CORRESPONDENCE TRAINING MODULE
Correspondence – The Basics

- What is Correspondence? Any securities related communication (concerning the Representative or Firm’s accounts, products or services offered by the firm) that is written or electronic to or from a single current or prospective client transmitted by any method, including but not limited to:
  - Mail (e.g. USPS)
  - Email
  - Fax
  - In Person

- Courier Service

- What is not Correspondence?
  - Previously approved Retail Communications (e.g. Form letters, newsletters, websites, etc)
  - Copies of vendor or Firm paperwork/forms
  - Communications not related to Firm accounts, products or services (e.g. birthday greetings or sympathy notes)
  - Communications solely related to approved Outside Business Activities

- Regulatory Requirements - FINRA Rule 3110(b)(4) – Review of Correspondence and Internal Communications

The following requirements must be met to comply with FINRA Rule 3110:

- Supervision of Registered Associated Persons (RAPs)
  - Timely Review by a Supervisor of incoming/outgoing written/electronic correspondence of APs (Email is currently monitored by the Home Office)
  - Post use Supervisor approval is only allowed if training is provided (this training module serves that purpose)
  - Supervisor must endorse correspondence to evidence review (hardcopy or via electronic means)
• AP name and Supervisor who reviewed the material must be part of record
• Date of Supervisor review required as part of record
• Supervisor must note any actions taken, as a result of any significant regulatory issues, which may be documented on the correspondence,

❖ All Associated Persons (APs) must read the Firm’s required annual guides/manuals to understand standards related to Correspondence

Recordkeeping

▪ OSJ/Branch Office Incoming and Outgoing Correspondence Files Must:
  o Be maintained in chronological Order
  
  o Include evidence of Supervisor review by initialing and dating each piece of incoming and outgoing correspondence
  
  o Include evidence of any corrective measures in the Correspondence files including calling customers, sending revised/corrected communications, etc.
  
  o Be maintained for six (6) years

Inappropriate Content – *The Danger Zone*

Specific and detailed guidance related to appropriate versus inappropriate correspondence content may be found in the current Compliance Guide in the section on *Communications With The Public*. The following is not an all-inclusive list of issues all APs should avoid when drafting correspondence:

▪ False, exaggerated, misleading statements
▪ Predictions, projections, “guarantees”
- Using items marked “Not for client use, Internal/BD Use Only or Financial Professional or Adviser Use Only” with the public
- Unbalanced and incomplete representations of products and/or services
- Accepting orders through email
- Past performance implying future results
- Product comparisons that are inadequate, misleading and/or unbalanced
- Descriptions that are superlative in nature (e.g. best, greatest, excellent, unique)
- Providing tax or legal advice (any advice given as part of an approved outside business activity must be clear that is not being given through the Firm.)
- Misuse of copyrighted material (Including photocopies)
- Missing source disclosure for statistics, quotes, research, statements, etc.
- The use of performance information, such as Morningstar reports
- Guaranteeing a client against loss; sharing in the profits or losses
- Infer or imply that products are offered by anyone other than the broker dealer including through a Financial Institution or doing-business-as (DBA) name /Private Label/Marketing Name entity
- Missing “Letterhead” BD disclosure on all items including emails
- Infer or imply guarantees by FDIC, NCUA, SIPC, Firm, any Federal Agency, or insurance company
- Recommendations of specific investment products without reference to an enclosed prospectus.
Red Flag Issues

The following issues are important for all APs to be aware of, but Supervisors must also remain diligent in identifying these red flag issues when reviewing incoming and outgoing correspondence. They include but are not limited to:

- Receipt of, or response to a client complaint
- Improper use of funds and securities (e.g., borrowing from/to clients, misappropriation)
- RAP is not properly registered to offer product
- RAP is not properly registered in client’s state of residence
- Assistants performing RAP functions (i.e., soliciting, providing advice, assessing suitability)
- Use of confidential, non-public information, or insider trading
- Selling away/private securities transactions
- Dealing in prohibited or suspended products
- Outside business activities not previously disclosed to the Firm
- Receipt of cash
- False quotations relating to securities
- False buy/sell confirms or statements not generated by custodian
- Privacy breach, sharing personally identifiable information (PII) when not authorized to do so, or displaying or sending PII in an unsecure manner
- Unapproved discretionary activity
- Unsuitable recommendations to clients
- Use of non-approved stationary
- Use of non-approved email address
- Physical addresses not registered with the Firm (possible unregistered location)
- Fax machine or phone numbers unfamiliar to the Supervisor (possible unregistered locations)

**Correspondence That Requires Prior Approval By The Home Office**

- Response to a complaint (whether the complaint is written or oral)
- Notice that serves to sever a client-Representative relationship
- All forms of Retail Communications

**Email Policies**

- Must use a Firm approved email address (including DBA accounts)
- Same correspondence content standards apply to email as they apply to hardcopy correspondence
- Broker Dealer disclosure must be included on email if used with the public
- Must use encryption tool when sending PII (include the word <secure> in angle brackets in the Subject field)
- Email is retained and monitored by Home Office Principals
- APs are prohibited from sending or forwarding any emails for which the primary purpose of the email relates to commercial advertisement or promotion of a commercial product or service.
Benefits of using email versus hardcopy correspondence:

- Does not need to be routed to your Supervisor for approval (unless it triggers pre-approval for another reason)
- Delivery of disclosure documents, such as prospectus, Form ADVs, or any disclosure documents that does not contain client PII if the client has opted for eDelivery.
- Automatically retained for books and records purposes

Mail Opening Procedures

APs opening mail must be properly trained to escalate red flags.

Examples of potential red flag issues:

- Customer checks payable to RAPs/DBAs
- Proper blottering and handling of checks and securities
- Client complaints
- RAPs making guarantees
- Products/Services not offered through the Firm
- Unapproved Outside Business Activities
- Receipt of cash or money orders
- Unregistered locations being used for securities purposes
- Unapproved email addresses being used for securities purposes
For IARs Only: If IAR receives securities (stock certificates) or checks made payable to the Firm (unless payable to the Firm for consulting fees), they must be promptly returned to the client. See IAR Compliance Guide for more details on proper handling to avoid “custody”

**Escalation Process**

- RAPs and administrative staff must promptly escalate red flag issues found during mail opening to Supervisor and/or Home Office

**Correspondence Submission**

- Supervisors in the field must submit all incoming and outgoing securities-related correspondence to the Home Office within five (5) business days from the date the correspondence and internal communication are sent or received.

- RAPs reporting to field Supervisors or a Home Office Principal must submit all incoming and outgoing securities-related correspondence to their Supervisor within five (5) business days from the date the correspondence are sent or received, or earlier as requested by Supervisor.

- Supervisors are required to review the correspondence within five (5) business days of receipt.

- As all email is reviewed by the Home Office, no submission is required.