

New FINRA Equity and Debt Research Rules

August 27, 2015

The Financial Industry Regulatory Authority (“**FINRA**”) has adopted amendments to its **equity research rules** and an entirely new **debt research rule**. Member firms should review and revise their policies, procedures and processes to reflect the new rules, and analyze what organizational structure and business process changes will be necessary.

The main differences between FINRA’s Current Equity Rules and the New Equity and Debt Rules (as defined below) are outlined in the **attached chart**. Highlights include:

- **Blackout Periods.** The blackout periods during which firms may not publish or distribute equity research reports and equity analysts may not make public appearances relating to the issuer will be significantly shortened: the current 40-day blackout period for IPOs will be reduced to a minimum of 10 days after the completion of the offering for any firm that participated as an underwriter or dealer; the current 10-day blackout period for secondary offerings in which a firm participated as a manager or co-manager will be reduced to a minimum of three days after the completion of the offering; and the blackout period around the time of lock-up expiration will be eliminated.¹ The Debt Rule does not provide for any research or public appearance blackout periods for debt research;
- **“Policies and Procedures” Approach.** The rules require firms to adopt written policies and procedures incorporating specific elements. It will be deemed a violation of the rules if an associated person engages in conduct that is prohibited or restricted under a firm’s required policies and procedures;
- **Exemption for Institutional Debt Research.** Debt research provided solely to certain eligible institutional investors will be exempted from many provisions of the Debt Rule, *provided* that certain disclosure and other requirements are met;
- **Prepublication Review.** Investment Banking (“**IB**”) personnel will no longer be able to conduct prepublication review for factual verification for either equity or debt research;
- **Compensation.** Both rules will extend the Current Equity Rules’ prohibition on basing analyst compensation on specific IB transactions or contributions to the firm’s IB business; the Debt Rule will also prohibit the consideration of specific trading transactions or contributions to the firm’s principal trading activities;
- **Disclosure.** Both rules will require firms to establish policies and procedures to ensure that purported facts in research reports are based on reliable information and expand the current “catch all” disclosure to cover material conflicts of interest known by any associated person of the firm with the ability to influence the contents of a research report;
- **Information Barriers.** Both rules will explicitly require firms to maintain information barriers or other safeguards reasonably designed to ensure research analysts are insulated from the review, pressure or oversight by persons who might be biased in their judgment or supervision, including IB and sales and trading personnel, and, in the case of the Debt Rule, principal trading personnel;

¹ Under both the Current and New Equity Rules, the blackout periods do not apply following the IPO or secondary offering of the securities of an emerging growth company (“**EGC**”).

- **Annual Attestation.** The current research-specific annual attestation requirement will be eliminated;
- **Retaliation.** Both rules will extend the current anti-retaliation prohibition to employees other than IB personnel; and
- **Exemptive Authority.** FINRA will have the authority to exempt firms from any of the requirements for “good cause.”

Background

FINRA’s current research rules, NASD Rule 2711 and Incorporated NYSE Rule 472 (together, the “**Current Equity Rules**”) apply only to member firms’ *equity* research reports and activities. As part of its ongoing rulebook consolidation project, FINRA has combined its Current Equity Rules into a single rule and also codified several existing FINRA interpretations in new **FINRA Rule 2241** (the “**New Equity Rule**”). In doing so, FINRA has taken the opportunity to make the rule somewhat less prescriptive by utilizing a “policies and procedures” approach, and to relax some elements that have come to be viewed as unnecessarily burdensome.

FINRA has also achieved its long-stated objective of establishing a debt research rule. **New FINRA Rule 2242** (the “**Debt Rule**”) carries over most requirements in the Current Equity Rules, but with modifications. Notably, the Debt Rule will apply a tiered approach to certain requirements. Debt research provided solely to certain eligible institutional investors will be exempted from most of the provisions regarding supervision, coverage determinations, budget and compensation determinations and all of the disclosure requirements, *provided* that the research reports contain a front page “health warning” disclosure and the firm establishes policies and procedures to ensure that such research is available only to eligible institutional investors who agree (or, in some cases, are deemed to agree) to receive reports that are prepared without these safeguards. The Debt Rule will supplant the Securities Industry and Financial Markets Association’s voluntary “guiding principles” concerning fixed income research, which firms have adopted to varying degrees.

