

Customer Account Statements

FINRA Amends FINRA Rule 2231

Effective Date: January 1, 2024

Summary

FINRA has adopted amendments to Rule 2231 (Customer Account Statements) to add eight new supplementary materials pertaining to:

- ▶ compliance with Rule 4311 (Carrying Agreements);
- ▶ the transmission of customer account statements to other persons or entities;
- ▶ the use of electronic media to satisfy delivery obligations;
- ▶ compliance with Rule 3150 (Holding of Customer Mail);
- ▶ the information disclosed on customer account statements;
- ▶ assets externally held;
- ▶ the use of logos and trademarks, etc.; and
- ▶ the use of summary statements.¹

Several of these new supplementary materials are derived largely from Temporary Dual FINRA-NYSE Rule 409T (Statements of Accounts to Customers) and Temporary Dual FINRA-NYSE Rule Interpretation 409T (together, the NYSE provisions).

These changes become effective on January 1, 2024.

The amended rule text is available in [Attachment A](#).

Questions concerning this *Notice* should be directed to:

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- ▶ Sarah Kwak, Associate General Counsel, Office of General Counsel, at (202) 728-8471 or email.

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Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Risk
- ▶ Senior Management

Key Topics

- ▶ Customer Account Statements

Referenced Rules & Notices

- ▶ FINRA IM-1013-1
- ▶ FINRA IM-1013-2
- ▶ FINRA Rule 2070
- ▶ FINRA Rule 2210
- ▶ FINRA Rule 2231
- ▶ FINRA Rule 3150
- ▶ FINRA Rule 3210
- ▶ FINRA Rule 4311
- ▶ SEA Rule 10b-10
- ▶ SEA Rule 15c3-1
- ▶ SEA Rule 15c3-3
- ▶ Temporary Dual FINRA-NYSE Rule 409T
- ▶ Temporary Dual FINRA-NYSE Rule Interpretation 409T

Background & Discussion

Rule 2231 and NYSE Rule 409T govern the obligation of members to deliver account statements to customers. These rules require each “general securities member”² and each member organization carrying customer accounts, respectively, to send account statements to customers at least quarterly showing security and money positions or account activity during the preceding quarter, except if carried on a Delivery versus Payment/Receive versus Payment (DVP/RVP) basis.³ Both rules also address the requirement for account statements to advise customers to report to the firm (to both the introducing firm and clearing firm, if different) inaccuracies in their accounts in writing.⁴ Subject to some technical amendments, the provisions common in both rules, appearing in paragraph (a) through (e) under Rule 2231, remain substantively unchanged.

However, the NYSE provisions and Rule 2231 differ in some ways. Namely, the NYSE provisions address the transmission of confirmations, statements or other communications to other persons or entities subject to specified conditions and exceptions.⁵ In addition, the NYSE provisions, unlike Rule 2231, dictate the disclosures that must be made in a customer account statement,⁶ including for externally held assets,⁷ and requirements for use of third party agents, logos and trademarks, etc.,⁸ summary statements,⁹ and set forth the standards for holding mail for a customer.¹⁰ As described further below, Rule 2231 has been amended to incorporate most of these provisions without substantive change, and others with some modifications. FINRA notes that amended Rule 2231 does not alter any SEA Rule 10b-10 requirements that members may rely on for relief from certain delivery obligations of trade confirmations (e.g., the manner and frequency of delivering periodic account statements in lieu of immediate trade confirmations).¹¹

New Supplementary Materials

As described further below, the new supplementary materials remind firms of existing requirements under Rule 4311, SEC guidance on using electronic media to satisfy delivery obligations, and Rule 3150, and incorporate concepts largely derived from the NYSE provisions.

