

MEMO# 32545

June 22, 2020

FINRA Adopts Amendments to Suitability and Related Rules to Conform to Reg BI

[32545]

June 22, 2020 TO: ICI Members

Bank, Trust and Retirement Advisory Committee

Broker/Dealer Advisory Committee

Internal Sales Managers Roundtable

Investment Adviser and Broker-Dealer Standards of Conduct Working Group

Operations Committee

Pension Committee

Pension Operations Advisory Committee

Sales and Marketing Committee

Small Funds Committee

Transfer Agent Advisory Committee

Variable Insurance Products Advisory Committee SUBJECTS: Compensation/Remuneration

Compliance

Disclosure

Distribution

Fees and Expenses

Pension

Portfolio Oversight

Variable Insurance Products RE: FINRA Adopts Amendments to Suitability and Related Rules to Conform to Reg BI

In March, the Financial Industry Regulatory Authority, Inc. (FINRA) filed with the Securities and Exchange Commission proposed amendments to FINRA's suitability rule and certain of its other rules, to conform to the SEC's adoption of Regulation Best Interest ("Reg BI").[\[1\]](#) The SEC has approved the amendments, which will become effective on June 30, 2020, the compliance date of Reg BI.[\[2\]](#)

As proposed, FINRA amended Rules 2111 (Suitability), 2310 (Direct Participation Programs), 2320 (Variable Contracts of an Insurance Company), 2341 (Investment Company Securities), 5110 (Corporate Financing Rule – Underwriting Terms and Arrangements), and Capital Acquisition Broker (CAB) Rule 211 (Suitability). The amendments: (1) revise the FINRA and CAB suitability rules to state that the rules do not apply to recommendations subject to Reg BI and remove the element of control from the quantitative suitability obligation under Rule 2111, consistent with Reg BI; and (2) conform the rules governing

non-cash compensation to Reg BI's limitations on sales contests, sales quotas, bonuses, and non-cash compensation.

Sarah A. Bessin
Associate General Counsel

endnotes

[1] For a summary of FINRA's proposed amendments, *please see* ICI Memorandum No. 32295 (March 17, 2020), *available at* https://www.ici.org/my_ici/memorandum/memo32295.

[2] See FINRA Regulatory Notice 20-18, Reg BI-Related Changes to FINRA Rules (June 19, 2020), *available at* <https://www.finra.org/sites/default/files/2020-06/Regulatory-Notice-20-18.pdf>.

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.