

MEMO# 26367

August 6, 2012

FINRA Withdrawals from Further Consideration Proposal to Require the Issuance of Monthly Account Statements

[26367]

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TO: BROKER/DEALER ADVISORY COMMITTEE No. 36-12
TRANSFER AGENT ADVISORY COMMITTEE No. 46-12 RE: FINRA WITHDRAWALS FROM FURTHER CONSIDERATION PROPOSAL TO REQUIRE THE ISSUANCE OF MONTHLY ACCOUNT STATEMENTS

I am pleased to inform you that FINRA has withdrawn from further consideration proposed Rule 2231, relating to customer account statements, which would have required FINRA members to send such statements quarterly instead of monthly. [\[1\]](#) I understand from talking to FINRA staff that this withdrawal reflects FINRA's intent not to pursue delivery of monthly account statements. While FINRA will likely revise its customer account statement rule at some point in the future, those revisions are not expected to increase the frequency of such statements. The background of this proposal and the Institute's opposition to it are briefly summarized below.

In 2009, FINRA proposed to adopt a new rule, Rule 2231, relating to customer account statements. Among other things, this rule would have required FINRA members to send account statements monthly instead of quarterly, with very limited exceptions. [\[2\]](#) FINRA believed the sending of more frequent statements would better enable shareholders to protect themselves from fraud and identity theft. While the Institute supported the intent behind the rule, we opposed FINRA requiring the sending of account statements on a monthly basis. Our comment letter opposing this change noted that the proposal would be inconsistent with industry practice (which was based on Federal law), disruptive to existing systems, and costly to shareholders. [\[3\]](#) In response to the comments it received on the proposal, FINRA revised the proposed rule and republished it for comment in 2011. [\[4\]](#)

The revised rule attempted to address one of the Institute's primary concerns with the proposed rule by providing a carve-out from the monthly statement requirement. Under this carve-out, a FINRA member could send quarterly statements provided they were permitted by SEC Rule 10b-10 under the Securities Exchange Act of 1934 and the shareholder had access to current account information by phone and internet. In our August 2011 comment letter on the revised proposal, we opposed conditioning quarterly

statements on this “current account information” requirement, noting that it was inconsistent with Rule 10b-10’s requirements. As noted above, in response to comments FINRA received on the revised rule, it has determined to withdraw the proposal from further consider and not change the frequency with which account statements are provided to shareholders.

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endnotes

[1] See Notice of Withdrawal of Proposed Rule Change to Adopt FINRA Rule 2231 (Customer Account Statements) in the Consolidated FINRA Rulebook, SEC Release No. 34-67588 (File No. SR-FINRA-2009-028) (August 2, 2012), which is available at: <http://sec.gov/rules/sro/finra/2012/34-67588.pdf>.

[2] See Institute [Memorandum](#) No. 23469, dated May 20, 2009, which summarized FINRA’s proposal.

[3] See Institute [Memorandum](#) No. 23521, dated June 11, 2009, which summarized ICI’s comment letter.

[4] See Institute [Memorandum](#) No. 25423, dated August 18, 2011, which summarized FINRA’s revised proposal and the Institute’s comment letter on it.