

Registration (U4 / U5)

- ✓ **U4:** registers natural persons; filed to FINRA's CRD
 - Fingerprints → FINRA's vendor → FBI
 - 10-year job history; U4 public-records check in **30 days**
 - 5-year residential history (not verified)
 - Amend within **30 days** of any change
- ✓ **U5:** firm files within **30 days** of a rep leaving
 - Amend within 30 days of discovery
 - **Full U5** = full termination; **partial** = specific SROs/states
- ✓ **2-year window:** reaffiliate without retesting
 - FINRA keeps jurisdiction for **2 years** after termination
 - Military service pauses the 2-year window until 90 days after
- ✓ **Statutory disqualification:** report within **10 days**
 - Expelled or barred by an SRO or the SEC
 - Any **felony** in the past **10 years**
 - **Misdemeanor** (past **10 years**) involving money, securities, fraud
 - Other misdemeanors do **not** disqualify

Registration categories

- ✓ **S9/10 — General Securities Sales Supervisor**
 - Supervises **sales** of corporate and municipal securities, options, investment companies, variable contracts, and DPPs
 - **Cannot** supervise underwriting, market making, custody, or financial/operations compliance

Principals	Representatives
S24 General Securities	S7 General Securities
S27 Fin/Op (full-service)	S6 Investment Co./Variable Contracts
S28 Fin/Op (introducing)	S52 Municipal
S4 Registered Options	S57 Securities Trader
S26 Investment Co./Variable Contracts	S79 Investment Banking
S39 DPP	S86/87 Research Analyst
S16 Supervisory Analyst	

- ✓ More than 1 associated person → **2+ registered principals**

KYC & suitability

- ✓ Build a full **investment profile** before recommending: age, finances, objectives, time horizon, risk tolerance, tax status
- ✓ **3 suitability obligations**
 - **Reasonable-basis:** suitable for some investors
 - **Customer-specific:** fits this client
 - **Quantitative:** a series of trades is not excessive (no **churning**)
- ✓ **Institutional exemption** (customer-specific): institution can evaluate risk independently and agrees to use its own judgment
- ✓ **Reg BI** (natural persons only)
 - 4 obligations: **Disclosure, Care, Conflicts of interest, Compliance**
 - **Form CRS** at the first recommendation, order or account opening

Supervision system

- ✓ **Written supervisory procedures (WSPs)** required (Rule 3110)
 - Designate a principal for each business line
 - **OSJ** (Office of Supervisory Jurisdiction) = highest oversight: order execution, offerings, custody, approval of accounts and retail communications
- ✓ **Supervisory controls**
 - Tested and verified regularly
 - **Annual report to senior management**
 - Over \$200M revenue: tabulate complaints and investigations
- ✓ Inspect OSJs and supervisory branches **yearly**, others every **3 years**; annual compliance meeting
- ✓ **Discretion = the 3 A's** (Action, Asset, Amount)
 - Missing any one → a discretionary order
 - **Prior written authorization** (limited POA) required
 - Frequent principal review; mark orders discretionary
 - Approve promptly (same day)
- ✓ **Continuing education**
 - **Firm element:** annual, firm-created training
 - **Regulatory element:** annual FINRA training due **Dec 31**; can't be failed
 - **MQP:** keeps qualification up to **5 years**; \$100/year fee; at least 1 year registered; apply within 2 years of leaving
- ✓ **Gift limit:** **\$300** per person per year (excludes normal business expenses and logo items of nominal value)

Communications with the public

Type	Rule
Correspondence	25 or fewer retail investors in 30 days; no pre-approval; principal spot-checks
Retail	26 or more in 30 days; principal pre-approval ; must include firm name
Institutional	Institutions only (not accredited, not retail); retail if it may reach retail investors
Internal	Not 2210; principal review (3110)

- ✓ **FINRA's name:** FINRA never "approves" anything
- ✓ **Filing retail communications**
 - Most never filed; some within **10 business days** after first use
 - Some prefiled **10 business days** before use; a new firm, all public media
 - Analysis tools: not filed (access on request)
- ✓ **Telemarketing: 8 a.m.—9 p.m.**, recipient's local time
 - Check the **national (FTC)** and **firm** do-not-call lists
 - Firm list: add when asked; honor in **30 days**
 - National-list exemptions: business relationship (**18 months**), inquiry (**3 months**), personal relationship
- ✓ **Taping rule (3170):** hires from disciplined firms reach
 - 5—9 reps: **40%+** • 10—19 reps: **4+** • 20+ reps: **20%+**
- ✓ Implement taping within **60 days**; the first time, may instead cut staff below the threshold within **30 days** (then a **180-day** rehire wait)