule 17a-3

A firm must maintain records specifically related to its customers and the daily transactions of its securities business. *SEC Rule 17a-3* requires several books and records to be maintained by a firm. However, the specific business activities that the firm conducts and the manner in which the firm transacts business will determine which records the Firm must maintain.

**At a minimum, the Firm shall make and keep current the following books and records relating to its securities business:**

- Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all receipts and disbursements of cash and all other debits and credits.
- Ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts;
- Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer and of the Firm and partners thereof, all purchases, sales, receipts and deliveries of securities and commodities for such account and all other debits and credits to such account;
- Ledgers (or other records);
    - securities in transfer;
    - dividends and interest received;
    - securities borrowed and securities loaned;
    - moneys borrowed and moneys loaned (together with a record of the collateral therefore and any substitutions in such collateral);
    - securities failed to receive and failed to deliver;
    - All long and all short securities record differences arising from the examination, count, verification and comparison pursuant to *Rule 17a*-5, *Rule 17a-12, and Rule 17a-13* (by date of examination, count, verification and comparison showing for each security the number of long or short count differences);
    - Repurchase and reverse repurchase agreements.
        - A securities record or ledger reflecting separately for each security as of the clearance dates all “long” or “short” positions.
- A memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. The memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation thereof; the account for which entered; the time the order was received; the time of entry; the price at which executed; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry; and, to the extent feasible, the

time of execution or cancellation. The memorandum need *not* show the identity of any person, other than the associated person responsible for the account, who may have entered or accepted the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person; in that circumstance, the Firm shall produce upon request by a representative of a securities regulatory authority a separate record which identifies each other person. An order entered pursuant to the exercise of discretionary authority by the Firm, or associated person thereof, shall be so designated.

- A memorandum of each purchase and sale for the account of the Firm showing the price and, to the extent feasible, the time of execution; and, in addition, where the purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing the time of receipt; the terms and conditions of the order and of any modification thereof; the account for which it was entered; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry. The memorandum need *not* show the identity of any person other than the associated person responsible for the account who may have entered the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person: in that circumstance, the Firm shall produce upon request by a representative of a securities regulatory authority a separate record which identifies each other person. An order with a customer other than the Firm entered pursuant to the exercise of discretionary authority by the Firm, or associated person thereof, shall be so designated;
- Copies of confirmations of all purchases and sales of securities, including all repurchase and reverse repurchase agreements, and copies of notices of all other debits and credits for securities, cash and other items for the account of customers and partners of the Firm;
- A record of each cash and margin account with the Firm indicating:
    - the name and address of the beneficial owner of such account, and
    - except with respect to exempt employee benefit plan securities as defined in *Rule 14a-1(d)*, but only to the extent such securities are held by employee benefit plans established by the issuer of the securities, whether or not the beneficial owner of securities registered in the name of the Firm, or a registered clearing agency or its nominee objects to disclosure of his or her identity, address and securities positions to issuers, and
    - in the case of a margin account, the signature of such owner; *Provided*, That, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account
- A record of all puts, calls, spreads, straddles and other options in which the Firm has any direct or indirect interest or has granted or guaranteed, containing, at least, an identification of the security and the number of units involved.
- A record of the proof of money balances of all ledger accounts in the form of trial balances, and a record of the computation of aggregate indebtedness and net capital, as of the trial balance date, pursuant to Rule 15c3-1;
- A questionnaire or application for employment executed by each "associated person" (as defined herein) of the Firm, which questionnaire or application shall be approved in writing by an authorized representative of the Firm and shall contain at least the following information with respect to the associated person:
    - His/her name, address, social security number, and the starting date of his employment or other association with the Firm;
    - The associated person's date of birth;
    - A complete, consecutive statement of all the associated person's business connections for at least the preceding ten years, including whether the employment was part-time or full-time;
    - A record of any denial of membership or registration, and of any disciplinary action taken, or sanction imposed, upon the associated person by any federal or state agency, or by any national

securities exchange or national securities association, including any finding that the associated person was a cause of any disciplinary action or had violated any law;

- A record of any denial, suspension, expulsion or revocation of membership or registration of any firm with which the associated person was associated in any capacity when such action was taken;
- A record of any permanent or temporary injunction entered against the associated person or any firm with which the associated person was associated in any capacity at the time such injunction was entered;
- A record of any arrest or indictment for any felony, or any misdemeanor pertaining to securities, commodities, banking, insurance or real estate (including, but not limited to, acting or being associated with a broker-dealer, investment company, investment adviser, futures sponsor, bank, or savings and loan association), fraud, false statements or omissions, wrongful taking of property or bribery, forgery, counterfeiting or extortion, and the disposition of the foregoing;
- A record of any other name or names by which the associated person has been known or which the associated person has used;

- A record listing every associated person of the Firm which shows, for each associated person, every office of the Firm where the associated person regularly conducts the business of handling funds or securities or effecting any transactions in, or inducing or attempting to induce the purchase or sale of any security for the Firm, and the Central Registration Depository number, if any, and every internal identification number or code assigned to that person by the Firm;
- Records required to be maintained pursuant to *paragraph (d) of Rule 17f-2*;
- Copies of all Forms X-17F-1A filed pursuant to *Rule 17f-1*, all agreements between reporting institutions regarding registration or other aspects of *Rule 17f-1*, and all confirmations or other information received from the Commission as a result of inquiry;
- Records required to be maintained pursuant to *paragraph (e) of Rule 17f-2*;
- The following records regarding any internal broker-dealer system of which such a broker or dealer is the sponsor:
  - A record of the broker's or dealer's customers that have access to an internal broker-dealer system sponsored by such broker or dealer (identifying any affiliations between such customers and the broker or dealer);Daily summaries of trading in the internal broker-dealer system, including:
  - Securities for which transactions have been executed through use of such system; and
  - Transaction volume (separately stated for trading occurring during hours when consolidated trade reporting facilities are and are not in operation) with respect to equity securities, stated in number of trades, number of shares, and total U.S. dollar value; to debt securities, stated in total settlement value in U.S. dollars; and to other securities, stated in number of trades, number of units of securities, and in dollar value, or other appropriate commonly used measure of value of such securities; and
  - Time-sequenced records of each transaction effected through the internal broker-dealer system, including date and time executed, price, size, security traded, counterparty identification information, and method of execution (if internal broker-dealer system allows alternative means or locations for execution, such as routing to another market, matching with limit orders, or executing against the quotations of the broker or dealer sponsoring the system).
- For each account with a natural person as a customer or owner: An account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status (including occupation and whether the customer is an associated person of a the Firm), annual income, net worth (excluding value of primary residence), and the account's investment objectives. In the case of a joint account, the account record must include personal information for each joint owner who is a natural person; however, financial information for the individual joint owners may be combined. The account record shall indicate whether it has been signed by the associated person responsible for the account, if any, and approved or accepted by a principal of the

Firm. For accounts in existence on the effective date of this section, the Firm must obtain this information within three (3) years of the effective date of the section.

- A record indicating that:

  The Firm has furnished to each customer or owner within three (3) years of the effective date of this section, and to each customer or owner who opened an account after the effective date of this section within thirty (30) days of the opening of the account, and thereafter at intervals no greater than thirty-six (36) months, a copy of the account record or an alternate document with all information required by *17a-3 (a)(17)(i)(A)*. The Firm may elect to send this notification with the next statement mailed to the customer or owner after the opening of the account. The Firm may choose to exclude any tax identification number and date of birth from the account record or alternative document furnished to the customer or owner. The Firm shall include with the account record or alternative document provided to each customer or owner an explanation of any terms regarding investment objectives. The account record or alternate document furnished to the customer or owner shall include or be accompanied by prominent statements that the customer or owner should mark any corrections and return the account record or alternate document to the Firm, and that the customer or owner should notify the Firm of any future changes to information contained in the account record; For each account record updated to reflect a change in the name or address of the customer or owner, the Firm furnished a notification of that change to the customer's old address, or to each joint owner, and the associated person, if any, responsible for that account, on or before the 30th day after the date the Firm received notice of the change;

  For each change in the account's investment objectives the Firm has furnished to each customer or owner, and the associated person, if any, responsible for that account a copy of the updated customer account record or alternative document with all information required to be furnished by paragraph (a)(17)(i)(B)(1) of this section, on or before the 30th day after the date the Firm received notice of any change, or, if the account was updated for some reason other than the firm receiving notice of a change, after the date the account record was updated. The Firm may elect to send this notification with the next statement scheduled to be mailed to the customer or owner.

  *Note: For purposes of this paragraph, the neglect, refusal, or inability of a customer or owner to provide or update any account record information required under 17a-3 (a)(17)(i)(A) shall excuse the Firm from obtaining that required information.*

  *Additionally, The account record requirements of this section shall only apply to accounts for which the Firm is, or has within the past 36 months been, required to make a suitability determination under the federal securities laws or under the requirements of a self-regulatory organization of which it is a member. The furnishing requirement in paragraph (a)(17)(i)(B)(1) of this section shall not be applicable to an account for which, within the last 36 months, the Firm has not been required to make a suitability determination under the federal securities laws or under the requirements of a self-regulatory organization of which it is a member. This paragraph (a)(17)(i)(D) does not relieve the Firm from any obligation arising from the rules of a self-regulatory organization of which it is a member regarding the collection of information from a customer or owner.*

- If an account is a discretionary account, a record containing the dated signature of each customer or owner granting the authority and the dated signature of each natural person to whom discretionary authority was granted;
- A record for each account indicating that each customer or owner was furnished with a copy of each written agreement entered into on or after the effective date of this paragraph pertaining to that account and that, if requested by the customer or owner, the customer or owner was furnished with a fully executed copy of each agreement.

- A record:
  - As to each associated person of each written customer complaint received by the Firm concerning that associated person. The record shall include the complainant's name, address, and account number; the date the complaint was received; the name of any other associated

person identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint. Instead of the record, the Firm may maintain a copy of each original complaint in a separate file by the associated person named in the complaint along with a record of the disposition of the complaint;
    - Indicating that each customer of the Firm has been provided with a notice containing the address and telephone number of the department of the Firm to which any complaints as to the account may be directed.
- A record, which need not be separate from the advertisements, sales literature, or communications, documenting that the Firm has complied with, or adopted policies and procedures reasonably designed to establish compliance with, applicable federal requirements and rules of a self-regulatory organization of which the Firm is a member which require that advertisements, sales literature, or any other communications with the public by the Firm or its associated persons be approved by a principal.
    - A record for each office listing, by name or title, each person at that office who, without delay, can explain the types of records the firm maintains at that office and the information contained in those records.
    - A record listing each principal of the Firm who is responsible for establishing policies and procedures that are reasonably designed to monitor compliance with any applicable federal requirements or rules of a self-regulatory organization of which the Firm is a member that require acceptance or approval of a record by a principal.

## 5.02 SEC Rule 17a-4

The requirement for broker-dealers to maintain books and records is detailed in *SEC Rule 17a-4*, which mandates the length of time that a firm's books and records must be preserved. Firms are generally required to keep records between three to six years, and in some cases for the life of the company. Furthermore, SEC Rule 17a-4 also stipulates that certain documents must be kept at convenient and accessible location for a designated period before being moved to a more remote long-term storage.

**Records to be maintained for a minimum of six (6) years, with the first two (2) years in an accessible place:**

- Blotters (or other records of original entry) containing an itemized daily record of all purchases and sales of securities, all receipts and deliveries of securities (including certificate numbers), all receipts and disbursements of cash and all other debits and credits;
- Ledgers (or other records) reflecting all assets and liabilities, income and expense and capital accounts;
- Ledger accounts (or other records) itemizing separately as to each cash and margin account of every customer and of the Firm thereof, all purchases, sales, receipts and deliveries of securities and commodities for such account and all other debits and credits to such account;
- A securities record or ledger reflecting separately for each security as of the clearance dates all "long" or "short" positions;
- A record for each office listing, by name or title, each person at that office who, without delay, can explain the types of records the firm maintains at that office and the information contained in those records; A record listing each principal of the Firm responsible for establishing policies and procedures that are reasonably designed to monitor compliance with any applicable federal requirements or rules of a self- regulatory organization of which the Firm is a member that require acceptance or approval of a record by a principal; and
- Analogous records created pursuant to Rule 17a-3(f).