Both the New Equity Rule and the Debt Rule, which were approved by the SEC on July 16, 2015 (approval orders available [here](#) and [here](#)), codify certain existing guidance under the Current Equity Rules. The new rules do not supersede the “Global Research Settlement,” which imposes on many of the largest broker-dealers a structural separation between IB and equity research units. Nor do the new rules impact the obligations of firms under SEC Regulation AC, which, among other things, requires securities research analysts to certify the truthfulness of the views they express in research reports and public appearances.

Registration of Research Analysts

As part of the rule changes, FINRA has modified the definition of “research analyst” in FINRA’s research analyst registration rules (NASD Rule 1050 and Incorporated NYSE Rule 344, Supplementary Material .10) to limit it to associated persons whose primary job function is to provide investment research and who are primarily responsible for the preparation of the substance of a research report or whose name appears on a research report. This provides relief for persons who prepare equity research reports only on an occasional basis. The Debt Rule does not include any specific qualification requirements for debt research analysts, but FINRA notes that it is considering the issue.

Effective Dates

The Debt Rule becomes effective on **February 22, 2016**.

Most of the provisions of the New Equity Rule become effective on **December 24, 2015**. However, certain provisions of the New Equity Rule become effective on **September 25, 2015**, including:

- the new, shorter blackout periods;
- the elimination of the research-specific annual attestation requirement; and
- the modification of the “research analyst” definition in FINRA’s research analyst registration rules.

Impact of New Rules

The new rules will have a significant impact on those member firms that produce research, particularly multiservice banks. For example:

- Those firms that produce debt research and distribute it to retail and nonconsenting institutional investors (and thus are not able to avail themselves of the Debt Rule's exemption for institutional debt research) will need to design and implement new compliance policies, procedures, processes and written supervisory procedures and training and education programs, and in some cases, reengineer certain reporting lines—all of which will have implications for their research, IB, principal trading ("PT"), sales and trading ("S&T") and compliance departments and personnel. The Debt Rule distinguishes PT personnel from S&T personnel and imposes stricter restrictions on the former due to a perception of a greater potential for conflicts of interest between those persons and debt research analysts;
- Those firms that produce debt research but limit its distribution to eligible institutional investors will be subject to a lighter touch set of requirements, but will still need to establish a number of new policies and procedures and written supervisory procedures and potentially modify reporting lines and organizational structures—both to ensure that such research is available only to eligible and consenting (or deemed consenting) institutional investors and to address certain aspects of the Debt Rule, such as a general prohibition on prepublication review by IB, PT and S&T personnel and a requirement that firms have barriers between research and IB, PT and S&T personnel, that apply regardless of the institutional debt research exemption; and
- Firms that produce equity research will need to analyze and modify their existing policies, procedures and processes and their written supervisory procedures and also establish new training and education programs.

The new rules, and their important differences from the Current Equity Rules, are summarized in the attached chart.

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Comparison of Current Equity, New Equity and Debt Rules

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
Mandatory Policies and Procedures to Identify and Manage Conflicts of Interest				
1	Mandatory written policies and procedures to identify and manage conflicts of interest relating to research reports, public appearances, the interaction between research analysts (“ Analysts ”) and those outside the research department and other specified matters. ¹	Not explicitly	Yes	Yes ²
Institutional Investor Exemption				
2	Exemption for research reports ³ provided solely to certain institutional investors in certain circumstances.	No	No	Yes ⁴
Restrictions on Relationship with Research Department				
3	Prohibition on supervision or control of, and influence regarding compensation evaluation of, Analysts by IB department and personnel.	Yes	Yes	Yes, and supervision / control prohibition also applies to PT and S&T; compensation input prohibition also applies to PT

¹ FINRA has clarified that it expects that the written policies and procedures required under the New Equity Rule and the Debt Rule should be reasonably designed to identify and effectively manage *emerging* conflicts of interest that may arise as a result of business changes, such as new research products, affiliations and distribution methods.

² For purposes of the Debt Rule, a “debt security” excludes any equity security, municipal security and security-based swap (each as defined in the Exchange Act) and any U.S. Treasury (as defined in FINRA Rule 6710(p)).

³ The New Equity Rule excludes from the definition of “research report” communications concerning mutual funds, among other things.

