



Regulatory Cheat Sheets

2008

2015

2008 - NASD Conduct Rule and Notice QuickGuide

This QuickGuide is intended to help those interested in quickly finding selected NASD Conduct Rules and Notices to Members related to common litigation topics. This guide does not include all NASD rules, sections or Notices to Members and may become out-of-date as new rules are adopted. Reference the NASD manual and the Consolidated FINRA Rulebook (effective 12/15/2008) on www.finra.org for the most complete and up to-date information. See also the Notice to Members section on the FINRA website.

NASD Conduct Rule 2110 – Standards of Commercial Honor and Principles of Trade

Notice to Members: 96-44

“A member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.”

Interfering with the transfer of customer accounts in the context of employment disputes – Trading ahead of research reports
- Trading ahead of limit orders – Front running

NASD Conduct Rule 2120 – Use of Manipulative, Deceptive or Other Fraudulent Devices

See also: SEC Rule 10b-5 Employment of manipulative and deceptive devices, See also IM 2310-2, IM 3310

NASD Conduct Rule 2130 – Expungement of a Customer Dispute from the CRD

Notice to Members: 4-16

NASD Conduct Rule 2210 – Communications with the Public

Notice to Members: 06-48, 04-36, 03-38, 00-22, 00-15, 99-16, 98-83

Refers to sales literature, not individual letters - Public communications not misleading – Variable annuity and variable life insurance – Requirements for the uses of investment analysis tools – Limitations on the use of the FINRA's name – Mutual fund rankings – CMOs – May not predict or project performance

NASD Conduct Rule 2310 – Recommendations to Customers (Suitability)

Notice to Members: 05-59, 01-23, 96-86, 96-60, 90-52, 90-12

This rule includes suitability standards related to the recommendation of a purchase, sale or exchange of securities. Sections include: low priced securities - excessive trading - trading in mutual fund shares - fraudulent activity - discretionary accounts - unauthorized transactions - misuse of customer funds - recommendations beyond customer financial capacity and fair dealing regarding derivative or new financial products

NASD Conduct Rule IM-2310-2 – Fair Dealing with Customers

Notice to Members: 96-60, 96-32, 95-21, 94-62, 90-52

“Sales efforts must be judged on the basis of whether they can be reasonably said to represent fair treatment for the persons to whom the sales efforts are directed, rather than on the argument that they result in profits to customers.”

NASD Conduct Rule 2330 – Customers' Securities or Funds

Notice to Members: 03-21, 01-24, 94-93, 88-55, 83-74, SEC Rules: 8c-1, 15c3-3

Sections include: Improper use of customer funds – Guaranteeing a customer against loss – Sharing in customers' profits or losses – Segregation of customer's securities – Authorization to lend

NASD Conduct Rule 2340 – Customer Account Statements

Notice to Members: 06-60, 01-08, 97-14, 94-96, 92-60, 92-30

This rule covers the rules relating to the frequency and content of customer statements.

NASD Conduct Rule 2350 – Broker / Dealer Conduct on the Premises of Financial Institutions

Notice to Members: 97-89, 97-26, 96-3, 94-94

This rule covers broker/dealer services in institutions where retail deposits are taken.

NASD Conduct Rule 2360 – Approval Procedures for Day-Trading Accounts

Notice to Members: 00-62, See also Rule 2361, **Day Trading Risk Disclosure Statement**

NASD Conduct Rule 2370 – Borrowing From or Lending to Customers

A registered representative may not borrow money from or lend money to a customer without certain requirements being met.

NASD Conduct Rule 2440 – Fair Prices and Commissions

Notice to Members: 08-36

This rule concerns issues of commissions and markups including the 5% markup policy.

NASD Conduct Rule 2510 – Discretionary Accounts

Notice to Members: 04-71, 93-1, 92-25, 91-39, 83-30, 76-30, 75-33

This rule covers the requirement for prior written discretionary authorization from the client. It also covers issues of excessive transactions, account acceptance and transaction approval and review.

NASD Conduct Rule 2520 – Margin Requirements

Notice to Members: 08-41, 07-11, 06-26, 03-66, 01-26, 01-11, 00-51, 93-23

NASD Conduct Rule 2810 – Direct Participation Programs

Notice to Members: 95-64, 95-63, 94-70, 94-24, 93-44, 93-15, 91-78, 91-56, 89-16, 86-81, 86-77, 86-66, 85-29, 85-17, 84-64, 84-28

These securities are commonly known as **limited partnerships** and are often considered to be speculative due to their lack of liquidity.