**Records to be maintained for a minimum of three (3) years, with the first two (2) years in an accessible place:**

- Ledgers (or other records) reflecting the following information:

- securities in transfer;
- dividends and interest received;
- securities borrowed and securities loaned;
- moneys borrowed and moneys loaned (together with a record of the collateral therefor and any substitutions in such collateral);
- securities failed to receive and failed to deliver;
- all long and all short securities record differences arising from the examination, count, verification and comparison pursuant to Rule 17a-5, Rule 17a-12, and Rule 17a-13 (by date of examination, count, verification and comparison showing for each security the number of long or short count differences); and
- repurchase and reverse repurchase agreements;

- A memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. The memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation thereof; the account for which entered; the time the order was received; the time of entry; the price at which executed; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry; and, to the extent feasible, the time of execution or cancellation. The memorandum need *not* show the identity of any person, other than the associated person responsible for the account, who may have entered or accepted the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person; in that circumstance, the Firm shall produce upon request by a representative of a securities regulatory authority a separate record which identifies each other person. An order entered pursuant to the exercise of discretionary authority by the Firm, or associated person thereof, shall be so designated.
- A memorandum of each purchase and sale for the account of the Firm showing the price and, to the extent feasible, the time of execution; and, in addition, where the purchase or sale is with a customer other than a broker or dealer, a memorandum of each order received, showing the time of receipt; the terms and conditions of the order and of any modification thereof; the account for which it was entered; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry. The memorandum need *not* show the identity of any person other than the associated person responsible for the account who may have entered the order if the order is entered into an electronic system that generates the memorandum and if that system is not capable of receiving an entry of the identity of any person other than the responsible associated person: in that circumstance, the Firm shall produce upon request by a representative of a securities regulatory authority a separate record which identifies each other person. An order with a customer other than the Firm entered pursuant to the exercise of discretionary authority by the Firm, or associated person thereof, shall be so designated;
- Copies of confirmations of all purchases and sales of securities, including all repurchase and reverse repurchase agreements, and copies of notices of all other debits and credits for securities, cash and other items for the account of customers and partners of the Firm;
- A record of each cash and margin account with the Firm indicating:
    - the name and address of the beneficial owner of such account, and
    - except with respect to exempt employee benefit plan securities as defined in *Rule 14a- 1(d)*, but only to the extent such securities are held by employee benefit plans established by the issuer of the securities, whether or not the beneficial owner of securities registered in the name of such members, brokers or dealers,

or a registered clearing agency or its nominee objects to disclosure of his or her identity, address and securities positions to issuers, and

- in the case of a margin account, the signature of such owner; *Provided*, That, in the case of a joint account or an account of a corporation, such records are required only in respect of the person or persons authorized to transact business for such account.

- A record of all puts, calls, spreads, straddles and other options in which the Firm has any direct or indirect interest or which the Firm has granted or guaranteed, containing, at least, an identification of the security and the number of units involved.

- The following records regarding any internal broker-dealer system of which the Firm is the sponsor:

    - A record of the broker's or dealer's customers that have access to an internal broker- dealer system sponsored by the Firm (identifying any affiliations between such customers and the broker or dealer);

    - Daily summaries of trading in the internal broker-dealer system, including: (i) Securities for which transactions have been executed through use of such system; and (ii)Transaction volume (separately stated for trading occurring during hours when consolidated trade reporting facilities are and are not in operation):

    - Time-sequenced records of each transaction effected through the internal broker-dealer system, including date and time executed, price, size, security traded, counterparty identification information, and method of execution (if internal broker-dealer system allows alternative means or locations for execution, such as routing to another market, matching with limit orders, or executing against the quotations of the broker or dealer sponsoring the system).

- A Record as to each associated person of each written customer complaint received by the Firm concerning that associated person. The record shall include the complainant's name, address, and account number; the date the complaint was received; the name of any other associated person identified in the complaint; a description of the nature of the complaint; and the disposition of the complaint. Instead of the record, the Firm may maintain a copy of each original complaint in a separate file by the associated person named in the complaint along with a record of the disposition of the complaint. Additionally, any record indicating that each customer of the Firm has been provided with a notice containing the address and telephone number of the department of the Firm to which any complaints as to the account may be directed.

- A record as to each associated person listing each purchase and sale of a security attributable, for compensation purposes, to that associated person. The record shall include the amount of compensation if monetary and a description of the compensation if non-monetary. In lieu of making this record, the Firm may elect to produce the required information promptly upon request of a representative of a securities regulatory authority. Additionally, a record of all agreements pertaining to the relationship between each associated person and the Firm including a summary of each associated person's compensation arrangement or plan with the Firm, including commission and concession schedules and, to the extent that compensation is based on factors other than remuneration per trade, the method by which the compensation is determined.

- A record, which need not be separate from the advertisements, sales literature, or communications, documenting that the Firm has complied with, or adopted policies and procedures reasonably designed to establish compliance with, applicable federal requirements and rules of a self- regulatory organization of which the Firm is a member which require that advertisements, sales literature, or any other communications with the

public by the Firm or its associated persons be approved by a principal.

- All check books, bank statements, cancelled checks and cash reconciliations;
- All bills receivable or payable, paid or unpaid, relating to the business of the Firm, as such;
- Originals of all communications received and copies of all communications sent by the Firm (including inter-office memoranda and communications) relating to his business as such, including all communications which are subject to rules of a self-regulatory organization of which the Firm is a member regarding communications with the public
- All trial balances, computations of aggregate indebtedness and net capital, financial statements, branch office reconciliations, and internal audit working papers, relating to the business of the Firm, as such; All guarantees of accounts and all powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account, and copies of resolutions empowering an agent to act on behalf of a corporation;
    - All written agreements entered into by the Firm relating to his business as such, including agreements with respect to any account;
    - Records which contain the following information in support of amounts included in the report prepared as of the audit date on Form X-17A-5, Part II or Part IIA or Part IIB and in annual audited financial statements required by *Rule 17a-5(d) and Rule 17a-12(b);*
    - The records required to be made pursuant to *Rule 15c3-3(d)(4) & (o);*
    - The records required to be made pursuant to *Rule 15c3-4* and the results of the periodic reviews conducted pursuant to *Rule 15c3-4(d);*
    - All notices relating to an internal broker-dealer system provided to the customers of the broker or dealer that sponsors such internal broker-dealer system, as defined in paragraph 17a-3(a)(16)(ii)(A). Notices, whether written or communicated through the internal broker- dealer trading system or other automated means, shall be preserved under this paragraph (b)(11) if they are provided to all customers with access to an internal broker-dealer system, or to one or more classes of customers.

**Records to be maintained for a period of not less than six (6) years after the closing of any customer's account.**

- Any account records which relate to the terms and conditions with respect to the opening and maintenance of such account.

**Records to be maintained for the life of the enterprise and of any successor enterprise**

- All partnership articles or, in the case of a corporation, all articles of incorporation or charter, minute books and stock certificate books (or, in the case of any other form of legal entity, all records such as articles of organization or formation, and minute books used for a purpose similar to those records required for corporations or partnerships), all Forms BD, all Forms BDW, all amendments to these forms, all licenses or other documentation showing the registration of the Firm with any securities regulatory authority.

**Records to be maintained and preserved in an easily accessible Location**

- A questionnaire or application for employment executed by each "associated person" of the Firm, which shall be approved in writing by an authorized representative of the Firm and maintained at least three years after the associated person's employment and any other connection with the Firm has terminated; Records required to be maintained pursuant to paragraph (d) of Rule 17f-2 until at least three years after the termination of employment or association of those persons required by Rule 17f-2 to be fingerprinted; and;
- Records required to be maintained pursuant to paragraph (e) of Rule 17f-2 for the life of the enterprise;

- Copies of all Forms X-17F-1A filed pursuant to Rule 17f-1, all agreements between reporting institutions regarding registration or other aspects of Rule 17f-1, and all confirmations or other information received from the Commission as a result of inquiry (17a-3 (a)(14)) for three years;
- An account record including the customer's or owner's name, tax identification number, address, telephone number, date of birth, employment status (including occupation and whether the customer is an associated person of the Firm), annual income, net worth (excluding value of primary residence), and the account's investment objectives until at least six years after the earlier of the date the account was closed or the date on which the information was replaced or updated. The account record shall indicate whether it has been signed by the associated person responsible for the account, if any, and approved or accepted by a principal of the Firm. For accounts in existence on the effective date of this section, the Firm must obtain this information within three years of the effective date of the section;
- The Firm has furnished to each customer or owner within three years of the effective date of this section, and to each customer or owner who opened an account after the effective date of this section within thirty days of the opening of the account, and thereafter at intervals no greater than thirty-six months, a copy of the account record or an alternate document with all information required by paragraph (a)(17)(i)(A) of this section. The Firm may elect to send this notification with the next statement mailed to the customer or owner after the opening of the account. The Firm may choose to exclude any tax identification number and date of birth from the account record or alternative document furnished to the customer. The Firm shall include with the account record or alternative document provided to each customer or owner an explanation of any terms regarding investment objectives. The account record or alternate document furnished to the customer shall include that the customer or owner should mark any corrections and return the account record or alternate document to the Firm, and that the customer or owner should notify the Firm of any future changes to information contained in the account record. These records must be maintained until at least six years after the earlier of the date the account was closed or the date on which the information was replaced or updated
- Each report which a securities regulatory authority has requested or required the Firm to make and furnish to it pursuant to an order or settlement, and each securities regulatory authority examination report until three years after the date of the report.
- Each compliance, supervisory, and procedures manual, including any updates, modifications, and revisions to the manual, describing the policies and practices of the Firm with respect to compliance with applicable laws and rules, and supervision of the activities of each natural person associated with the Firm until three years after the termination of the use of the manual.
- All reports produced to review for unusual activity in customer accounts until eighteen months after the date the report was generated. In lieu of maintaining the reports, the Firm may produce promptly the reports upon request by a representative of a securities regulatory authority. If a report was generated in a computer system that has been changed in the most recent eighteen month period in a manner such that the report cannot be reproduced using historical data in the same format as it was originally generated, the report may be produced by using the historical data in the current system, but must be accompanied by a record explaining each system change which affected the reports. If a report is generated in a computer system that has been changed in the most recent eighteen month period in a manner such that the report cannot be reproduced in any format using historical data, the Firm shall promptly produce upon request a record of the parameters that were used to generate the report at the time specified by a representative of a securities regulatory authority, including a record of the frequency with which the reports were generated.

## 5.03 Long-Term and Bulk Storage

In order to meet the demands of limited storage space and continue to adhere to *SEC Rules 17a-3 and 17a-4,* the Firm utilizes electronic storage media to archive information.

The Firm must adhere to *SEC Rule 17a-4(f) and associated FINRA requirements* when using electronic means to store such information.

***Microfiche/film and Optical Storage Media Adoption of WORM Technology***

The Firm must notify its examining authority designated pursuant to Section 17(d) of the Act prior to employing electronic storage media. If employing any electronic storage media other than optical disk technology (including CD-ROM), the Firm must notify its designated examining authority at least 90 days prior to employing such storage media. In either case, the Firm must provide its own representation or one from the storage medium vendor or other third party with appropriate expertise that the selected storage media meets the conditions set forth in this paragraph (f)(2).

**The electronic storage media must:**

- Preserve records exclusively in non-rewriteable, non-erasable format;
- Automatically verify the quality and accuracy of the recording process;
- Serialize the original, if applicable, duplicate units of storage media and time-date for the required period of retention the information placed on such electronic storage media; and
- Maintain the capacity and ability to readily download indexes and records preserved on the electronic storage media to a medium acceptable under *SEC Rule 17a-4(f).*

**If Firm uses micrographic media or electronic storage media, it shall:**

- At all times have available, for examination by the staffs of the Commission and self-regulatory organizations of which the Firm is a member, facilities for immediate, easily readable projection or production of micrographic media or electronic storage media images and for producing easily readable images;
    - Be ready at all times to provide, and immediately provide, any facsimile enlargement which the staffs of the Commission, any self-regulatory organization of which it is a member, or any State securities regulator having jurisdiction over the Firm may request;
    - Store separately from the original, a duplicate copy of the record stored on any medium acceptable under Rule 17a-4 for the time required;
    - Organize and index accurately all information maintained on both original and any duplicate storage media;
- The Firm must have in place an audit system providing for accountability regarding inputting of records required to be maintained and preserved pursuant to Rules 17a-3 and 17a-4 to electronic stage media and inputting of any changes made to every original and duplicate record maintained and preserved thereby;
    - The Firm must maintain, keep current, and provide promptly upon request by the staffs of the Commission or the self-regulatory organization of which the Firm is a member all information necessary to access records and indexes stored on the electronic storage media; or place in escrow and keep current a copy of the physical and logical file format of the electronic storage media, the field format of all different information types written on the electronic storage media and the source code, together with the appropriate documentation and information necessary to access records and indexes;
    - In the event that the Firm is exclusively using electronic storage media for some or all of its record preservation under this section, at least one third party (the undersigned), who has access to and the ability to download information from the Firm's electronic storage media to any acceptable medium under this section, shall file with the designated examining authority for the Firm the required information and/or documentation to such records.

