

## Corporate & Financial Weekly Digest

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### **Institutional Customer Suitability: New Compliance Certificate for Broker-Dealers**

As of July 9, broker-dealers must comply with the new suitability standards established by FINRA Rule 2111 (which is modeled after NASD Rule 2310). With respect to customers' institutional accounts (as defined by FINRA Rule 4512(c)), broker-dealers will be required to fulfill customer-specific suitability obligations by having: (1) a reasonable basis to believe that the institutional customer is capable of evaluating investment risks independently and (2) the institutional customer affirmatively indicate that it is exercising independent judgment in evaluating the broker-dealer's recommendations.

The Securities Industry and Financial Markets Association (SIFMA) and its members are developing a standardized certificate and client letter to assist broker-dealers in meeting the requirement to obtain a customer's affirmative indication of its exercise of independent judgment. Once they are released, broker-dealers should consider using SIFMA's standard certificate and form letter to assist them in compliance with FINRA Rule 2111. If clients would like assistance in drafting such a certificate and letter, they should contact our [Financial Services Practice](#).

Click [here](#) to read FINRA Rule 2111.

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