⁴ The Debt Rule exempts “**Institutional Debt Research**” distributed to qualified institutional investors from the requirements that otherwise apply to debt research described in this table, *other than those marked with an asterisk (*)*. This exemption will allow members to distribute Institutional Debt Research to qualified institutional buyers (“**QIBs**”) where: (1) there is a reasonable basis to believe the QIB is capable of evaluating investment risks independently, and (2) the QIB has affirmatively indicated that it is exercising independent judgment in evaluating the member’s recommendations pursuant to FINRA Rule 2111, and such affirmation covers transactions in debt securities, *provided* that the member has provided written disclosure to the QIB that the member may provide debt research reports that are intended for institutional investors and that are not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors. If a QIB does not object to receiving Institutional Debt Research, the member may reasonably conclude that the QIB has consented to receiving it, thus conditionally permitting a *negative consent* process for QIBs. Certain other institutional accounts that do not meet these standards *may affirmatively elect* in writing to receive such Institutional Debt Research. A member will also be required to attach certain disclosures as a front page health warning on Institutional Debt Research and establish policies and procedures reasonably designed to ensure that such research is made available only to eligible institutional investors. To avoid a disruption in the receipt of Institutional Debt Research, members will be permitted to send Institutional Debt Research to certain institutional accounts (except natural persons) without affirmative or negative consent until July 16, 2016 while they obtain the necessary consents.

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
4	Restriction on internal prepublication review.	General prohibition on review by all non-research / legal / compliance personnel	General prohibition on review by IB; flexibility regarding restrictions or general prohibition on review by other non-research, non-legal and non-compliance personnel	General prohibition on review by IB,* PT and S&T; flexibility regarding restrictions or prohibition on review by other non-research, non-legal and non-compliance personnel
5	Exception from internal prepublication review restriction for factual verification.	Generally available, subject to chaperoning and documentation requirements	Available for non-IB personnel only, subject to limitations and requirements ⁵	Available for non-IB, non-PT, and non-S&T personnel only, subject to limitations and requirements ⁶
6	Input into research coverage decisions by IB personnel restricted or limited.	Under a FINRA interpretation, IB personnel may not make final coverage decisions ⁷	Yes	Yes, PT and S&T personnel also restricted / limited
7	Requirement that research department budget be determined by senior management, excluding senior management involved in IB activities.	FINRA interprets Current Equity Rules as prohibiting IB personnel from making research budget determinations ⁸	Yes	Yes, and senior management involved in PT activities also excluded

⁵ Under the New Equity Rule, a research report may be provided to non-IB personnel for factual verification as long as: (1) the sections of the report submitted do not contain the research summary, the research rating or the price target; (2) a complete draft of the report is provided to legal or compliance personnel before sections of the report are submitted to the non-IB personnel; and (3) written authorization from legal or compliance personnel is obtained before changing the report after such factual review. In addition, a firm must specify in its policies and procedures the circumstances, if any, where prepublication review by other non-research (and non-IB) personnel would be permitted as necessary and appropriate (e.g., where administrative personnel review a research report for formatting).

⁶ Under the Debt Rule, a research report may be provided to non-IB, non-PT and non-S&T personnel for factual verification as long as: (1) the sections of the report submitted do not contain the research summary, recommendation or rating; (2) a complete draft of the report is provided to legal or compliance personnel before sections of the report are submitted to the non-IB, non-PT and non-S&T personnel; and (3) written authorization from legal or compliance personnel is obtained before changing the report after such factual review. In addition, a firm must specify in its policies and procedures the circumstances, if any, where prepublication review by other non-research (and non-IB) personnel would be permitted as necessary and appropriate (e.g., where administrative personnel review a research report for formatting).

⁷ See 79 FR 69939, 69943 (Nov. 24, 2014) (hereinafter, the “**New Equity Rule Proposal**”).

⁸ See New Equity Rule Proposal at p.66943.

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
8	Mandatory information barriers or other safeguards reasonably designed to ensure Analysts are insulated from the review, pressure or oversight by persons who might be biased in their judgment or supervision.	Not explicitly	Yes, and must, at a minimum, have barriers between research and IB personnel, and other personnel, including S&T, who might be biased in their judgment or supervision	Yes, and must, at a minimum, have barriers ⁹ between research and IB, S&T and PT personnel and others who might be biased in their judgment or supervision* ¹⁰
9	Prohibition on due diligence by Analyst in presence of IB personnel prior to selection of underwriters for an IB transaction.	No	Yes ¹¹	Yes
10	Prohibition on Analysts communicating with current or prospective customers about an IB transaction in presence of IB personnel or company management.	Yes	Yes	Yes*
Restrictions on Communication with a Subject Company				
11	Prohibition on subject company prepublication review, except for factual verification, if certain conditions are met. ¹²	Yes	Yes	Yes*
12	Requirement that any notice to a subject company of an intended ratings change occur after the close of trading on the business day before the ratings change announcement.	Yes	No	No

⁹ The Debt Rule will require policies and procedures that specifically prohibit: (1) S&T and PT personnel attempting to influence a debt Analyst's opinion or views for the purpose of benefiting the trading position of the firm or customers; and (2) debt Analysts identifying or recommending specific potential trading transactions to S&T or PT personnel that are inconsistent with the Analyst's currently published debt research reports, or disclosing the timing of, or material investment conclusions in, a pending debt research report. The Debt Rule will also permit certain communications between Analysts and S&T and PT personnel, such as allowing Analysts to seek from S&T and PT personnel certain market information relevant to the Analyst's valuation of a particular debt security.