If a person who has been subject to Rule 17a-3 ceases to transact a business in securities directly with others than members of a national securities exchange, or ceases to transact a business in securities through the medium of a member of a national securities exchange, or ceases to be registered pursuant to Section 15 of the Securities Exchange Act of 1934 as amended, such person shall, for the remainder of the periods of time specified in this section, continue to preserve the records which he theretofore preserved pursuant to this section.

For purposes of transactions in municipal securities by municipal securities brokers and municipal securities dealers, compliance with Rule G-9 of the Municipal Securities Rulemaking Board will be deemed to be in compliance with this section.

In the event that such records are prepared or maintained by an outside service bureau, depository, bank which does not operate pursuant to Rule 17a-3(b)(2), or other recordkeeping service on behalf of the Firm, such outside entity shall file with the Commission a written undertaking in form acceptable to the Commission, signed by a duly authorized person, to the effect that such records are the property of the Firm required to maintain and preserve such records and will be surrendered promptly on request of the Firm.

The Firm shall furnish promptly to a representative of the Commission legible, true, complete, and current copies of those records of the Firm that are required to be preserved under this section, or any other records of the Firm that are subject to examination under section 17(b) of the Act.

Records for the most recent two year period required to be made pursuant to Rule 17a-3(g) and paragraphs (b)(4) and (e)(7) of this section which relate to an office shall be maintained at the office to which they relate. If an office is a private residence where only one associated person (or multiple associated persons who reside at that location and are members of the same immediate family) regularly conducts business, and it is not held out to the public as an office nor are funds or securities of any customer of the Firm handled there, the Firm need not maintain records at that office, but the records must be maintained at another location within the same State as the Firm may select. Rather than maintain the records at each office, the Firm may choose to produce the records promptly at the request of a representative of a securities regulatory authority at the office to which they relate or at another location agreed to by the representative.

## 5.04 Cash/Currency Transactions

It is the policy of the Firm to comply with all recording, maintenance, and reporting requirements for cash and currency transactions as specified under the guidelines of the *Bank Secrecy Act* and the *Currency and Foreign Transaction Reporting Act of 1970.*

***Receipt of Cash/Currency***

The Firm does not accept cash and/or currency from customers. Please see the Firm's detailed Actio Plan for receipt of Cash/Currency below.

**Transfer of Funds**

For any transfer of funds over $10,000 in one day, or for wire transfers over $3,000 as specified under the *Currency and Foreign Reporting Act*, the Firm's designated clearing firm will be responsible for completing and filing Currency Transaction Report (CTR) Form 4789 with the Internal Revenue Service.

***Reporting Unusual Cash/Currency Transactions***

The Firm has established certain policies and procedures on the reporting of unusual and/or suspicious activity involving cash and/or currency transactions. In the event that the Firm experiences an excessive number cash or currency transactions which may appear to be suspicious in nature, the Firm and/or the Designated Principals will be responsible for notifying the proper authorities such as the IRS or other appropriate agency for further investigation and review.

## 5.05 Blotters

Pursuant to SEC Rule 17a-3, broker-dealers must create certain blotters. "Blotters," as opposed to "ledgers," refers to *records of original entry* containing a daily account of all transactions, receipts and

deliveries of cash and securities, and all other debits and credits of the Firm and its customers. Each broker-dealer must create and maintain the following blotters. Where reasonable based on the qualifications of the third party, the Firm may rely on reecords produced by a third party such as the accounts' custodian.

**Purchase and Sales Blotter**

The Designated Principals shall create and maintain a Purchase and Sales Blotter that details a daily record of all purchases and sales of securities. The blotter will provide a line item description of each transaction including the following information:

- Trade date
- Account ID
- Name of securities
- Amount of securities
- Aggregate purchase or sales price
- Identification of contra party to the trade

***Note:*** *Under Rule 17a-3(a)(1), a broker-dealer must record all purchases or sales of mutual funds, variable contracts, or direct participation programs.*

**Action Plan for Purchase and Sales Blotter**

The Head of Trading shall review the blotter for all appropriate information, and indications of inappropriate activity, and is responsible for reporting any anomalies or potential issues to the CCO.

**Securities Received and Delivered Blotter**

The Designated Principals shall create and maintain a Securities Received and Delivered Blotter to evidence the receipt of and forwarding/return of securities certificates from a client. Even if the Firm strictly forbids its registered persons from receiving securities certificates the Designated Principals will maintain such a blotter to evidence the receipt and prompt return of the certificate to the sender, which includes the following information:

- Date received
- Account ID/name of person received from
- Name, amount, and certificate number securities (if any)
- Date forwarded
- Person forwarded to
- Method of delivery

**Action Plan for Securities Received and Delivered Blotter**

If the Firm receives a security certificate from one of its customers, the Firm will record all of he required information on the securities received and forwarded blotter. The Head of Trading will be required to monitor that this blotter is maintained and complete. The Designated Principal will review the blotter for indications of inappropriate activity and timely forwarding of securities. The Head of Trading is responsible for reporting any anomalies or potential issues to the CCO.

**Checks Received and Forwarded Blotter**

The Designated Principals shall create and maintain a blotter to evidence the receipt and forwarding or return of checks from clients. The receipt and forward/return of checks shall be evidenced in a blotter that records the following information:

- Check number
- Date received
- Maker of check and name of person received from (if different)
- Payee
- Amount
- Date forwarded
- Person forwarded to
- Method of delivery

**Action Plan for Checks Received and Forwarded Blotter**

If the Firm receives a check from one of its customers, the Firm will record all of the aforementioned required information on the Checks Received and Forwarded Blotter. The FINOP will be required to monitor that this blotter is maintained and complete. The Designated Principal will review the blotter for indications of inappropriate activity and timely forwarding of checks.

Upon the receipt of a check made payable to the Firm, the Designated Principal will return the check to the customer and inform the customer in writing of the Firm's policy to accept only authorized forms of payment such as checks made payable to the appropriate program sponsor (i.e., the mutual fund, insurance company, or direct participation program from which the customer is purchasing the product and/or security), and that the Firm will not accept payment in the form of a check made payable to either the Firm or one of its associated persons.

**Cash Received and Returned Blotter**

It is the policy of the Firm that it not accept the receipt of cash from any customer. As such, the Designated Principals shall create and maintain a blotter that records the receipt and return of cash/currency received by the Firm from its clients. The blotter shall include the following information:

- Date received
- Account ID/name of person received from
- Amount of money/currency
- Date returned
- Name and address of person returned to
- Method of delivery

**Action Plan for Cash Received and Returned Blotter**

**THE FIRM STRICTLY PROHIBITS THE RECEIPT OF CASH FROM ANY CUSTOMER, REGARDLESS OF CIRCUMSTANCES.**

If the Firm receives cash from one of its customers, the individual who received the cash shall immediately notify the Designated Principals who shall count the money in the presence of the person receiving the money to monitor all the money is accounted for.

The Designated Principals will then take possession of the funds and is required to return the money to the the receipt of cash.

The Designated Principals shall record all of the required information in the Cash Received and Returned Blotter and monitor that this blotter is maintained and complete.

The Designated Principals will review the blotter for indications of inappropriate activity and timely returning of cash.

## 5.06 Associated Person Records – SEC Rule 17a – 3(a)(12)

The following records must be created and preserved by the Firm until at least three years after the associated person's employment and any other connection with the Firm has been terminated.

**Employment / Registration Records and Associated Persons List**

For each associated person, excluding persons with "solely clerical or ministerial" functions, broker-dealers are required to make and keep a record of:

- Employment questionnaires / applications signed by the applicant shall be approved by the Firm's Designated Principals, with the minimum information required by SEC Rule 17a- 3(a)(12).
- A record listing every associated person, including for each person the following information:
  - Name,
  - Officers where the person regularly conducts business,
  - All internal identification numbers assigned to such person (if any), **and**
  - CRD number (if any).

In addition, broker-dealers are required to maintain a record of:

- Form U-4s (if applicable)
- All agreements (including verbal agreements) pertaining to the relationship between the firm and the associated person (including a summary of the compensation arrangement, commission/concession schedules, and (if applicable) method of compensation).
- Employment and disciplinary history records.
- Fingerprint records (including persons with "solely clerical or ministerial functions" unless an exemption* under SEC Rule 17f-2 applies) and any information received from the U.S. Attorney General or FBI.

***Note:*** *Firms claiming an exemption must maintain and keep current a "Notice Pursuant to Rule 17f-2" statement as required by SEC Rule 17f-2.*

**Action Plan for Employment/Registration Records and Associated Persons List**

The CCO will maintain the responsibility for monitoring that the Firm creates and maintains the above described associated persons records. The registered representatives in conjunction with the compliance department will also maintain the responsibility for ensuring that all associated persons' Form U-4 are current/accurate and the list of associated persons and corresponding

**Compensation Records**

Under SEC Rule 17a-3(a)(19), broker-dealers must create and maintain a record* as to each associated person listing each purchase and sale of a security attributable to that associated person. The record must include:

- Amount of compensation (if monetary)
- Description and estimate of value of the compensation (if non-monetary)

***Note:*** *In lieu of making this record, the firm may elect to promptly produce the required information upon the request of a securities regulator.*

This requirement applies to all commissions, concessions, overrides, and other compensation to the extent they are earned or accrued for transactions.

***Note:*** *Generally, if an associated person is not directly involved with or compensated based on securities transactions with customers, the broker-dealer would not be required to create the record required pursuant to Rule 17a-3(a)(19)(ii).*

# Financial Reporting 6.00

## 6.01 Designation of FINOP

The Firm has appointed a Financial and Operations Principal (FINOP) pursuant to Rule 1022. Please see the Firms list of Titles and Names.

## 6.02 Responsibilities of FINOP

The designated Financial and Operations Principal (FINOP) with a Series 27 or Series 28 license will maintain the following responsibilities:

**Preparation of Financial Statements**

Monthly preparation of the following financial statements:

- Trial Balance;
- Balance Sheet;
- Income Statement;
- General Ledger;
- Reconciliations to Firm Bank Accounts; and
- Net Capital Computation

**Net Capital and Aggregate Indebtedness Calculation**

The designated FINOP is responsible for the monthly completion of a Net Capital and Aggregate Indebtedness computation as prescribed in *SEC Rule 15c3-1*.

**Reconciliation of proprietary accounts and bank statements**

The designated FINOP is responsible for reconciling the firm's bank statements and proprietary accounts.

**FOCUS Filing Requirements**

The designated FINOP is responsible for ensuring that the FOCUS II or FOCUS IIA, and SIS, Custody and SSOI filings are complete, accurate and on time. FINRA firms that are subject to FOCUS filings are required to file either a FOCUS II or IIA report quarterly and a Schedule 1 report with the December FOCUS filing as well as SIS, Custody and SSOI filings. Additionally, firms with minimum net capital requirement of greater than $100,000 are required to make filings monthly. Any firm whose fiscal year end is on any day other than a quarter calendar month end is required to complete and file the 5th FOCUS filing.

The following is a list of FOCUS filing requirements pursuant to *SEC Rule 17a-5*.

**Monthly and Fifth FOCUS Filings**

- SIS, FOCUS II or IIA SEC *Rule 17a-5(2)(i)*- All broker-dealers subject to SEC Rule 15c3-1 (the net capital rule) with minimum net capital requirements of greater than $100,000;
- 5th FOCUS II or IIA *SEC Rule 17a-5(2)(ii)*- All broker-dealers subject to SEC Rule 15c3-1 (the net

capital rule) whose year-end is anything *other than the calendar quarter*.

**Monthly and Fifth* FOCUS II/IIA Filings**

A Fifth FOCUS report is an additional report that is due from a firm whose fiscal year end is a date other than the calendar quarter. Filings are due no later than 11:59 p.m. ET on the due dates noted below.

* Trade Date is provided for reference purposes only. Positions are to be reported as of settlement date.

** Eastern Time

**Quarterly Filings**

- FOCUS IIA *SEC Rule 17a-5(2)(iii)*- FINRA firms that do not carry or clear customer accounts (fully disclosed);

- FOCUS II SEC *Rule 17a-5(2)(ii)*- FINRA firms that carry and clear customer accounts (clearing firms).

**Calendar Year End Filings**

- Schedule 1 *SEC Rule 17a-5(2)(ii) and (iii)*- FINRA firms subject to *SEC Rule 15c3-1*

  (the net capital rule). This report contains miscellaneous information including: types of clearing arrangements, market making information, employee and branch office counts, etc.

