

SEC Approves New Consolidated FINRA Rule

SEC Approval and Effective Date for New Consolidated FINRA Rule

Effective Date: June 17, 2011

Executive Summary

Following the consolidation of NASD and the member regulation, enforcement and arbitration functions of NYSE Regulation into FINRA, FINRA established a process to develop a new consolidated rulebook (Consolidated FINRA Rulebook), which FINRA has discussed in previous Information Notices.¹ FINRA is proposing new consolidated rules in phases for approval by the Securities and Exchange Commission (SEC) as part of the Consolidated FINRA Rulebook.² In October and November, the SEC approved four new consolidated FINRA Rules.³ This *Regulatory Notice* specifically addresses the approval and effective date of new FINRA Rule 2232 (Customer Confirmations).⁴

The text of new FINRA Rule 2232 is available in the online FINRA Manual at www.finra.org/finramanual.⁵

Questions regarding this *Notice* should be directed to Adam H. Arkel, Assistant General Counsel, Office of General Counsel, at (202) 728-6961.

December 2010

Notice Type

- Consolidated Rulebook
- Rule Approval

Suggested Routing

- Compliance
- Legal
- Operations
- Senior Management

Key Topics

- Customer Confirmations
- Effective Dates of Consolidated Rule
- FINRA Manual
- Rulebook Consolidation

Referenced Rules & Notices

- FINRA Rule 2232
- Incorporated NYSE Rule 409(f)
- Information Notice 03/12/08
- Information Notice 10/06/08
- NASD Rule 2230
- NASD IM-2110-6
- Regulatory Notice 08-57

Background & Discussion

On October 21, 2010, the SEC approved FINRA's proposed rule change to adopt FINRA Rule 2232 (Customer Confirmations) in the Consolidated FINRA Rulebook and delete NASD Rule 2230, NASD IM-2110-6 and Incorporated NYSE Rule 409(f). New FINRA Rule 2232 streamlines and combines basic customer confirmation requirements in the NASD and Incorporated NYSE Rules. Specifically:

- ▶ FINRA Rule 2232(a) provides that a member must, at or before the completion of any transaction in any security effected for or with an account of a customer, give or send to such customer written notification ("confirmation") in conformity with the requirements of SEA Rule 10b-10.
- ▶ FINRA Rule 2232(b) provides that a confirmation given or sent pursuant to the rule must further disclose:
 - (1) with respect to any transaction in any NMS stock, as defined in Rule 600 of SEC Regulation NMS, or any security subject to the reporting requirements of the FINRA Rule 6600 Series, other than direct participation programs as defined in FINRA Rule 6420, the settlement date of the transaction; and
 - (2) with respect to any transaction in a callable equity security, that: (A) the security is a callable equity security; and (B) a customer may contact the member for more information concerning the security.

Rule Conversion Charts

As discussed in additional detail in *Information Notice 10/06/08* and *Regulatory Notice 08-57*, FINRA has posted three Rule Conversion Charts on its website to help firms become familiar with the new rules, and show how the new rules relate to the NASD and/or Incorporated NYSE Rules in the Transitional Rulebook that they will replace.

Firms should be aware that the charts are intended as a reference aid only. FINRA reminds firms that the charts do not in any way serve as a substitute for diligent review of the relevant new rule language. The Rule Conversion Charts are located at www.finra.org/ruleconversionchart.

Endnotes

- 1 See *Information Notice 10/06/08* (Rulebook Consolidation Process: Effective Dates of New Consolidated Rules; Introduction of Rule Conversion Chart); see also *Information Notice 03/12/08* (Rulebook Consolidation Process).
- 2 The current FINRA rulebook consists of (1) FINRA Rules; (2) NASD Rules; and (3) rules incorporated from NYSE (Incorporated NYSE Rules) (together, the NASD Rules and Incorporated NYSE Rules are referred to as the Transitional Rulebook). While the NASD Rules generally apply to all FINRA member firms, the Incorporated NYSE Rules apply only to those members of FINRA that are also members of the NYSE (Dual Members). The new FINRA Rules apply to all member firms, unless such rules have a more limited application by their terms. As the Consolidated FINRA Rulebook expands with the SEC's approval and with the new FINRA Rules taking effect, the rules in the Transitional Rulebook that address the same subject matter of regulation will be eliminated. When the Consolidated FINRA Rulebook is completed, the Transitional Rulebook will have been eliminated in its entirety.
- 3 In October and November 2010, the SEC approved three FINRA proposed rule changes to adopt four new rules in the Consolidated FINRA Rulebook. See Securities Exchange Act Release No. 63150 (October 21, 2010), 75 FR 66173 (October 27, 2010) (SR-FINRA-2009-058); Securities Exchange Act Release No. 63260 (November 5, 2010), 75 FR 69508 (November 12, 2010) (SR-FINRA-2010-034); Securities Exchange Act Release No. 63325 (November 17, 2010), 75 FR 71479 (November 23, 2010) (SR-FINRA-2010-039).
- 4 See Securities Exchange Act Release No. 63150 (October 21, 2010), 75 FR 66173 (October 27, 2010) (SR-FINRA-2009-058); see also SR-FINRA-2010-066. FINRA will issue separate *Regulatory Notices* announcing the effective dates of the approved rules set forth in SR-FINRA-2010-034 and SR-FINRA-2010-039. See *supra* note 3.
- 5 FINRA updates the rule text on its online *Manual* within two business days of SEC approval of changes to the rule text.