

MEMO# 25935

February 24, 2012

SIFMA'S Institutional Client Suitability Certificate

[25935]

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TO: BROKER/DEALER ADVISORY COMMITTEE No. 9-12 RE: SIFMA'S INSTITUTIONAL CLIENT SUITABILITY CERTIFICATE

As you may recall, FINRA's new suitability rule, FINRA Rule 2111, was approved by the SEC in 2011 with an effective date of July 9, 2012. [\[1\]](#) This rule establishes new suitability standards for broker-dealers recommending securities to clients, including institutional clients.; Subsection (b) of the rule provides that a broker-dealer can fulfill its new customer-specific suitability obligations for an institutional account if it:

- (1) Has a reasonable basis to believe that the institutional customer is capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies involving securities; and
- (2) The institutional customer affirmatively indicates that it is exercising independent judgment in evaluating the member's or associated person's recommendations.

To assist FINRA members in satisfying their obligations under these requirements, SIFMA has developed an "Institutional Suitability Certificate" for institutional investors. [\[2\]](#) In addition to satisfying the requirements of the rule, the Certificate provides both that: the institutional investor executing it will notify the broker-dealer if anything in the Certificate ceases to be true; and the broker-dealer may share the information in the Certificate "with broker-dealers or third parties, including via a secure database or electronic platform" SIFMA expects to distribute the Certificate to vendors around March 1st.

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endnotes

[1] See FINRA Rule 2111, Suitability, which is available at:
http://finra.complinet.com/en/display/display.html?rbid=2403&record_id=13390&element_id=9859&highlight=2111#r13390.

[2] The certificate is available through SIFMA's website at:
<http://www.sifma.org/news/news.aspx?id=8589937525>.

Source URL: <https://icinew-stage.ici.org/memo-25935>

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