The designated FINOP is responsible for the completion of the FOCUS filing as described above. The FINOP will also print a copy of the completed FOCUS filing and store it pursuant to *SEC Rule 17a-5*. SEC Rule17a-5 requires broker-dealers to file monthly FOCUS Reports (Part II) and quarterly FOCUS Reports (Part II or IIA) within 17 business days after month- or quarter-end. SEC Rule 17a-10 requires firms to file Schedule I with their FOCUS Reports within 17 business days after calendar year-end. FOCUS Reports and Schedule I must be filed electronically with FINRA at https:// regulationformfiling.nasdr.com no later than midnight, Eastern Standard Time (EST), of the due date.

**FOCUS Report Disclosures**

Pursuant to *FINRA NTM 02-05*, FINRA has modified the FOCUS Report to include disclosure, pursuant to Financial Accounting Standards Board Statement 140 (Statement 140), of amounts of inventory pledged, non-cash collateral received in secured financing transactions, and residual interests carried as a result of asset-collateralized securitizations. Beginning with the December 2001 FOCUS Report, firms, who are required to file FOCUS Report, Part II, need to disclose:

- the dollar value of inventory pledged to secure a bank loan, or a security lending or re-purchase transaction, to the extent that the third party receiving the collateral has the right to sell or re-pledge such collateral;

- the market value of securities received as collateral, which were pledged by a counter-party as a result of a securities lending or repurchase arrangement, as well as an offsetting amount representing the obligation to return pledged securities; and

- the fair value of residual interests, over which the firm has retained control, in a special purpose entity (SPE), and an offsetting amount representing contingent obligations to the beneficial owners of interests in the SPE.

**Annual Audit**

The designated FINOP or other authorized principal is responsible for ensuring that a designated certified public accountant (CPA) completes an audit of the Firm's financial statements on an annual basis in accordance with *SEC Rule 17a-5(d)*. Annual audits are due 60 calendar days after the end of a broker-dealer's fiscal year. All reports are due by midnight, Eastern Standard Time (EST). A report is considered filed when received. If the due date of an annual audit falls on a weekend or business holiday, the audit will be accepted up to the next business day following the weekend or holiday.

In accordance with FNIRA Information Notice issued Jan. 8. 2009, non-public broker-dealer firms must have their fiscal year 2009 and subsequent financial statements audited by independent public accounting firm registered with the Public Company Accounting Oversight Board (PCAOB). (Ref. Info. Notice; Effective Jan. 8, 2009)

The Designated Principals shall monitor the following procedures are conducted and properly supervised in accordance with *SEC Rule 17a-5(d)*.

**Requests for Extension of Time**

When or if the Firm is unable to meet the filing deadline for any of the reports mentioned above due to exceptional circumstances it may request an extension of time pursuant to Schedule A of FINRA's By-Laws by writing the appropriate District Office of FINRA. The request for an extension of time must be received no later than three (3) business days before the filing deadline.

## 6.03 Early Warning Notification (SEC Rule 17a-11)

The designated FINOP is responsible for ensuring compliance with the early warning provisions of *SEC Rule 17a-11*. *SEC Rule 17a-11* is designed to give regulatory agencies an early warning of pending financial, books and records, and operational problems of broker-dealers.

**Telegraphic Notification**

This rule requires all firms to give immediate "telegraphic" notice to the SEC Principal Office located in Washington D.C., the appropriate regional SEC office, and the appropriate designated examining authority (FINRA firms contact the appropriate district office) at any time a firm is notified or becomes aware of the following circumstances:

- The firm's net capital falls below the minimum capital requirements;
- The firm's aggregate indebtedness exceeds 1500% of its net capital (800% for firms that are members of a designated examining authority for less than a year);
- The firm's net capital is less than 2% of its aggregate debits as computed in its *SEC Rule 15c3-3* Reserve Formula calculation;
- The firm's debt-to-equity ratio exceeds 70%.

**Prompt Written Notification**

The rule also requires all firms to file prompt written notification under the following circumstances:

- The firm's aggregate indebtedness (AI) exceeds 1200% of its net capital;
- The firm's net capital is less than 120% of its minimum required net capital;
- The firm's net capital under the alternative method is less than 5% of its aggregate debit items on the *Rule 15c3-3* Reserve Formula Calculation.

**Telegraphic and Written Notification**

Firms are required to give "telegraphic" notice AND written notification under the following conditions:

- The firm becomes aware that it has failed to make and maintain the appropriate books and records specified under *SEC Rule 17a-3*. Telegraphic notice must be made immediately and written notice with an explanation of the corrective actions taken must be filed within 48 hours;

- The firm is notified by an independent certified public accountant or becomes aware of the existence of material inadequacies in its accounting system, internal control, or procedures for safeguarding customer funds or securities. Telegraphic notice must be made within 24 hours and written notice with an explanation of the corrective actions taken must be filed within 48 hours.

The FINOP will maintain the responsibility for accurately preparing the previously mentioned documents and financial statements. Additionally, the FINOP is required to initial each document in order to memorialize supervisory review and approval. All books and records documentation will be maintained and preserved in an easily assessable location.

## 6.04 Cash/Currency Transactions

S*EC Rule 17A-8* requires broker-dealer firms to file reports, draft and preserve records and adopt certain regulations pursuant to the *Currency Act*. The FINOP or other designated and authorized person(s) will have the responsibility of reporting multiple same day transactions in currency by or on behalf of any person that total more than $10,000.00.

## 6.05 Classification of Certain Equity as Liabilities (Statement 150)

To account for certain financial instruments with characteristics of both liabilities and equity, the Financial Accounting Standards Board (FASB) released Statement 150 to monitor that entities recognize as liabilities certain contractual obligations to transfer cash, other assets, or equity interests to other parties. One of the primary requirements of the Statement is the reclassification of mandatorily redeemable financial instruments, generally defined as ownership interests in the issuing entity with mandatory redemption features, as liabilities.

The FASB concluded that if an entity issues a financial instrument that requires, or may require, the issuing entity to transfer cash, assets, and/or shares of its stock to the holder of the instrument, and if the value or amount of the assets or shares are fixed upon the issuance of the instrument, or based on an index whose value is determined independently of, or inversely to, the successful operations of the entity, that entity must classify the instrument as a liability.

As such, Statement 150 requires that financial instruments that are mandatorily redeemable and issued in the form of shares or other ownership interests be classified as liabilities. Ownership interests are considered mandatorily redeemable if they require the issuer to redeem the instrument by transferring its cash, assets, or other equity interests to the holder at a specified or determinable date (or dates), or upon an event certain to occur. However, ownership interests that are redeemable only upon the liquidation or termination of the issuing entity continue to be classified as equity.

Because Statement 150 applies to entities that are required to file financial statements with the SEC, non-public broker-dealers are subject to Statement 150 (including the provisions regarding the reclassification of mandatorily redeemable financial instruments as liabilities) beginning with the commencement of the first fiscal year starting after December 15, 2003.

**Temporary Relief for Non-Public Broker-dealers**

Pursuant to a No-Action Letter by the SIA in January 2004, temporary relief may be granted to a broker-dealer that is a non-public entity, in calculating net capital under Rule 15c3-1, by permitting the addition to its regulatory net worth the carrying value of mandatorily redeemable financial instruments that Statement 150 excludes from the firm's GAAP equity.

The No-Action Letter states that "the limitations on withdrawal of equity capital contained in paragraph

(e) of Rule 15c3-1 still would apply." In addition, "the amount added back to net worth also could be treated as equity in determining a broker-dealer's compliance with the debt to debt-equity total in paragraph (d) of Rule 15c3-1, provided it otherwise meets requirements of that paragraph." Further, this relief "would not affect the treatment of properly subordinated debt under Appendix D to Rule 15c3-1."

The relief provided by the No-Action Letter is temporary and is available only during the first fiscal year beginning after December 15, 2003. With the commencement of the fiscal year beginning after December 15, 2004, the effects of any reclassification of mandatorily redeemable financial instruments will flow through, without adjustment, to the computation of net capital. Therefore, the No-Action Letter gives non-public broker-dealers twelve months to revise the elements of their underlying capitalization that result in an unavoidable redemption obligation.

## 6.06 Mandatory Electronic Filing Requirement

The SEC has approved the adoption of FINRA Rule 3170 (Mandatory Electronic Filing Requirements), which gives FINRA the authority to require firms to file or submit electronically any regulatory notice or other document that a firm is required to file with (or otherwise submit to) FINRA.

Starting January 1, 2007, FINRA requires firms to file electronically certain notices required to be filed under the Exchange Act via an electronic, Internet -based receiving and processing system, using templates developed by FINRA for each notice. FINRA firms can access the templates for these regulatory notices on FINRA's Web site. All firms that file FOCUS reports will have access to the System, which will be available to firms on FINRA's Web site as part of FINRA's infrastructure for Web-based regulatory form filing. (Ref. NTM 06-61; Effective Dec. 6, 2006).

## 6.07 Principal Financial Officer and Principal Operations Officer

The Firm shall designate a:
(i) Principal Financial Officer with primary responsibility for financial filings and those books and records related to such filings; and
(ii) Principal Operations Officer with primary responsibility for the day-to-day operations of the Firm's business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and member assets, calculation and collection of margin from customers and processing dividend receivables and payables and reorganization redemptions and those books and records related to such activities.

If the Firm self-clears, or clears for other member firms, it shall be required to designate separate persons to function as Principal Financial Officer and Principal Operations Officer. Such persons may also carry out the other responsibilities of a Financial and Operations Principal and an Introducing Broker-Dealer Financial and Operations Principal as specified in paragraph (a)(4)(A) of this Rule. If such member is limited in size and resources, it may, pursuant to the Rule 9600 Series, request a waiver of the requirement to designate separate persons to function as Principal Financial Officer and Principal Operations Officer.

As an introducing broker-dealerm the Firm may designate the same person to function as Financial and Operations Principal (or Introducing Broker-Dealer Financial and Operations Principal), Principal Financial Officer and Principal Operations Officer.

Each person designated as a Principal Financial Officer or Principal Operations Officer, shall be required to register as a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal pursuant to paragraph (a)(4)(A) of Rule 1220.

Part-Time/Offsite FINOP Duties and Responsibilities:

- Final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body;

- Final preparation of such reports;
- Supervision of individuals who assist in the preparation of such reports;
- Supervision of and responsibility for individuals who are involved in the actual maintenance of the firm's books and records from which such reports are derived;
- Supervision and/or performance of the firm's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Securities Exchange Act of 1934 (Exchange Act);
- Overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the firm's back office operations; and
- Any other matter involving the financial and operational management of the firm.

FINRA has advised firms that all FINOPs are fully responsible for the above-mentioned duties and that FINOPs are not relieved of these responsibilities because they are employed off-site, work only part-time or hold multiple registrations with different firms. FINRA also advised firms employing a part-time FINOP to establish procedures that describe the FINOP's duties, thoroughly outline the part-time FINOP's responsibilities so that the firm will properly and timely maintain its financial books and records, and make sure that the part-time FINOP understands and remains current with the federal and state laws and regulations and self-regulatory organization (SRO) rules relating to financial and operational responsibility.

**Onsite Visits**

Registered FINOPs working part-time, off-site or holding multiple registrations should conduct a minimum number of on-site firm visits each calendar year to review the firm's books and records; that minimum number should be set by the FINOP in consultation with the firm. Some or all of these visits should be on a surprise basis. Additionally, as most firms utilizing the services of a part-time, off-site or multiply registered FINOP file quarterly FOCUS reports, the FINOP should consider making the visits in off-reporting months to monitor compliance with the SEC's Net Capital Rule (Net Capital Rule).

**Access to Financial Books and Records**

A firm using a part-time, off-site or multiple registered FINOP should provide that person complete access to all of the firm's books and records. A firm may not provide less access to a part-time, off-site or multiply registered FINOP than it would to a full-time, on-site FINOP.

**Ongoing Capabilities Assessments**

As a firm using a part-time, off-site or multiply registered FINOP, the Firm should conduct ongoing assessments of its FINOP's ability to perform his or her duties. Factors a firm may need to take into consideration include whether the FINOP has adequate resources to perform all of the required duties (*e.g.,* financial software, access to applicable current federal laws and regulations, and SRO rules, or ability to meet continuing education requirements), whether a FINOP has any other duties that may make it difficult to perform all of the required duties or whether changes to a firm, such as significant growth in the firm's financial and business operations, would make it difficult for anyone other than a full-time, on-site FINOP to perform the required duties.

