

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 transactions
 - 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 sell 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 resell to in-state residents immediately
 - Must wait 6 months to resell outside the 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 business days before use (pre-filing):
 - RCs from firms in 1st year of business
 - Investment company performance ranking
 - Security futures communication
 - RCs filed with FINRA within 10 business 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 up to 5 years
 - Must continue CE after leaving the industry
- ✓ Outside business activities (OBAs)
 - Business activity outside the firm for compensation
 - Prior written notice to firm required (firm may deny OBA)
- ✓ Gifts
 - Maximum \$300 per person, per year
 - Business entertainment not subject to \$300 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