► **Supplementary Material .01 (Compliance with Rule 4311 (Carrying Agreements))**

New Supplementary Material .01 reminds firms of their obligations under Rule 4311. In general, Rule 4311(c) requires that each carrying agreement in which accounts are to be carried on a fully disclosed basis must specify the responsibilities of each party to the agreement, setting forth the minimum responsibilities that the agreement must allocate, including responsibility for preparing and transmitting statements of account to customers.¹² To emphasize the importance of accuracy and integrity of customer account statements, Rule 2231.01 reminds firms of their obligations under Rule 4311, including paragraph (c)(2).

► **Supplementary Material .02 (Transmission of Customer Account Statements to Other Persons or Entities)**

New Supplementary Material .02 incorporates aspects of NYSE Rule 409T(b) to address the transmission of customer account statements to persons or entities other than the customer.

Continuous Statement Delivery Requirement

Under new Supplementary Material .02(a), a firm may transmit customer account statements to other persons or entities where the customer has provided the firm written instructions to do so. However, subject to one limited circumstance, the firm must continue to send statements directly to the customer either in paper format or electronically. This continuous delivery requirement ensures that the customer is able to monitor and verify the transactions that have occurred in the account. This requirement accords with the Securities and Exchange Commission's (SEC) policy view in the context of the delivery of transaction confirmations to a third party (e.g., a fiduciary) that where a customer has duly waived receipt of confirmations, the customer may not waive the receipt of periodic account statements.¹³

Limited Exception to Continuous Statement Delivery Requirement

Under amended Rule 2231, a firm may cease sending account statements to the customer only where there is a court-appointed fiduciary. Specifically, under Supplementary Material .02(b), where a court of competent jurisdiction has appointed a guardian, conservator, trustee, personal representative or other person with legal authority to act on behalf of a customer, a member firm may cease sending account statements to the customer upon written instructions from such court-appointed fiduciary. The fiduciary must furnish to the member an official copy of the court appointment that establishes authority over the customer's account(s).

Customer account statements enable customers to monitor and verify the transactions occurring in the customer's account. Thus, customers may discover inaccuracies or discrepancies in their accounts, and potentially, unauthorized transactions or financially exploitative activities that have occurred in their accounts. Accordingly, Supplementary Material .02 requires the delivery of account statements except in exigent circumstances that would require the existence of a court-appointed fiduciary; such court process affords a process for an objective determination and review.

Transmission of Duplicate Customer Account Statements

Finally, Rule 2231.02(c) provides that notwithstanding Supplementary Material .02(a), a member may provide duplicate customer account statements under Rule 2070 (Transactions Involving FINRA Employees), Rule 3210 (Accounts At Other Broker-Dealers and Financial Institutions), or other similar applicable federal securities laws, rules, and regulations in accordance with the requirements of such rule.

▶ **Supplementary Material .03 (Use of Electronic Media to Satisfy Delivery Obligations)**

New Supplementary Material .03 expressly allows a member firm to satisfy its delivery obligations under the rule by using electronic media, subject to compliance with standards established by the SEC on the use of electronic media for delivery purposes.¹⁴ This provision is consistent with prior guidance FINRA has issued on the use of electronic media to satisfy delivery obligations.¹⁵

▶ **Supplementary Material .04 (Compliance with Rule 3150 (Holding of Customer Mail))**

New Supplementary Material .04 reminds member firms that they are permitted to hold customer mail, including customer account statements, subject to the requirements of Rule 3150.

Under Rule 3150, a firm may hold mail for a customer who will not be receiving mail at his or her usual address, provided that the firm receives written instructions from the customer that include the time period during which the firm is requested to hold the customer's mail, subject to the limitations stated in the rule.

▶ **Supplementary Material .05 (Information to be Disclosed on Statement)**

New Supplementary Material .05, based largely on NYSE Rule Interpretation 409T(a)/02, inclusive of note 1,¹⁶ specifies the following information to be clearly and prominently disclosed on the front of the account statement: (1) the identity of the introducing and carrying firm, if different, and their respective contact information for customer service, permitting the identity of the carrying firm and its contact information to appear on the back of the statement provided such information is in "bold" or "highlighted" letters; (2) that the carrying firm is a member of the Securities Investor Protection Corporation (SIPC); and (3) the opening and closing balances for the account.