## 6.08 Withdrawal of Equity Capital

The FINOP shall be responsible for the implementation and maintenance of the procedures in this section. The tasks necessary to fulfill these procedures may be delegated to other associated persons of the Firm under the direct supervision of the FINOP. Notwithstanding the above, the FINOP shall retain the ultimate responsibility to monitor the adherence to these procedures.

*"Equity Capital"*
*Capital includes capital contributions by partners, par or stated value of capital stock, paid-in capital in excess of par, retained earnings or other capital accounts. The term equity capital does not include securities in the securities accounts of partners and balances in limited partners' capital accounts in excess of their stated capital contributions.*

*"Loan of Capital"*
*Any transaction between a broker or dealer and a stockholder, partner, sole proprietor, employee or affiliate that results in a diminution of the broker or dealer's net capital shall be deemed to be an advance or loan of net capital.*

**SUPERVISION**

1) ***All Withdrawals of Equity Capital Must be Approved in Writing by the Financial & Operations Principal***
   At least two (2) business days PRIOR to any proposed withdrawal of capital the FINOP must be notified in writing of the following information:
   - The proposed amount of the withdrawal
   - The proposed date of the withdrawal
   - The entity or person to which the withdrawal will be disbursed
   - The purpose of the proposed withdrawal

2) ***The FINOP will evaluate the proposed withdrawal and document this evaluation***
   The FINOP will conduct an evaluation of the proposed withdrawal that will include the following calculations and criteria:
   - The percent decrease in Excess Net Capital ("ENC") which will result from the withdrawal
   - If capital has been contributed to the firm within the past rolling 12 months
   - The amount of profits earned by the firms since the last contribution of capital
   - The total amount of prior withdrawal since the last contribution of capital
   - The total amount of prior withdrawal in the last 30 calendar days
   - The total amount of prior withdrawal in the last 35 calendar days

3) ***The FINOP will determine if the applicable rules prohibit, require a notification, or limit any proposed withdrawal***
   Based on the calculations and evaluations above, the FINOP will determine if any of the following criteria are met by the proposed withdrawal and if the prohibition, notification or limitation on the proposed withdrawal applies.

   Prohibitions
   The proposed withdrawal will be prohibited if the withdrawal will cause:
   - Net capital to drop below 120% of the firm's required minimum net capital
   - Net capital to drop below 25% the total of all haircuts and undue concentration
   - Debt to Debt/Equity ratio increases to over 70%
   - Aggregate Indebtedness / Net Capital ratio increases to over 1000%

   In addition to the above, if the firm is a clearing or carrying broker-dealer:
   - Net capital to drop below 150% of the firm's required minimum net capital

   Notifications
   The proposed withdrawal will require the following notification when one or more of the following criteria are met:
   Notice to FINRA two (2) business days prior to withdrawal if:
   - Excess Net Capital will decrease by 30% or more in the prior 30 calendar day period

   Notice to FINRA within two (2) business days after withdrawal if:

- Excess Net Capital will decrease by 20% or more in the prior 30 calendar day period

If the firm is a clearing or carrying broker-dealer the following applies: Notice to FINRA and receipt of written approval from FINRA if:

Limitations

Based on the calculations and evaluations above, the FINOP will notify the Principal requesting the withdrawal of capital if any of the following limitations apply to the proposed withdrawal of capital.

- All or part of the proposed withdrawal consists of capital contributed less than 12 months prior to the proposed withdrawal date
- All or part of the proposed withdrawal exceeds "profits earned" by the firm
- All or part of the proposed withdrawal exceeds the $500,000 exemption for proposed withdrawals in Rule 15c3-1(e)

All limitations on the proposed withdrawal will be communicated in writing to the Principal requesting the withdrawal.

***4) Exemptions and Exclusions***

Notification Exception

The notification requirements based on if Excess Net Capital will decrease by 20% or 30% in the prior 30 day calendar period do not apply if the total of all withdrawals does not exceed $500,000 in any rolling 30 day period.

Tax Payments

This section shall not preclude a broker or dealer from making required tax payments.

Payments to Partners

This section shall not preclude the payment to partners of reasonable compensation.

***5) The FINOP will document the evaluation and calculations made pertaining to this section***

In conducting the evaluation of the proposed withdrawal of equity capital, the FINOP will prepare a schedule of the net capital and excess net capital after the proposed withdrawal along with the other criteria and limitations set forth in the rules referenced in this section.

# Communications with the Public 7.00

**Introduction**

In accordance with FINRA rules governing communications with the public, broker-dealer firms are required to employ both general and specific standards of compliance when engaging in communications with the public. The following is an overview of some of the internal policies and procedures as they specifically apply to *Rule 2210*, *2211* and various interpretative materials including definitions, explanations, and overall standards for conducting communications with the public.

The Firm recognizes that FINRA's definitions regarding various type of communications were updated and simplified, and that FINRA is currently considering additional amendment and/or changes to the communications rules. For these reasons, and importantly because the Firm believes that its existing procedures meet or exceed the current requirements for review, approval, retention, and content standards, the Firm has elected not to change the terminology in its WSP until further rule guidance from FINRA.

## 7.01 Key Definitions

The following definitions apply to communications with the Firm's customers:

(1) "Communications" consist of correspondence, retail communications and institutional communications.
(2) "Correspondence" means any written (including electronic) communication that is distributed or made available to 25 or fewer retail investors within any 30 calendar-day period.
(3) "Institutional communication" means any written (including electronic) communication that is distributed or made available only to institutional investors, but does not include a member's internal communications.
(4) "Institutional investor" means any:

(A) person described in Rule 4512(c), regardless of whether the person has an account with a member;

(B) governmental entity or subdivision thereof;
(C) employee benefit plan, or multiple employee benefit plans offered to employees of the same employer, that meet the requirements of Section 403(b) or Section 457 of the Internal Revenue Code and in the aggregate have at least 100 participants, but does not include any participant of such plans;
(D) qualified plan, as defined in Section 3(a)(12)(C) of the Exchange Act, or multiple qualified plans offered to employees of the same employer, that in the aggregate have at least 100 participants, but does not include any participant of such plans;
(E) member or registered person of such a member; and
(F) person acting solely on behalf of any such institutional investor.
No member may treat a communication as having been distributed to an institutional investor if the member has reason to believe that the communication or any excerpt thereof will be forwarded or made available to any retail investor.

(5) "Retail communication" means any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period.

(6) "Retail investor" means any person other than an institutional investor, regardless of whether the person has an account with a member.

(7) "Covered investment fund research report" has the meaning given that term in paragraph (c)(3) of Securities Act Rule 139b.

## 7.02 Content Standards

**Standards Applicable to All Communications with the Public**

- Communications must be based on principles of fair dealing and good faith, be fair and balanced, provide a sound basis for evaluating the facts, and must not omit any material fact if the omission would make the communication misleading.
- Communications may not contain false or misleading statements or any statement that a firm knows to be untrue.
- Communications may not contain exaggerated or unwarranted claims, opinions or forecasts. Words like “massive,” “huge,” and “unlimited” should not be used. Words like “potential” or “possible” are more limited.
- Information may be contained in footnotes or legends within the communication so long as they do not inhibit an investor’s understanding. Be mindful of font size and consider cross references if footnotes are endnotes, appearing at the end of the material. FINRA Staff’s view is that each communication must stand on its own. Thus, for example, cross references to risk factors in another document are inadequate.
- Communications must be clear and not misleading within the context in which they are made, and must provide balanced treatment of risks and potential benefits. They must also be consistent with the risks of fluctuating prices and the uncertainty of various factors.
- Firms must consider the nature of the audience to which the communication will be directed and provide appropriate details and explanations.
- Communications must not predict or project performance; exceptions to this rule include hypothetical illustrations of mathematical principles, investment analysis tools or written reports produced by them, and a price target contained in a research report on debt or equity securities, in each case subject to certain conditions.
- If using third-party-provided information, the source must be cited.
- No clarifications are provided regarding the difference between forecasts, which are permitted if the reasonable basis therefor is set forth, and projections.
- Informally, FINRA Staff has advised that it regards permitted forecasts as limited to predictable economic factors, such as changes in interest rates.
- If any testimonial in a communication with the public concerns a technical aspect of investing, the person making the testimonial must have the knowledge and experience to form a valid opinion.

FINRA Rule 2210(d)(2),(3): Disclosure of Member’s Name

All retail communications (other than “blind” advertisements used to recruit personnel) and correspondence must:

- Prominently disclose the Firm’s name (or the name under which the Firm’s broker-dealer business primarily is conducted, as disclosed on the Firm's Form BD);
- Reflect any relationship between the Firm and any non-member or individual who is also named; and
- If it includes other names, reflect which products or services are being offered by the Firm.

FINRA Rule 2210(d)(4): Tax Considerations

- Tax discussions in retail communications and correspondence:
  - References to tax-free / exempt income must indicate which income taxes apply, or which do not;
- Tax considerations for all communications, including institutional communications:
  - Communications must not characterize income or investment return as tax-free or exempt when liability is merely postponed or deferred, such as when taxes are payable upon redemption;
  - A comparative illustration of the mathematical principles of tax-deferred versus taxable

compounding must meet seven specified criteria.

FINRA Rule 2210(d)(7): Recommendations – Retail Communications

- If a communication includes a recommendation of securities, it must have a reasonable basis and disclose:
  - Whether the firm is making a market in the recommended security, or if the Firm or associated person will sell or buy the security on a principal basis;
  - If the Firm or any associated person that is directly and materially involved in the preparation of the content of the communication has a financial interest in the securities of the issuer;
  - If the Firm was a manager or co-manager of a public offering of any securities of an issuer whose securities were recommended within the past 12 months.
- A member must provide, or offer to furnish upon request, available investment information supporting the recommendation (including, for corporate securities, the price at the time the recommendation is made).
- A communication may not refer to past specific recommendations of the Firm that were or would have been profitable; however, it may set out or offer to furnish a list of all recommendations as to the same type of securities made by the Firm within the past year if the communication meets certain conditions, including the condition that the communication contain a specified, prominently displayed, cautionary legend.

**Standards Applicable to Retail Communications**

- Advertisements or sales literature providing any testimonial concerning the investment advice or investment performance of a firm or its products must prominently disclose the following:
  - The fact that the testimonial may not be representative of the experience of other clients.
  - The fact that the testimonial is no guarantee of future performance or success.
  - If more than a nominal sum is paid, the fact that it is a paid testimonial
- Any comparison in advertisements or sales literature between investments or services must disclose all material differences between them, including (as applicable) investment objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, and tax features.
- All advertisements and sales literature must:
  - prominently disclose the name of the firm and may also include a fictional name by which the firm is commonly recognized or which is required by any state or jurisdiction;
  - reflect any relationship between the firm and any non-firm or individual who is also named; and
  - if it includes other names, reflect which products or services are being offered by the firm.

  *Note: This section does not apply to so-called "blind" advertisements used to recruit personnel.*

**Violation of Other Rules**

Any violation by a firm of any rule of the SEC, the Securities Investor Protection Corporation or the Municipal Securities Rulemaking Board applicable to firm communications with the public will be deemed a violation of this Rule 2210.

**Standards Applicable to Investment Analysis Tools**

Pursuant to IM-2210-6, a Firm may offer an investment analysis tool (whether customers use the Firm's investment analysis tool independently or with assistance from the Firm), written reports indicating the results generated by such tool and related sales material only if the Firm:

- Describes the criteria and methodology used, including the investment analysis tool's limitations

and key assumptions.
- Explains that results may vary with each use and over time.
- Describes, if applicable, the universe of investments considered in the analysis; explains how the tool determines which securities to select; discloses if the tool favors certain securities and, if so, explains the reason for the selectivity; and states that other investments not considered may have characteristics similar or superior to those being analyzed.
- Displays the following additional disclosure: "IMPORTANT: The projections or other information generated by [name of investment analysis tool] regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results."

These disclosures must be clear and prominent and must be in written (electronic or hard copy) narrative form. In addition, a Firm that offers or intends to offer an investment analysis tool, written report, or related sales material under IM-2210-6 must, *within 10 days of first use*, (1) provide the Advertising Department access to the investment analysis tool and (2) file with the Advertising Department any template for written reports produced by, and sales material concerning, the tool. After the Advertising Department has reviewed the investment analysis tool, written-report template or sales material, the Firm must notify the Advertising Department and provide additional access to the tool and re-file any template and sales material if the firm makes a *material change* to the presentation of information or disclosures. (NTM 04-86; Effective Feb. 14, 2005).

