

Outside Personal Securities Accounts

From Tim Halevan, Chief Compliance Officer, CUNA Brokerage Services, Inc.

Last summer the SEC approved a FINRA proposal to adopt FINRA Rule 3210 which governs accounts established by associated persons through firms outside of their broker-dealer. The new rule will replace NASD Rule 3050 and NYSE Rule 407 and is scheduled to take effect April 3, 2017.

The new Rule establishes requirements for accounts where the Associated Person has a beneficial interest in certain family-related accounts.

Obligations of Associated Persons – New Accounts

The rule requires associated persons to obtain written approval from CBSI prior to establishing a securities investment account for which they have a beneficial interest through another broker-dealer or financial institution.

A person has a beneficial interest in, and is presumed to have established, any account that is held by:

- (a) the spouse of the associated person;
- (b)) a child of the associated person or of the associated person's spouse, provided that the child resides in the same household as or is financially dependent upon the associated person;
- (c) any other related individual over whose account the associated person has control; or
- (d)) any other individual over whose account the associated person has control and to whose financial support the associated person materially contributes.

Associated persons must notify the executing broker-dealer or other financial institution in writing of their association with CBSI.

Obligations of Associated Persons – Accounts Opened Prior to Association

If an account was established prior to association with CBSI, the associated person has 30 days to obtain the written approval of CBSI to maintain the account and must notify the executing broker-dealer in writing of his or her association with CBSI.

Procedures – Opening or Maintaining Outside Securities Accounts with Other Broker-Dealers

- New associated persons provide written notice of existing outside securities accounts to CBSI in response to their Field Compliance Manager's "Welcome Email". Instructions will be provided within the Welcome Email.
- Existing associated persons provide written notice of their intent to open a new outside securities account via the [Outside Business Activity and Outside Personal Securities Accounts Form](#). Please use

the Outside Business Activity and Outside Personal Securities Accounts Form if reporting an account for the first time as a result of this Compliance communication and the new requirements.

- CBSI provides written approval to the associated person to open a new outside securities account or to maintain an existing outside securities account. A new outside securities account cannot be established until CBSI approval is obtained.
- CBSI requests duplicate copies of confirmations and statements from the other broker-dealer.

The term “**Associated Person**” will include all:

- FINRA Registered Persons
- Program Coordinators
- Fingerprinted Home Office Staff

Accounts Not Subject to the Rule

The requirements of Rule 3210 do not apply to accounts solely in:

- Unit Investment Trusts
- Municipal Fund Securities as defined under MSRB Rule D-12
- Qualified Tuition Programs under Section 529 of the Internal Revenue Code
- Mutual Funds and Variable Annuities held directly with the issuer

Note – if an account allows investments outside of these exceptions, the account will need to be approved/disclosed.

FINRA Rule 3210 is intended to work closely with FINRA Rule 3110(d). Rule 3110(d) requires a firm’s supervisory procedures to include a process for reviewing securities transactions to identify trades that may violate the Exchange Act or FINRA rules prohibiting insider trading, market manipulation and/or deception.

All associated persons will be asked to follow the notification guidelines shown above when establishing new accounts or notifying the firm of accounts established prior to association. Associated persons shouldn’t wait for the annual compliance questionnaire to provide notice of outside accounts, as waiting for the questionnaire could place the associated person and CBSI out of compliance, which could in-turn lead to disciplinary measures.

Please contact your Supervising Principal or the CBSI Compliance Department with any questions regarding this communication. You may reach the CBSI Compliance Department by calling 800-356-2644 Ext. 483-1927.

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