

MEMO# 21500

August 21, 2007

New FINRA Rule 2342 Requires Broker-Dealers to Provide SIPC Information To Customers Beginning November 2007

[21500]

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TO: BROKER/DEALER ADVISORY COMMITTEE No. 50-07

OPERATIONS MEMBERS No. 13-07

COMPLIANCE MEMBERS No. 47-07

VARIABLE INSURANCE PRODUCTS ADVISORY COMMITTEE No. 14-07 RE: NEW FINRA RULE 2342 REQUIRES BROKER-DEALERS TO PROVIDE SIPC INFORMATION TO CUSTOMERS BEGINNING NOVEMBER 2007

With the exception of those broker-dealers whose business consists exclusively of the distribution of registered mutual fund shares or unit investment trusts or the sale of variable annuities, beginning November 6, 2007, FINRA Rule 2342 requires FINRA members to provide their customers certain information about the Securities Investor Protection Corporation (SIPC). * In particular, FINRA members must advise all of their new customers, in writing at the opening of an account, that they may obtain information about SIPC, including the SIPC brochure, by contacting SIPC. The written notice must include both SIPC's website address (www.sipc.org) and telephone number (202-371-8300). FINRA members must also provide all customers with this same information, in writing, at least once each year. According to FINRA's staff, the first such annual notice must occur within one year of the rule's effective date (i.e., by November 6, 2008).

Those members of FINRA whose business as a broker or dealer consists exclusively of the distribution of shares of registered mutual funds or unit investment trusts or the sale of variable annuities are not subject to Rule 2342 because Section 3(a)(2)(A)(ii) of the Securities Investor Protection Act (SIPA) excludes them from SIPA.

Tamara K. Salmon
Senior Associate Counsel

endnotes

* See NASD (n/k/a FINRA) Notice to Members No. 07-29 (June 2007), which is available on FINRA's website at:
<http://www.finra.org/RulesRegulation/NoticestoMembers/2007NoticestoMembers/P019264>.

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