



## FINRA SIE/6/7 DUMP SHEET



### Securities Act of 1933

- ✓ Primary market legislation
- ✓ Requires issuers make disclosures by prospectus
- ✓ Registration form filed, 20 day cooling off period
  - ✓ Allowed = indications of interest, tombstone, red herring
  - ✓ Prohibited = sales, recommendations, advertising
- ✓ Exempt securities
  - ✓ Regulation A+
    - Small dollar offering rule
    - Tier 1 — up to \$20 million
    - Tier 2 — up to \$75 million
      - Subject to purchaser limits (10% rule)
  - ✓ Regulation D
    - Private placement exemption
    - May offer to unlimited accredited investors
    - No more than 35 non-accredited investors
    - Accredited investors
      - \$1 million net worth (excl. residence)
      - \$200k (single) income / \$300k (joint) income
      - Financial institutions
      - Non-financial orgs w/ \$5 million+ in assets
      - Officers, directors, or partners of issuer
      - Series 7, 65, or 82 holders
- ✓ Rule 147
  - Intrastate offering rule
  - Avoids SEC registration if offered in one state only
  - May re-sell to another state resident immediately
  - Must wait 6 months to re-sell outside of state



### Securities Exchange Act of 1934

- ✓ Secondary market legislation
- ✓ Regulates securities markets and their participants
- ✓ Created the SEC
- ✓ All forms of fraud are illegal and prohibited
- ✓ Market manipulation is prohibited
  - Spreading false rumor
  - Pump and dump scheme
  - Painting the tape / matched orders
  - Marking the open or close



### FINRA RULES

- ✓ **Communication**
  - ✓ **Correspondence**
    - 25 or fewer retail investors in 30 days
    - Emails, small group letters, etc.
    - No principal pre-approval
    - No filing with FINRA, but subject to review
  - ✓ **Retail communication**
    - More than 25 retail investors in 30 days
    - Websites, billboards, mass mailings, etc.
    - Principal pre-approval required
    - RCs filed with FINRA 10 days before use (pre-filing):
      - RCs from firms in 1st year of business
      - Investment company performance ranking
      - Securities futures communication
    - RCs filed with FINRA within 10 days of use (post-filing):
      - Investment company material without perf. rank
      - DPP and CMO communication
      - Securities derivatives communication
  - ✓ **Institutional communication**
    - Only made available to institutional investors
    - No principal pre-approval or filing with FINRA
  - ✓ **Public appearances**
    - Unscripted seminars or interviews on media programs
    - No pre-approval or filing with FINRA
    - Subject to written supervisory procedures (firm-based)
  - ✓ **Continuing education (CE)**
    - **Regulatory element CE**
      - Conducted and facilitated by FINRA
      - Must be completed annually
    - **Firm element CE**
      - Conducted and facilitated by member firm
      - Must be completed annually
    - **Maintaining Qualifications Program (MQP)**
      - Allows former reps to retain FINRA licenses for 5 years
      - Must continue CE after leaving the industry
    - **Outside business activities (OBAs)**
      - Representatives must disclose earnings outside of firm
      - Written disclosure to firm required (firm may deny OBA)
    - **Gifts**
      - Maximum \$100 in gift value may be given
      - Business entertainment not subject to \$100 limit (not excessive)
  - ✓ **Performing securities transactions outside of firm**
    - Considered "selling away" — may if:
      - Written disclosure to firm
      - Written approval from firm if being paid
  - ✓ **Recordkeeping requirements**
    - 3 years — employee records, trade confirms, statements
    - 4 years — complaints (FINRA)
    - 5 years — CTRs, SARs, CIP information
    - 6 years — customer account records, complaints (MSRB)
    - **Lifetime — SPAM**
      - S — stock certificate
      - P — partnership agreement
      - A — articles of incorporation
      - M — meeting minutes