NASD Conduct Rule 2820 – Variable Contracts of Insurance Company

Notice to Members: 01-63, 00-44, 99-103, 99-55, 99-35, 98-75, 97-50, 97-48, 97-27, 96-86, 95-56, 96-52, 94-67, 91-68, 91-25, 88-17, See also Rule 2821, Member's Responsibility Regarding Deferred Variable Annuities

This section covers the rules and requirements for **Variable Annuities** and **Variable Life Insurance**.

NASD Conduct Rule 2830 – Investment Company Securities

Notice to Members: 05-04, 00-53, 99-103, 99-55, 98-75, 97-50, 97-48, 95-56, 95-36, 94-67, 94-41, 94-16, 94-14, 94-13, 93-82, 93-52, 93-12, 92-41, 91-86, 89-51, 88-96, 84-40, 83-08, 80-43, 80-13, 80-07, 75-70, 75-68, 73-42

This rule relates to **mutual funds**, **variable annuities** and **variable insurance contracts**. This includes such issues as "breakpoint" sales, selling dividends, withholding orders and contingent deferred sales charges.

NASD Conduct Rule 2860 – Options

Notice to Members: 08-26, 08-04, 07-37, 07-11, 07-08, 07-03, 06-54, 06-51, 06-09, 05-06, 01-01, 99-20, 96-15, 95-47, 95-25, 94-46, 94-24, 93-15, 89-64, 86-74, 85-18, 82-42, 81-04, 80-55, 80-43, 80-36, 80-29, 80-23, 80-22, 79-43, 79-42, 79-41, 78-54, 78-50, 77-05, 46-31, 76-24, 76-08.

NASD Conduct Rule 3010 – Supervision

Notice to Members: 07-64, 06-12, 05-67, 05-46, 05-44, 04-71, 99-45, 99-03, 98-96, 98-52, 98-38, 98-18, 98-11, 96-82, 96-59, 96-33, 92-18, 91-48, 89-57, 89-34, 88-84, 86-65, SEC Rule 17a-3,

"Each member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD (FINRA) Rules."

NASD Conduct Rules 3012 & 3013 Supervisory Control System and CEO Certification

Notice to Members: 07-32, 06-04, 05-29, 04-79, 04-71, NYSE Rule 342

These rules establish a supervisory controls system requiring testing and CEO certification including annual reports.

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FINRA Rule 2010 – Standards of Commercial Honor and Principles of Trade

Selected Notices: 96-44, 08-57

FINRA Rule 2020 – Use of Manipulative, Deceptive or Other Fraudulent Devices

Selected Notices: 08-57

FINRA Rule 2040 – Payments to Unregistered Persons (Rule will be effective on August 24, 2015)

Selected Notices: 95-37, 15-07 Note: This rule also covers Retiring Representatives and Nonregistered Foreign Finders.

FINRA Rule 2080 - Obtaining an Order of Expungement of Customer Dispute Information from the Central Registration Depository (CRD) System

Selected Notices: 04-16, 09-33.

FINRA Rule 2090 - Know Your Customer

Selected Notices: 11-02, 11-25, 12-25

Every member shall use reasonable diligence, in regard to the opening and maintenance of every account, to know (and retain) the essential facts concerning every customer and concerning the authority of each person acting on behalf of such customer.

FINRA Rule 2111 - Suitability (See FINRA Rule 2100 for All Transactions with Customers Rules)

Selected Notices: 11-02, 11-25, 12-25, 12-55.

A member or an associated person must have a reasonable basis to believe that a recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile.

FINRA Rule 2114 - Recommendations to Customers in OTC Equity Securities

Selected Notices: 02-66, 09-20.

FINRA Rule 2121 - Fair Prices and Commissions

Selected Notices to Members: 75-65, 89-20, 91-69, 92-16, 93-81, 94-62, 07-28, 08-36.

FINRA Rule 2122 - Charges for Services Performed

FINRA Rule 2124 - Net Transactions with Customers

Selected Notices: 06-47, 09-60.

FINRA Rule 2130 - Approval Procedures for Day-Trading Accounts

Selected Notices: 00-62, 09-72. Note: See FINRA Rule 2270

FINRA Rule 2140 - Interfering with the Transfer of Customer Accounts in the Context of Employment

Disputes

Selected Notices: 02-07, 09-20.

FINRA Rule 2150 - Improper Use of Customers' Securities or Funds; Prohibition Against Guarantees and Sharing in Accounts

Selected Notices: 83-74, 86-74, 88-55, 01-24, 03-21, 09-60.