▶ **Supplementary Material .06 (Assets Externally Held)**

New Supplementary Material .06, based largely on NYSE Rule Interpretation 409T(a)/04, provides that where the account statement includes assets that the member firm does not carry on behalf of a customer and that are not included on the member firm's books and records, such assets must be clearly and distinguishably separated on the statement. In such cases, the statement must: (1) clearly indicate that such externally held assets are included on the statement solely as a courtesy to the customer; (2) disclose that information, including valuation, for such externally held assets is derived from the customer or other external source for which the member firm is not responsible; and (3) identify that such externally held assets may not be covered by SIPC.

▶ **Supplementary Material .07 (Use of Logos, Trademarks, Etc.)**

New Supplementary Material .07, drawn from NYSE Rule Interpretation 409T(a)/05, provides that where the logo, trademark or other similar identification of a person (other than the introducing firm or carrying firm) appears on a customer account statement, the identity of such person(s) and the relationship to the introducing, carrying or other firm included on the statement must be provided and may not be used in a manner that is misleading or causes customer confusion. FINRA notes that Rule 2231.07 is consistent with the general requirements of Rule 2210 (Communications with the Public).

▶ **Supplementary Material .08 (Use of Summary Statements)**

New Supplementary Material .08, derived largely from NYSE Rule Interpretation 409T(a)/06, addresses the practice of firms, with other related financial institutions, to jointly formulate and distribute to their common customers their respective customer account statements, together with "summary statements."

Rule 2231.08(a) provides that if a multi-entity summary statement is sent to customers, it must: (1) indicate that the summary statement is provided for the customer's convenience and includes assets that may not be held by the broker-dealer; (2) indicate that the summary statement does not replace any other statement(s) the customer may receive from other financial institutions that hold the customer's assets; (3) identify each entity from which information is provided or assets being held are included, their relationship to each other (e.g., parent, subsidiary or affiliated organization), and their respective functions (introducing firm, carrying firm, fund distributor, banking or insurance product provider, etc.); (4) clearly distinguish between assets held or categories of assets held by each entity included in the summary statement; (5) identify the customer's account number at each entity and provide customer service contact information at each entity (if the

account number and customer service information at each entity are included on their respective account statements, then such information need not be included on the summary statement); and (6) identify each entity that is a member of SIPC.

Rule 2231.08(b) requires a member firm to ensure that to the extent that the summary statement aggregates the values of the various accounts summarized or portions thereof, such aggregation is recognizable as having been arithmetically derived from the separately stated totals or their components. In addition, Rule 2231.08(c) requires that a member firm distinguish the beginning and end of each separate statement (*e.g.*, summary, brokerage, mutual fund, banking, insurance, etc.) by color, pagination or other distinct form of demarcation. Further, Rule 2231.08(d) requires a member firm to ensure that there is a written agreement between the carrying firm and each other person jointly providing its respective customer account statements attesting that each such person has developed procedures and controls for reviewing and testing the accuracy of the information included on its respective statements. Finally, Rule 2231.08(e) requires a member firm to ensure that the summary statement complies with Rule 2231.

Prospective Application

Rule 2231, as amended, applies to member firms prospectively. For Rule 2231.02 in particular, a member firm that has a pre-existing arrangement, established before the effective date of the amendments, with a customer to deliver account statements to a third party would not be subject to the requirements of Rule 2231.02 solely with respect to such account until such pre-existing arrangement is modified in any manner. However, a new or existing customer that seeks to establish an arrangement with a member firm to deliver account statements to a third party on or after the effective date of Rule 2231.02 would be subject to the requirements of the new rule.