## 7.03 Guidelines for Avoiding Misleading Communications with the Public

The Firm is responsible for determining whether any communication with the public, including material that has been filed with FINRA, complies with all applicable standards, including the requirement that the communication not be misleading. In order to meet this responsibility, firm communications with the public must conform to the following guidelines. These guidelines do not represent an exclusive list of considerations that a firm must make in determining whether a communication with the public complies with all applicable standards.

- Firms must monitor that statements are not misleading within the context in which they are made. A statement made in one context may be misleading even though such a statement could be appropriate in another context. An essential test in this regard is the balanced treatment of risks and potential benefits. Firm communications should be consistent with the risks of fluctuating prices and the uncertainty of dividends, rates of return and yield inherent to investments.
- Firms must consider the nature of the audience to which the communication will be directed. Different levels of explanation or detail may be necessary depending on the audience to which a communication is directed. Firms must keep in mind that it is not always possible to restrict the audience that may have access to a particular communication with the public. Additional information or a different presentation of information may be required depending upon the medium used for a particular communication and the possibility that the communication will reach a larger or different audience than the one initially targeted.
- Firm communications must be clear. A statement made in an unclear manner can cause a misunderstanding. A complex or overly technical explanation may be more confusing than too little information.
- In communications with the public, income or investment returns may not be characterized as tax-free or exempt from income tax when tax liability is merely postponed or deferred, such as when taxes are payable upon redemption.
- In advertisements and sales literature, references to tax-free or tax-exempt income must indicate which income taxes apply, or which do not, unless income is free from all applicable taxes. For example, if income from an investment company investing in municipal bonds is subject to state or local income taxes, this fact must be stated, or the illustration must otherwise make it clear that income is free only from federal income tax.
- Recommendations

- In making a recommendation in advertisements and sales literature, whether or not labeled as such, a firm must have a reasonable basis for the recommendation and must disclose any of the following situations which are applicable:

  that at the time the advertisement or sales literature was published, the firm was making a market in the securities being recommended, or in the underlying security if the recommended security is an option or security future, or that the firm or associated persons will sell to or buy from customers on a principal basis;

  that the firm and/or its officers or partners have a financial interest in any of the securities of the issuer whose securities are recommended, and the nature of the financial interest (including, without limitation, whether it consists of any option, right, warrant, future, long or short position), unless the extent of the financial interest is nominal;

  that the firm was manager or co-manager of a public offering of any securities of the recommended issuer within the past 12 months.
- The firm shall also provide, or offer to furnish upon request, available investment information supporting the recommendation. Recommendations on behalf of corporate equities must provide the price at the time the recommendation is made.
- A firm may use material referring to past recommendations if it sets forth all recommendations as to the same type, kind, grade or classification of securities made by a firm within the last year. Longer periods of years may be covered if they are consecutive and include the most recent year. Such material must also name each security recommended and give the date and nature of each recommendation (e.g., whether to buy or sell), the price at the time of the recommendation, the price at which or the price range within which the recommendation was to be acted upon, and indicate the general market conditions during the period covered.
- Also permitted is material that does not make any specific recommendation but which offers to furnish a list of all recommendations made by a firm within the past year or over longer periods of consecutive years, including the most recent year, if this list contains all the information specified in subparagraph (C). Neither the list of recommendations, nor material offering such list, shall imply comparable future performance. Reference to the results of a previous specific recommendation, including such a reference in a follow-up research report or market letter, is prohibited if the intent or the effect is to show the success of a past recommendation, unless all of the foregoing requirements with respect to past recommendations are met.

## 7.04 Filing Requirements and Review Procedures

**General Filing Requirements (First-Time Filers)**

Each broker-dealer that has not previously filed advertisements with the Department (or with a registered securities exchange having standards comparable to those contained in this Rule) must file its initial advertisement with the Department at least 10 business days prior to use and shall continue to file its advertisements at least 10 business days prior to use for a period of one year.

Notwithstanding the foregoing provisions, the Department, upon review of a firm's advertising and/or sales literature, and after determining that the firm has departed from the standards of this Rule, may require that such firm file all advertising and/or sales literature, or the portion of such firm's material that is related to any specific types or classes of securities or services, with the Department, at least 10 business days prior to use. The Department will notify the firm in writing of the types of material to be filed and the length of time such requirement is to be in effect. Any filing requirement imposed under this paragraph will take effect 30 calendar days after the firm receives the written notice, during which time the firm may appeal pursuant to the hearing and appeal procedures of the Code of Procedure contained in the Rule 9510 Series.

**Product-Specific Filing Requirements (10 Days Prior to First Use)**

At least 10 business days prior to first use or publication (or such shorter period as the Department may allow), the Firm shall file the following communications with the Department and withhold them from publication or circulation until any changes specified by the Department have been made:

Advertisements and sales literature concerning registered investment companies (including mutual funds, variable contracts, continuously offered closed-end funds and unit investment trusts) that include or incorporate performance rankings or performance comparisons of the investment company with other investment companies when the ranking or comparison category is not generally published or is the creation, either directly or indirectly, of the investment company, its underwriter or an affiliate. Such filings must include a copy of the data on which the ranking or comparison is based.

- Advertisements concerning collateralized mortgage obligations.
- Advertisements concerning security futures.

**Product-Specific Filing Requirements (Within 10 Days of First Use)**

Within 10 business days of first use or publication, the Firm must file the following advertisements and sales literature with the FINRA Advertising Department (when applicable):

- Advertisements and sales literature concerning registered investment companies (including mutual funds, variable contracts, continuously offered closed-end funds, and unit investment trusts) not included within the requirements of paragraph (c)(3) of the Rule. The filing of any advertisement or sales literature that includes or incorporates a performance ranking or performance comparison of the investment company with other investment companies must include a copy of the ranking or comparison used in the advertisement or sales literature;
- Advertisements and sales literature concerning public direct participation programs (FINRA Rule 2310);
- Advertisements concerning government securities (as defined in Section 3(a)(42) of the Act).

**Date of First Use and Approval**

With each filing, the Firm shall provide the actual or anticipated date of first use, the name and title of the registered principal who approved the advertisement or sales literature and the date the approval was given.

**Television and Video Advertisements**

If the Firm has filed a draft version or "story board" of a television or video advertisement pursuant to a filing requirement, then it also must file the final filmed version within 10 business days of first use or broadcast.

**Press Releases**

Rule 2210(c)(8)(G) excludes from the filing requirements press releases that are made available only to members of the media.

**Legends and Footnotes**

Rule 2210(d)(1)(C) provides that information may be placed in a legend or footnote only when such placement would not inhibit an investor's understanding of the communication. Thus, for example, footnotes in especially small type in an advertisement might be deemed to inhibit an investor's understanding of the advertisement. Similarly, an advertisement that presents bold claims that are supposedly "balanced" only with footnote disclosure might not comply with this content standard.

**Use and Disclosure of a Firm's Name**

New Rule 2210(d)(2)(C) simplifies the current provisions concerning disclosure of firm names by deleting many of the current specific provisions governing the use of firm names. In addition, Rules 2210(d)(2)(C) and 2211(d)(2) make clear that the requirement to disclose the firm's name applies to advertisements, sales literature, correspondence, business cards, and letterhead. FINRA does not intend to modify the substance of the current standards in Rule 2210(f) with regard to use and disclosure of firm names, However, firms' use of names that meet the current standards of Rule 2210(f) will also be deemed to be in compliance with Rules 2210(d)(2)(C) and 2211(d)(2).

**Limitations on Use of FINRA's Name**

Broker-dealers may indicate FINRA membership in conformity with Article XV, Section 2 of the FINRA By-Laws in the following ways:

- in any communication with the public, provided that the communication complies with the applicable standards of Rule 2210 and neither states nor implies that FINRA or any other regulatory organization endorses, indemnifies, or guarantees the firm's business practices, selling methods, the class or type of securities offered, or any specific security;
- in a confirmation statement for an over-the-counter transaction that states: "This transaction has been executed in conformity with the FINRA Uniform Practice Code."

Upon request to FINRA, a firm will be entitled to receive an appropriate certification of membership, which may be displayed in the principal office or a registered branch office of the firm. The certification shall remain the property of FINRA and must be returned by the firm upon request of the FINRA Board or its Chief Executive Officer.

**FINRA Web Site References ("Hyperlink Requirement")**

On July 30, 2007, NASD changed its name to FINRA and changed its Internet domain from www.nasd.com to www.finra.org. On September 17, 2007, FINRA submitted proposed rule change SR-FINRA-2007-14 to amend IM-2210-4 to reflect the new corporate identity.

The amendments to IM-2210-4 replace references to NASD with FINRA. Thus, firms, or persons associated with a firm, that refer to their FINRA membership on a Web site must provide a hyperlink to www.finra.org, instead of www.nasd.com.

As previously referenced in Notice to Members 07-02, firms are not required to refer to their FINRA membership on their Web sites. The hyperlink requirement applies only to the extent that a firm or a person associated with a firm chooses to represent on a Web site that the firm is a member of FINRA.

A hyperlink to www.finra.org must be located in close proximity to any reference reasonably designed to draw the public's attention to FINRA membership. Since only one hyperlink to www.finra.org is required, firms have the flexibility to place the hyperlink in close proximity to any FINRA reference, as long as it is reasonably designed to draw the public's attention to FINRA membership. Firms should note that IM-2210-4 also applies to a Web site relating to a firm's investment banking or securities business that is maintained by or on behalf of any person associated with the firm.

**Use of FINRA-Owned Corporate Names**

The amendments to IM-2210-4 also limit the use of any other corporate name owned by FINRA, including NASD, the Trade Reporting and Compliance Engine (TRACE) and the Alternative Display Facility (ADF).Firms can neither state nor imply in any communications with the public that FINRA (or any other corporate name or facility owned by FINRA) endorses, indemnifies or guarantees the firm's business practices, selling methods, the class or type of securities offered, or any specific security. (Ref. Regulatory Notice 7-47 Effective Date Nov. 17, 2007).

**FINRA Advertising Regulation Spot-Checks**

All FINRA broker-dealer firms are subject to a spot-check of their advertising and/or sales literature by the FINRA Advertising Regulation Department. Upon notification of a spot-check, the notified firm should submit all requested documentation to the FINRA Advertising Regulation Department within the specified time period. Any information submitted as a result of a previous spot-check will not be requested or required for filing. Certain exemptions may apply for firms that are subject to spot-checks by other registered securities exchanges or self-regulatory organizations that use similar procedures to those of FINRA.

**Filing/Spot-Check Exemptions**

The following is a brief list of some of the exemptions from advertising requirements and spot-check procedures according to *FINRA Rule 2210(c)(6)*:

The following types of material are excluded from the filing requirements and the foregoing spot-check procedures:

- Advertisements and sales literature that previously have been filed and that are to be used without material change;
- Advertisements and sales literature solely related to recruitment or changes in a firm's name, personnel, electronic or postal address, ownership, offices, business structure, officers or partners, telephone or teletype numbers, or concerning a merger with, or acquisition by, another firm;
- Advertisements and sales literature that do no more than identify the Nasdaq or a national securities exchange symbol of the firm or identify a security for which the firm is a Nasdaq registered market maker;
- Advertisements and sales literature that do no more than identify the firm or offer a specific security at a stated price;
- Prospectuses, preliminary prospectuses, fund profiles, offering circulars and similar documents that have been filed with the Securities and Exchange Commission (the "SEC") or any state, or that is exempt from such registration, except that an investment company prospectus published pursuant to SEC Rule 482 under the Securities Act of 1933 will not be considered a prospectus for purposes of this exclusion;
- Advertisements prepared in accordance with Section 2(10)(b) of the Securities Act of 1933, as amended, or any rule thereunder, such as SEC Rule 134, and announcements as a matter of record that a firm has participated in a private placement, unless the advertisements are related to direct participation programs or securities issued by registered investment companies;
- Press releases that are made available only to members of the media;
- Independently prepared reprints;
- Correspondence;
- Institutional sales material.

*Note: Although the material described in the bullet points above are excluded from the foregoing filing requirements, investment company communications described in those paragraphs shall be deemed filed with FINRA for purposes of Section 24(b) of the Investment Company Act of 1940 and Rule 24b-3 thereunder.*

## 7.05 Record Keeping Requirement

The Firm must maintain all advertisements, sales literature, and independently prepared reprints in a separate file for a period of three (3) years from the date of last use. The Firm must have records accessible to regulators by maintaining them electronically in a format that is indexed. The Firm should consider the below best practices;

- periodically test checking whether employees are improperly destroying required records,
- Consider using third-party record retention vendor; and
- Educate employees regarding record retention requirements.

The file must include the name of the registered principal who approved each advertisement, item of sales literature, and independently prepared reprint and the date that approval was given.