FINRA Rule 2210 - Communications with the Public (See FINRA Rule 2200 For All Communications)

Selected Notices: 98-83, 99-16, 00-15, 00-22, 03-38, 04-36, 04-64, 06-48, 07-02, 07-47, 09-10, 12-29, 14-30.

This rule pertains to "Communications", "Correspondence" and "Institutional communication"

NASD Rule IM-2210-2 - Communications with the Public About Variable Life Insurance and Variable Annuities

Selected Notice: 03-38.

FINRA Rule 2212 - Use of Investment Companies Rankings in Retail Communications

Selected Notices: 86-41, 92-59, 93-18, 93-73, 93-76, 93-85, 93-87, 94-16, 94-25, 94-36, 94-60, 95-49, 95-74, 95-80, 12-29.

2015 – Securities Rule QuickGuide

FINRA Rule 2213 - Requirements for the Use of Bond Mutual Fund Volatility Ratings

Selected Notices: 96-84, 00-17, 00-23, 12-29

FINRA Rule 2215 - Communications with the Public Regarding Security Futures

Selected Notice: 12-29.

FINRA Rule 2216 - Communications with the Public About Collateralized Mortgage Obligations (CMOs)

Selected Notice: 12-29.

FINRA Rule 2220 - Options Communications

Selected Notices: 85-69, 86-68, 87-24, 87-43, 88-20, 88-52, 88-65, 89-11, 91-26, 91-62, 92-56, 99-16, 04-36, 08-28, 08-73, 09-60.

FINRA Rule 2232 - Customer Confirmations

Selected Notice: 10-62.

FINRA Rule 2251 - Processing and Forwarding of Proxy and Other Issuer-Related Materials

Selected Notices: 85-26, 86-35, 86-46, 91-57, 92-17, 95-45, 02-33, 03-26, 09-72, 14-03.

FINRA Rule 2264 - Margin Disclosure Statement

Selected Notices: 01-31, 02-35, 09-60.

FINRA Rule 2270 - Day-Trading Risk Disclosure Statement

Selected Notices: 00-62, 02-35, 09-72. Note: See FINRA Rule 2130

FINRA Rule 2310 - Direct Participation Programs (See FINRA Rule 2300 for All Special Products)

Selected Notices: 73-50, 77-03, 78-12, 81-34, 82-14, 82-50, 82-51, 82-52, 83-13, 84-28, 84-64, 85-17, 85-29, 86-66, 86-81, 88-88, 89-16, 91-56, 91-78, 93-15, 93-44, 94-24, 94-70, 95-63, 95-64, 08-35, 09-33.

FINRA Rule 2320 - Variable Contracts of an Insurance Company

Selected Notices: 75-68, 88-17, 91-25, 91-68, 94-67, 95-56, 96-52, 96-86, 97-27, 97-48, 97-50, 98-75, 99-35, 99-55, 99-103, 00-44, 01-63, 09-50.

FINRA Rule 2330. Members' Responsibilities Regarding Deferred Variable Annuities

Selected Notices: 07-53, 09-32, 09-72.

FINRA Rule 2342 - "Breakpoint" Sales

Selected Notices: 98-98, 00-53, 09-33.

FINRA Rule 2350 - Trading in Index Warrants, Currency Index Warrants and Currency Warrants

NASD Rule 2510 - Discretionary Accounts

Selected Notices: 75-33, 76-30, 91-39, 91-80, 92-25, 93-1, 04-71.

FINRA Rule 3000 - Supervision and Responsibilities Relating to Associated Persons

Selected Notices to Members: 86-65, 88-84, 89-34, 89-57, 91-48, 92-18, 96-33, 96-59, 96-82, 98-11, 98-18, 98-38, 98-52, 98-96, 99-03, 99-45, 04-71, 05-67, 06-13, 07-64, 14-10. **Note: This rulebook section contains many important supervision rules.**

NASD Rule 3040 - Private Securities Transactions of an Associated Person

Selected Notices: 75-34, 80-62, 82-39, 85-21, 85-54, 85-84, 91-32, 94-44, 96-33, 01-79, 03-79. Note: Works with FINRA Rule 3270

FINRA Rule 3270 - Outside Business Activities of Registered Persons

Selected Notices: 88-5, 88-45, 88-86, 89-39, 90-37, 94-44, 94-93, 96-33, 01-79, 10-49. Note: Works with NASD Rule 3040