Application to NYSE Waive-In Firms

Because Rule 2231 harmonizes the prior NYSE provisions, NYSE firms that waived into FINRA membership must now comply with amended Rule 2231. To this end, the reference to Rule 2231 is deleted from IM-1013-01 (Membership Waive-In Process for Certain New York Stock Exchange Member Organizations) and IM-1013-2 (Membership Waive-In Process for Certain NYSE American LLC Member Organizations).

Endnotes

1. See Securities Exchange Act Release No. 95018 (June 1, 2022), 87 FR 34728 (June 7, 2022) (Order Approving File No. SR-FINRA-2021-024, as Modified by Amendment No. 1). For convenience, the rules and interpretations under the Temporary Dual FINRA-NYSE Member Rules Series are referred to as “NYSE Rule” and “NYSE Rule Interpretation,” as appropriate.
2. The term “general securities member” is defined in FINRA Rule 2231(d)(2) to mean “any member that conducts a general securities business and is required to calculate its net capital pursuant to the provisions of SEA Rule 15c3-1(a). Notwithstanding the foregoing definition, a member that does not carry customer accounts and does not hold customer funds or securities is exempt from the provisions of this Rule.”
3. See Rules 2231(a) and 2231(b), and NYSE Rule 409T(a).
4. See Rule 2231(a) and NYSE Rule 409T(e).
5. See NYSE Rule 409T(b).
6. See NYSE Rule Interpretation 409T(a)/02 (Information to be Disclosed).
7. See NYSE Rule Interpretation 409T(a)/04 (Assets Externally Held and Included in Statements Solely as a Service to Customers).
8. See NYSE Rule Interpretation 409T(a)/05 (Use of Logos, Trademarks, etc.).
9. See NYSE Rule Interpretation 409T(a)/06 (Use of Summary Statements).
10. See NYSE Rule 409T.10(7).
11. 17 CFR 240.10b-10.
12. 17 CFR 240.15c3-3. Rule 4311(c)(2) also provides that the carrying firm may authorize the introducing firm to prepare and/or transmit statements of account to customers on the carrying firm’s behalf with the prior written approval of FINRA.
13. In adopting amendments to SEA Rule 10b-10 in 1994, the SEC acknowledged that a customer may waive the personal receipt of an immediate confirmation where a fiduciary has discretion over the customer’s account under the following conditions: “the broker-dealer must (1) obtain from the customer a written agreement that the fiduciary receive the immediate confirmation; and (2) send to the customer a periodic report, not less frequently than quarterly, containing the same information that would have been contained in an immediate confirmation. [Citation omitted]. The customer may not waive this periodic report. [Citation omitted].” See Securities Exchange Act Release No. 34962 (November 10, 1994), 59 FR 59612, 59614 (November 17, 1994). Amended Rule 2231 is not intended to alter any such conditions or requirements.
14. SEC guidance to date on the use of electronic media generally requires the affirmative consent of the investor or customer. See Securities Act Release No. 7233 (October 6, 1995); 60 FR 53458 (October 13, 1995); Securities Act Release No. 7288 (May 9, 1996); 61 FR 24644 (May 15, 1996); and Securities Act Release No. 7856 (April 28, 2000); 65 FR 25843 (May 4, 2000).
15. See *Notice to Members 98-3* (January 1998) (stating, in part, that members are permitted to electronically transmit documents that they are required or permitted to furnish to customers under FINRA rules, provided they comply with all aspects of the SEC’s electronic delivery requirements).

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16. Note 1 to NYSE Rule Interpretation 409T(a)/02 provides that “[t]he SEC has stated that under the SEA Rule 15c3-1(a)(2)(iv), certain carrying firms must issue customer account statements, and the account statements must contain the name and telephone number of a person at the carrying firm who the customer can contact with inquiries regarding the account (See SEA Release No. 31511, dated November 24, 1992). The phone number of the carrying organization may appear on the back of the statement. If it does, it must be in ‘bold’ or ‘highlighted’ letters.”