

## **FREE SERIES 26 KEY FACTS**

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- FINRA rules require a broker/dealer firm have at least two registered principals; one to supervise financial operations and one to supervise registered representatives.
- The residence of an RR is not considered to be a branch office as long as there is no advertising indicating that securities transactions are conducted there.
- A listing or advertisement in a telephone directory indicates that a location is a branch office.
- Any supervisory branch office or OSJ is subject to an internal inspection by the firm once each year.
- Non-supervisory branch offices must be inspected by the firm once every three years.
- Copies of customer complaints must be kept for three years at the firm's OSJ.
- If a complaint is filed against a RR, one is often also filed against their supervisor for failure to supervise.
- Under the Code of Procedure, an offer of settlement may be made only by the respondent.
- A RR who has been suspended by FINRA may be paid commissions earned prior to the time the suspension took effect.
- Although a registered principal may be suspended from acting in that capacity, they may be able to perform the duties of a RR.
- An OSJ may not be supervised by a RR, regardless of how much experience they have.
- A broker/dealer firm's home office must be inspected by FINRA once every 2 years.
- CEOs of broker/dealer firms must certify that their firm is in compliance with FINRA rules at least once a year.
- The CEO of a broker/dealer firm may also serve as its Chief Compliance Officer.
- The maximum fine for a Minor Rule Violation is \$2,500 and censure.
- An OSJ must be supervised by a registered principal.
- Appeals under the Code of Procedure must be filed within 25 days.
- A Supervisory Branch Office could be supervised by an experienced RR.

- A FINRA arbitration panel must render a written decision within 60 days.
- Filing a lawsuit takes more time and costs more money than filing for arbitration.
- Arbitration decisions are final, binding and cannot be appealed.
- Disputes between member firms and their RRs must be submitted to arbitration.
- A mediator cannot serve on an arbitration panel regarding a matter they mediated.
- Any dispute involving \$25,000 or less is eligible for simplified arbitration. There is no dollar limit on the amount of a dispute that is eligible for regular arbitration.
- In the absence of a signed arbitration agreement, member firms cannot force a customer to arbitrate a dispute, but customers may force the firm to arbitrate.
- Claims must be submitted to arbitration within 6 years.
- Under the Insider Trading Act, the SEC may pay bounties to informants of up to 10% of any civil penalty collected.
- The maximum penalty that may be levied under the Insider Trading Act is 20 years in prison and 3 times the profits made or losses avoided, or \$1,000,000 whichever is more.
- Regulation FD (Fair Disclosure) ensures that the public has access to securities information that the issuer selectively discloses to its shareholders, either intentionally or unintentionally.
- RRs must have the permission of their firm before engaging in private securities transactions.
- Fiduciary information may not be used when trading securities.
- RRs must notify their firm before engaging in outside business activities.
- Duplicate copies of trade confirmations are sent only upon request.
- Customer records must be kept at the branch office where the account is maintained and at its supervising OSJ.
- FINRA rules require that the address and phone number of an RR's branch office or OSJ appear on their business cards, letterhead and/or telephone listing.
- Broker/dealer firms must deliver a copy of a signed pre-dispute arbitration agreement within 10 business days of a customer's request.
- All securities business related activities of an RR must be supervised by a registered principal.