

FINRA's New Suitability Rules Are Confusing for Brokers

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FINRA's new [suitability rule](#) took effect earlier this month. Per our prior post, the rule imposes broader obligations to oversee customer accounts and investment strategies.

At least one new requirement is causing broker-dealers some frustration, namely that "investment strategy" must be interpreted broadly to now also include recommendations to "hold" a security or securities. The problem is that while buy and sell orders can easily be tracked, hold recommendations cannot because no transaction takes place with the broker simply recommending that the client "stay the course"

The new rule does also not prescribe the manner in which a firm must document "hold" recommendations when required. Therefore, firms must come up with their own procedures.

Some broker-dealers have created "hold" tickets, while others have added "hold" sections to existing order tickets. Other firms are using emails/other communications to supervisors or customers to document the recommendations. Other ways are also welcome. As FINRA even acknowledges, firms may use any "reasonable" methods to document and supervise "hold" recommendations.

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