The Firm must also maintain a file concerning the source of any statistical table, chart, graph or other illustration used by the Firm in communications with the public.

Recordkeeping requirements are the same whether a communication is electronic or hard copy.

## 7.06 Approval/Evidencing Procedures

The preparation and approval of advertisements, sales literature, and correspondence should be properly documented as evidence of review.

## 7.07 Institutional Sales Material and Correspondence

**Key Definitions**

The term "Correspondence" shall be defined as any written (including electronic) communication that is distributed or made available to 25 or fewer retail investors within any 30 calendar-day period.

The term “Institutional Sales Material" consists of any written (including electronic) communication distribution or made available only to institutional investors (does not include a firm’s internal communications)

Rule 2211(a)(3) defines "institutional investor" as any (i) person described in FINRA Rule 4512(c), regardless of whether that person has an account with an FINRA firm; (ii) governmental entity or subdivision thereof; (iii) employee benefit plan, or multiple employee benefit plans offered to employees of the same employer, that meet the requirements of Section 403(b) or Section 457 of the Internal Revenue Code and in the aggregate have at least 100 participants, but does not include any participant of such plans; (iv) qualified plan, as defined in Section 3(a)(12)(C) of the Securities Exchange Act of 1934, or multiple qualified plans offered to employees of the same employer, that in the aggregate have at least 100 participants, but does not include any participant of such a plan; (v) FINRA firm or registered associated person of such a firm; and (vi) person acting solely on behalf of any such institutional investor.

*Note: no firm may treat a communication as having been distributed to an institutional investor if the firm has reason to believe that the communication or any excerpt thereof will be forwarded or made available to any person other than an institutional investor.*

**Required Principal Approval**

The Firm shall monitor its procedures for institutional communications such that they are appropriate to its business, size, structure, and customers for the review by an appropriately qualified registered principal of institutional communications used by the Firm and its associated persons. Such procedures must be reasonably designed to monitor that institutional communications comply with applicable standards. The CCO is responsible for determining the appropriatness of institutional communications on a case-by-case basis.

The Firm’s procedures do not require review of all institutional communications prior to first use or distribution. However, the Firm shall provide for education and training of associated persons as to the firm's procedures governing institutional communications, documentation of such education and training, and surveillance and follow-up to monitor that such procedures are implemented and adhered to.

Evidence that these supervisory procedures have been implemented and carried out must be maintained and made available to FINRA upon request.

**Retail Communications**. An appropriately qualified registered principal of the firm must approve each retail communication before the earlier of use or filing with the FINRA Advertising Regulation Department unless such retail communications do not make any financial or investment recommendations or otherwise promote a product or service of the firm. Such approval must be evidenced in writing and maintained with the document approved.

**Institutional Communications**. Written procedures must be established for principal review of institutional communications. If principal pre-approval is not required, the procedures must include a provision for training and education of associated persons as to the firm's institutional communications procedures.

**Correspondence**. All correspondence is subject to the supervision and review requirements of FINRA Rule 3110(b)(4), which includes the development of appropriate procedures for the designated registered principal to review and approve correspondence related to the firm's securities business.

**Recordkeeping Requirements**

See section 7.05

**Content Standards Applicable to Institutional Sales Material and Correspondence**

All institutional sales material and correspondence are subject to the content standards of Rule 2210(d)(1) and the applicable Interpretive Materials under Rule 2210.

All correspondence (which for purposes of this provision includes business cards and letterhead) must:

- prominently disclose the name of the firm and may also include a fictional name by which the firm is commonly recognized or which is required by any state or jurisdiction;
- reflect any relationship between the firm and any non-firm or individual who is also named; and if it includes other names, reflect which products or services are being offered by the firm.

Firms may not use investment company rankings in any correspondence other than rankings based on (A) a category or subcategory created and published by a Ranking Entity as defined in IM- 2210-3(a) or (B) a category or subcategory created by an investment company or an investment company affiliate but based on the performance measurements of a Ranking Entity.

## 7.08 Left Intentially Blank

## 7.09 General Correspondence/Retail Communications

**Outgoing Correspondence**

When reviewing outside correspondence, the CCO or the Designated Principals as applicable will monitor that all such correspondence meet the criteria of the Content Standards of Rule 2210 and the guidelines to monitor That Communications with the Public Are Not Misleading as set forth in IM-2210-1. Materials found to be outside the Firm's standards shall be escalated to the CCO for further action including but not limited to instruction and training of the sender(s).

## 7.10 Electronic Communications

The Firm is responsible for designating an appropriate principal to monitor and supervise all incoming and outgoing electronic communications with the public. The term "electronic communications" can be

defined as any communication transmitted through an electronic medium such as email systems, facsimiles, Intranet, Internet (World Wide Web), electronic bulletin boards, and any other communication systems that can be used, distributed, and received electronically.

The following is a list of some of the guidelines relating to the supervision and enforcement ofthe Firm's policy on electronic communications:

**Internal Policy**

All associated persons of the Firm will be informed that all communications distributed through electronic means are to be used for business purposes only and that any such communications are not to be considered private under any circumstances. Participation in electronic chat rooms, or electronically downloading unauthorized attachments or other information from an otherwise unknown source, is strictly prohibited. It is the policy of the Firm that any action, which is not in compliance, and does not conform to appropriate business standards, may lead to disciplinary action.

**Email Review and Retention**

Incoming and outgoing electronic correspondence (e-mail) is captured by the Firm's email archiving system. The compliance department conducts a post-review sample of such e-mail correspondence compliance with these policies and procedures. Evidence of the review of e-mail correspondence will be maintained on Global Relay.

**Social Media Web Sites**

As provided in Notice 10-06 issued January 2010, in September 2009, FINRA organized a Social Networking Task Force composed of FINRA staff and industry representatives to discuss how firms and their registered representatives could use social media sites for legitimate business purposes in a manner that monitors investor protection . Based on input from the Task Force and others, and further staff consideration of these issues, FINRA is issuing this *Notice* to guide firms on applying the communications rules to social media sites, such as blogs and social networking sites. The goal of this *Notice* is to monitor that—as the use of social media sites increases over time—investors are protected from false or misleading claims and representations, and firms are able to effectively and appropriately supervise their associated persons' participation in these sites.

**Recordkeeping Responsibilities**

As the use of social media sites increases over time, the Firm is required to protect itrs investss protected from false or misleading claims and representations, and maintain a system that is able to effectively and appropriately supervise their associated persons' participation in these sites.

**Suitability Responsibilities**

The Firm does not permit associated prsons to make recommendations of a specific security through one or more social media sites without first attaining the review and approval of a Designated Principal. In determining whether or not to approve the material, A Designated Principal will review the material for compliance with the requirements under Rule 2310 regarding suitability whereby the firm must ultimately determine that a recommendation is suitable for every investor to whom it is made. Whether the particular communication constitutes a "recommendation" for purposes of Rule 2310 will depend on the facts and circumstances of the communication. Firms should consult *Notice to Members (NTM) 01-23* (Online Suitability) for additional guidance concerning when an online communication falls within the definition of "recommendation" under Rule 2310.

**Third-Party Posts**

In the event that a firm's customer or other third party posts content on a social media site established

by the firm or its personnel, FINRA generally will not treat posts by customers or other third parties as the firm's communication with the public subject to Rule 2210. Thus, the prior principal approval, content and filing requirements of Rule 2210 do not apply to these posts. Under certain circumstances, however, third-party posts may become attributable to the firm. Whether third-party content is attributable to a firm depends on whether the firm has (1) involved itself in the preparation of the content or (2) explicitly or implicitly endorsed or approved the content.

> *Note: The SEC has referred to circumstance (1) above as the "entanglement" theory (i.e., the firm or its personnel is entangled with the preparation of the third-party post) and (2) as the "adoption" theory (i.e., the firm or its personnel has adopted its content). Although the SEC has employed these theories as a basis for a company's responsibility for third- party information that is hyperlinked to its Web site, a similar analysis would apply to third- party posts on a social media site established by the firm or its personnel. FINRA does not consider a third-party post to be a firm communication with the public unless the firm or its personnel either is entangled with the preparation of the third-party post or has adopted its content.*

**Supervision of Social Media Sites**

Firms must adopt policies and procedures reasonably designed to monitor that their associated persons who participate in social media sites for business purposes are appropriately supervised, have the necessary training and background to engage in such activities, and do not present undue risks to investors. Firms must have a general policy prohibiting any associated person from engaging in business communications in a social media site that is not subject to the firm's supervision. Firms also must require that only those associated persons who have received appropriate training on the firm's policies and procedures regarding interactive electronic communications may engage in such communications.

**Static and Interactive Electronic Forums**

A "blog" is generally defined as a Web site that contains an online personal journal with reflections, comments, and often hyperlinks provided by the writer." Historically, some blogs have consisted of static content posted by the blogger. FINRA considers static postings to constitute "advertisements" under Rule 2210. If a firm or its registered representative sponsors such a blog, it must obtain prior principal approval of any such posting. Today, however, many blogs enable users to engage in real-time interactive communications. If the blog is used to engage in real-time interactive communications, FINRA would consider the blog to be an interactive electronic forum that does not require prior principal approval; however, such communications must be supervised, as discussed below.

> Social networking sites typically contain both static and interactive content. The static content remains posted until it is changed by the firm or individual who established the account on the site. Generally, static content is accessible to all visitors to the site.
>
> Examples of static content typically available through social networking sites include profile, background or wall information. As with other Web-based communications such as banner advertisements, a registered principal of the firm must approve all static content on a page of a social networking site established by the firm or a registered representative before it is posted. Firms may use an electronic system to document these approvals.
>
> Social networking sites also contain non-static, real-time communications, such as interactive posts on sites such as Twitter and Facebook. The portion of a social networking site that provides for these interactive communications constitutes an interactive electronic forum, and firms are not required to have a registered principal approve these communications prior to use. Of course, firms still must supervise these communications, as discussed below.
>
> While prior principal approval is not required under Rule 2210 for interactive electronic forums, firms must supervise these interactive electronic communications under Rule 3310 in a manner reasonably designed to monitor that they do not violate the content requirements of FINRA's

communications rules.

Firms may adopt supervisory procedures similar to those outlined for electronic correspondence in *Regulatory Notice 07-59* (FINRA Guidance Regarding Review and Supervision of Electronic Communications). As set forth in that *Notice*, firms may employ risk-based principles to determine the extent to which the review of incoming, outgoing and internal electronic communications is necessary for the proper supervision of their business. For example, firms may adopt procedures that require principal review of some or all interactive electronic communications prior to use or may adopt various methods of post- use review, including sampling and lexicon-based search methodologies as discussed in *Regulatory Notice 07-59.* (Ref. Notice 10-06; Issued January 2010).

**Permissible Electronic Communication Mechanisms**

The following is the Firm's policy regarding the use of the certain communication mechanisms and technologies (both static and interactive electronic forums) to communicate with the public for business related purposes:

| Forms of Communication | Permitt | Prohibited |
|---|---|---|
| Internal Email Platform (firm supplied email) | √ | |
| Non-Firm Email Platforms (e.g. Yahoo; AOL, etc.) | | √ |
| E-faxes | √ | |
| Instant Messaging | | √ |
| Third-Party Communications (e.g. Bloomberg; Reuters) | | √ |
| Weblogs | | √ |
| Podcasts | | √ |
| Message Boards | | √ |
| LinkedIn(1) | √ | |
| Facebook(1) | | √ |
| Twitter(1) | | √ |

*Note: Any associated person found using prohibited electronic communication mechanisms may receive disciplinary action up to termination. (1) The Firm may utilize such forums for Firm communications.*

**Internet-based Electronic Communications**

In the event that the Firm maintains a web site on the Internet, the Firm acknowledges that any distribution of business related electronic communications may be considered advertising by definition under *Rule 2210*, and is therefore prohibited unless reviewed and approved by the Designated Principals or the CCO of the Firm.

**LinkedIn**

In the event that a registered representative is engaged in communication with the public via LinkedIn the representative may post "business card" or contact information however he/she may not engage in activity which would be defined as advertising under Rule 2210 without prior principal approval.

LinkedIn profile pages are monitored by the Firm's service provider, Global Relay. Registered representative with an active linkedIn in account must approve LinkedIn monitoring authorization to the Firm's service provider, Global Relay. Global Relay will capture all LinkedIn posts and messages by the registered representative. Such LinkedIn review will be part of the regular email review.

