

**MEMO# 23427**

April 30, 2009

# **FINRA Notice To Members On Associated Person Reporting Of Personal Securities Transactions; May 6th Conference Call**

[23427]

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TO:

CHIEF COMPLIANCE OFFICER COMMITTEE No. 8-09  
CLOSED-END INVESTMENT COMPANY COMMITTEE No. 7-09  
INVESTMENT ADVISERS COMMITTEE No. 1-09  
SEC RULES COMMITTEE No. 21-09  
SMALL FUNDS COMMITTEE No. 7-09

RE:

FINRA NOTICE TO MEMBERS ON ASSOCIATED PERSON REPORTING OF PERSONAL SECURITIES TRANSACTIONS; MAY 6TH CONFERENCE CALL

FINRA recently issued a notice to members regarding proposed new FINRA Rule 3210, which would revise reporting requirements with respect to the personal securities transactions of associated persons of FINRA member firms.[\[1\]](#) The proposed rule combines and streamlines certain provisions of NASD Rule 3050 and NYSE Rule 407 and is part of FINRA's process of developing a new consolidated rulebook. According to the Notice, the proposed rule also adopts additional requirements to promote more effective oversight of the personal trading activities of associated persons of member firms.[\[2\]](#) The proposal is summarized below.

Comments on the proposal must be filed with FINRA no later than June 5th. We will be having a conference call to discuss the proposal and any Institute comments thereon on Wednesday, May 6th at 3:00 EDT. Please let Maureen Maher know by email to [mmaher@ici.org](mailto:mmaher@ici.org) if you or someone from your firm plans on participating on the call. If you are unable to participate on the call but have comments on the proposal, please provide them prior to the call to Dorothy Donohue by phone at (202) 218-3563 or email at [ddonohue@ici.org](mailto:ddonohue@ici.org). The dial in number for the call is 1-888-995-9162 and the passcode is 46919.

Proposed Rule 3210(a) prohibits any associated person, without the prior written consent of his or her employer (“employer member”), from establishing at another member firm (“executing member”), or at any other financial institution<sup>[3]</sup> any account in which securities transactions can be effected and in which such associated person has a personal financial interest. The proposed rule further requires that, as a condition to granting prior written consent, the employer member instruct the associated person to have the executing member provide duplicate account statements and confirmations to the employer member. As a corollary, the executing member is required to carry out the associated person’s instructions. Under the proposed rule, duplicate account statements and confirmations would not be have to be provided to the employer member for transactions in unit investment trusts, variable contracts, open-end registered investment companies, or for accounts that are limited to transactions in such securities unless the employer member requests such duplicate account statements and confirmations.

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#### **endnotes**

<sup>[1]</sup> See FINRA Notice 09-22 (April 2009) (“Notice”), which is available at <http://www.finra.org/web/groups/industry/@ip/@reg/@notice/documents/notices/p118524.pdf>.

[2] Unlike Rule 17j-1 under the Investment Company Act of 1940, which requires reporting of personal securities transactions by “access persons,” the proposal would require reporting by “associated persons of a member.” See Rule 17j-1(a)(1) (definition of access person); and paragraph (rr) of Article I of the FINRA By-Laws (definition of associated person of a member”).

[3] Proposed FINRA Rule 3210.05 defines “other financial institution” to include, among other persons, investment advisers and investment companies.

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