**Instant Messaging**

Instant messaging was originally introduced as an add-on to subscription Internet services, but has a growing presence in business communication. Depending on the circumstances, instant messaging could be either sales literature or correspondence in accordance with FINRA Rule 2210. In the event that the Firm uses such technology, the Firm must supervise the use of instant messaging consistent with the required supervision of e-mail messaging. If the Firm is unable to establish an adequate supervisory program regarding the use of instant messaging technology, the Firm shall prohibit the use of such activity involving customer communications. The Firm will also monitor that its use of instant messaging complies with applicable SEC and FINRA recordkeeping requirements. (Ref. NTM 03-33).

**Approval Requirements**

All communications that are electronically distributed may be subject to periodic review and approval by a Designated Principal of the Firm. The frequency and complexity of the approval process will be conducted in accordance with the current rules under *Rule 2210*, Communications with the Public.

**Maintenance of Books and Records**

It is the Firms responsibility to preserve a periodic sample of incoming/outgoing electronic communications for overall compliance and review. The maintenance requirements for electronic communications will be similar to that of *Rule 2210*.

## 7.11 Electronic Delivery of Information

**Introduction**

The Firm shall be responsible for providing adequate supervision and overall compliance as it relates to the delivery of information, including order tickets and confirmation statements, to all customers distributed via electronic means.

**Acceptance of Electronic Delivery**

The Firm shall obtain written consent to receive electronic documentation and information from each client who has chosen to use such a means.

All clients of the Firm who wish to discontinue receiving electronic documentation and information can cancel and receive hardcopy versions of the information. Any such cancellation and request to change the receipt of such records should be maintained and preserved pursuant to *SEC Rule 17a-4*. The Designated Principals are responsible to monitor that the firm's clients receive the required documentation in the form of their choice.

**Delivery Obligations**

The Designated Principals will verify that the firm complies with the following electronic delivery requirements:

- Provide recipients with an opportunity to opt out of electronic delivery;
- All recipients are not burdened by the electronic medium used and that they can access the information effectively and efficiently;
- Verify that the Firm's customers who receive information electronically have access to the same or substantially similar information provided in paper form. The Designated Principals will further monitor that the electronically transmitted document must convey all relevant and required information;
- Offer clients the opportunity to retain the information through the electronic means or have the ability to access the same information on an ongoing basis;

- Provide timely and adequate notification to its customers that information is available in an electronic format as well as monitor that proper notification is given in more than one format (i.e. electronic and paper) if necessary to monitor adequacy;
- Verify that the transmitted information is delivered to the intended client.

**Evidence of Delivery**

The Designated Principals must confirm that the delivered information was conducted in compliance with all relevant federal, state and self-regulatory (SRO) rules and regulations. The firm should evidence satisfactory delivery of the information and documentation which may be achieved by implementing one or more of the following methods:

- Use of a customer service e-mail link included in the message for clients unable to access the transmitted information;
- Confirmation statements showing that a given user name and password accessed and downloaded or printed the information;
- Use of courtesy calls or courtesy letters to verify receipt;
- Use of electronic mail return receipt;

The Designated Principals are responsible for ensuring that the Firm evidences, maintains, and preserves proof that the information was properly delivered and received by the appropriate recipient.

**Delivery of Financial Information**

The Firm may not provide personal financial information, customer account statements or confirmations, to its clients in electronic form unless it is encrypted or otherwise secure from unauthorized access. However, the Designated Principals are responsible to monitor that the firm makes a reasonable effort to monitor the integrity, confidentiality, and security of the information. All information distributed through electronic means shall be reasonably secure from piracy, tampering, or alteration. Additionally, the firm must notify the client and obtain a written consent before transmitting the information. The client may make such consent by either manual signature or by electronic means.

## 7.12 Left Intentially Blank

## 7.13 Taping Rule

The adoption of the Taping Rule was designed to monitor that firms that hire a significant number of registered persons from firms that have been expelled from membership or participation by any SRO or have had their registrations revoked by the SEC for sales practice violations ("disciplined firms") have proper supervision and oversight of their sales force to prevent fraudulent and improper sales practices.

Currently, firms that exceed the threshold levels of the Taping Rule (*Rule 3310(b)(2)(viii))* must establish, maintain, and enforce special written procedures for supervising the telemarketing activities of all their registered persons. As part of these procedures, firms are required to install taping systems that record all conversations with customers, to review the tape recordings for questionable sales practices, and to file quarterly reports with FINRA Regulation describing any sales practice violations discovered during the review of the recordings. All such procedures and systems must be maintained for a period of two years. The Taping Rule permits firms to petition FINRA Regulation for exemptive relief pursuant to the Rule 9600 Series.

Therefore, in accordance with the Taping Rule, the Firm will supervise the telemarketing activities of all of its registered persons if the Firm is either is notified by FINRA Regulation or has actual knowledge that it meets one of the following:

- The Firm has at least twenty registered persons, where 20% or more of its registered persons have been employed by one or more Disciplined Firms within the last three years;
- The Firm has at least ten but fewer than twenty registered persons, where four or more of its registered persons have been employed by one or more Disciplined Firms within the last three years; and
- The Firm has at least five but fewer than ten registered persons, where 40% or more of its registered persons have been employed by one or more Disciplined Firms within the last three years;

If the Firm meets any one of the criteria above, the Firm will tape-record all telephone conversations between registered persons and both existing and potential customers for a period of at least two (2) years from the date that the Firm establishes it meets one of the criteria. All tape recordings made will be retained for a period of not less than three years from the date the tape was created, the first two years in an easily accessible place. All recordings will be cataloged by registered person and date. By the 30th day of the month following the end of each calendar quarter, the Firm will submit a report FINRA regarding the Firm's supervision of the telemarketing activities of its registered persons.

**Opt-Out Provision**

The Taping Rule permits firms that become subject to the Rule for the first time a one-time opportunity to adjust their staffing levels to fall below the prescribed threshold levels and thus avoid application of the Rule (often referred to as the "opt out provision"). A firm that elects this one-time option must reduce its staffing levels to fall below the applicable threshold levels within 30 days after receiving notice from FINRA or obtaining actual knowledge that it is subject to the provisions of the Rule. Once a firm has made the reductions, the firm is not permitted to rehire the terminated individuals for at least 180 days.

**Exemption Requests**
FINRA also has the authority to grant exemptions from the Rule in "exceptional circumstances." In reviewing exemption requests, FINRA generally has required a firm to establish that it has alternative procedures to assure supervision at a level functionally equivalent to a taping system.

In accordance with amended Rule 3310(b)(2)(L), firms that are seeking an exemption from the Rule must submit their exemption requests to FINRA within 30 days of receiving notice from FINRA or obtaining actual knowledge that they are subject to the provisions of the Rule. The amendments also clarify that firms that trigger application of the Taping Rule for the first time can elect to either avail themselves of the one-time "opt out provision" or seek an exemption from the Rule, but they may not seek both options. (Ref. NTM 05-46; Effective Date Aug. 1, 2005).

## 7.14 Limitations on Use of FINRA's Name

FINRA Broker-dealers may indicate or otherwise disclose FINRA membership so long as such disclosure is in accordance with Article XV, Section 2 of the FINRA By-Laws in one or more of the following ways:

- in any communication with the public, provided that the communication complies with the applicable standards of Rule 2210 and neither states nor implies that FINRA or any other regulatory organization endorses, indemnifies, or guarantees the firm's business practices, selling methods, the class or type of securities offered, or any specific security; or
- in a confirmation statement for an over-the-counter transaction that states: "This transaction has been executed in conformity with the FINRA Uniform Practice Code."

## 7.15 Disclosure of Financial Condition to Customers

In accordance with FINRA Rule 2261, broker-dealers shall make available to inspection by any bona fide regular customer, upon request, the information relative to such firm's financial condition as disclosed in

its most recent balance sheet prepared either in accordance with such firm's usual practice or as required by any state or federal securities laws, or any rule or regulation thereunder.

## 7.16 Senior Designation and Credentials

FINRA is concerned about the proliferation of professional designations, particularly those that suggest an expertise in retirement planning or financial services for seniors, such as “certified senior adviser,” “senior specialist,” “retirement specialist” or “certified financial gerontologist.” The criteria used by organizations that grant professional designations for investment professionals vary greatly. Some designations require formal certification, with procedures that include completion of a detailed and rigorous curriculum focused on financial issues, culminating with one or more examinations, as well as mandatory continuing professional education. On the other end of the spectrum, some designations can be obtained simply by paying membership dues. Nonetheless, seniors may be led to believe that these individuals are particularly qualified to assist them based on such designations.

Firms that allow the use of any title or designation that conveys an expertise in senior investments or retirement planning where such expertise does not exist may violate FINRA Rule 2210, and possibly the antifraud provisions of the federal securities laws. In addition, some states prohibit or restrict the use of senior designations. (Ref. Regulatory Notice 07-43; Issued Sept. 10, 2007).

## 7.17 SIPC Disclosure

It is the responsibility of the Designated Principals to monitor that the Firm, as a member of SIPC, continuously displays, in a prominent place, the official symbol (as prescribed in Article 11, Section 4(a)(6)) at its principal place of business and at each branch office. In addition, except as provided in Article 11, Section 4(d), (e), and (g)(2), the Firm shall include in all advertising (as defined in Article 11, Section 4 (a)(1)) a reproduction of the official symbol or the official advertising statement or the official explanatory statement (as defined in Article 11, Section 4(a)(6), (a)(4), (a)(5), respectively). Furthermore, when the official symbol is used on the Internet, "SIPC" shall contain a hyperlink to SIPC's website. The following is a list of some of definitions as set forth in Article 11, Section 4 of Section 10(d) of the Act.

- Advertising -The term "advertising" as used in this Section shall mean promotional material used in or on any newspaper, magazine, or other periodical, radio, television, telephone or tape recording, videotape display, motion picture, slide presentation, telephone directory, sign or billboard, electronic or other public media.
- Branch Office - The term "branch office" as used in this Section shall mean any office of a firm which is registered with or designated as a branch office with any self-regulatory organization.
- Official Brochure - The term "official brochure" as used in this Section shall mean any publication so designated by the Corporation which explains the purposes of the Corporation and the protections it affords and which is authorized for public distribution.
- Official Advertising Statements - this Section shall be "Member of the Securities Investor Protection Corporation." The word "the" or the words "of the" may be omitted. The words "This firm is a" may be added before the word "member." The short title "Member of SIPC" or "Member SIPC" may be used by firms at their option as the official advertising statement. When the official advertising statement is used on the Internet, the words " Securities Investor Protection Corporation" and " SIPC" shall contain a hyperlink to SIPC's website.
- Official Explanatory Statement - The term "official explanatory statement" as used in this Section shall be either: (1) "Member of SIPC, which protects securities customers of its members up to $500,000 (including $100,000 for claims for cash). Explanatory brochure available upon request or at www.sipc.org." or (2) "Member of SIPC. Securities in your account protected up to $500,000. For details, please see www.sipc.org." The words "Member of SIPC" may be omitted if the official

explanatory statement is used in conjunction with the official symbol. When the official explanatory statement is used on the Internet, "SIPC" and " www.sipc.org" shall contain a hyperlink to SIPC's website.

- Official Symbol - The term "official symbol," which may be displayed in a variety of sizes, colors or materials, shall be of the following design:


When the symbol is so reduced in size that the words "member" and "Securities Investor Protection Corporation" are illegible, these words may be omitted. When the official symbol is used on the Internet, "SIPC" shall contain a hyperlink to SIPC's website.

## 7.18 Communications with the Media

As a registered representative, members of the media (e.g., newspaper reporter, social media, or other television or radio media personnel etc.) may contact you from time to time regarding, for example, past or current clients, deals, investors or people associated with an outside business activity in which you engage(d).

If a member of the media contacts you or tries to reach you, note the following procedures you are required to take when dealing with the media:

1. If the Firm of the media is unable to reach you directly and leaves a voicemail or text message or sends you an email, do **not** respond. Do not call or send an electronic communication (including on any social media or text messaging platform or application) to such member of the media back.
2. If the Firm of the media has made contact with you (i.e., you picked up the phone call), respond with saying “No Comment” and end the conversation immediately. Do **not** give out other people’s contact information. Do **not** confirm any information about which the Firm of the media is asking. Do **not** engage further in any conversation.
3. Immediately contact either the CEO or CCO to notify them of such contact. Be prepared to relay who contacted you and for what reason (e.g., subject matter or if they want a quote or interview etc.).

You may **not**, under any circumstances, give a quote or response that states or implies that you are representing the Firm or any other entity on any given subject matter. Further, if you confer with an attorney, such attorney may call the CEO or CCO at your direction; however, such attorney’s advice or guidance may **never** override this policy as long as you remain a registered representative of the Firm.