¹⁰ Although firms relying on the Institutional Debt Research exemption will have to establish barriers reasonably designed to ensure Analysts are insulated from *pressure* by certain non-research personnel, they will not be required to establish barriers reasonably designed to insulate Analysts from *review* and *oversight* by certain non-research personnel.

¹¹ Among other things, the JOBS Act prohibits FINRA from restricting an Analyst from participating in any communications with the management of an EGC that is also attended by another associated person of a broker-dealer whose functional role is other than as an Analyst. FINRA has clarified that it intends to interpret the prohibition on joint due diligence in the New Equity Rule to apply only to the extent that such prohibition is not contrary to the JOBS Act. For instance, FINRA would not interpret the prohibition to apply where the joint due diligence activities involve a communication with the management of an EGC that is attended by both the Analyst and an investment banker.

¹² Under the Current Equity Rules, the New Equity Rule and the Debt Rule, a research report may be provided to the subject company for factual verification as long as: (1) the sections of the report submitted do not contain the research summary and certain other information; (2) a complete draft of the report is provided to legal or compliance personnel before sections of the report are submitted to the subject company; and (3) written authorization from legal or compliance personnel is obtained before changing the report after such factual review.

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
13	Prohibition on Analysts participating in pitches and other solicitations of IB business, with an exception for EGC IPOs.	Yes	Yes	Yes, but no exception for EGCs*
14	Prohibition on Analysts participating in road shows related to an IB services transaction. ¹³	Yes	Yes, also prohibits participating in “other marketing” on behalf of an issuer related to an IB services transaction	Yes, also prohibits participating in “other marketing” on behalf of an issuer related to an IB services transaction*
15	Prohibition on IB directing an Analyst to: (1) engage in sales or marketing related to IB transactions, or (2) communicate with current or prospective customers about IB transactions.	Yes	Yes	Yes*
16	Requirement that Analyst communications related to IB transactions be fair, balanced and not misleading.	Yes	Yes	Yes
Restrictions on Analyst Compensation				
17	Prohibition on basing Analyst compensation on specific IB transaction or contributions to IB business.	Yes	Yes	Yes, and prohibits considering specific trading transactions and contributions to PT activities
18	Requirement that Analyst compensation be annually approved by a committee having specific reporting lines and composition, and which must consider specified factors.	Yes. IB personnel may not be represented on committee	Yes. IB personnel may not be represented on committee	Yes. IB and PT personnel may not be represented on committee
Prohibition on Promise of Favorable Research				
19	Prohibition on promise of favorable research as inducement for receipt of business or compensation. ¹⁴	Yes	Yes	Yes*

¹³ For purposes of the New Equity Rule and the Debt Rule, the list of activities constituting “investment banking [IB] services” has been expanded to include all acts in furtherance of a public or private offering on behalf of an issuer.

¹⁴ Under the New Equity Rule and the Debt Rule, members will be prohibited from including in pitch materials any information about their research capacity that suggests, directly or indirectly, that the member might provide favorable research coverage, codifying FINRA’s interpretation of the Current Equity Rules. See [Notice to Members 07-04](#).

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
Blackout Periods				
20	Blackout period during which the member must not publish or otherwise distribute research reports and Analysts must not make public appearances relating to the issuer, with EGC and other exceptions.	40 days if acting as manager / co-manager of IPO; 25 days if participating as other underwriter / dealer in IPO; 10 days if acting as manager / co-manager of secondary offering; 15 days before and after the expiration, waiver or termination of a lock-up agreement	Firm policies must provide the following minimum blackout periods: 10-day if participating as underwriter / dealer in IPO; 3-day if acting as manager / co-manager of secondary offering / no required blackout around time of lock-up expiration ¹⁵	No blackout periods
Termination of Coverage				
21	Notification requirement for termination of coverage of a subject company.	Yes	Yes	No
Restrictions on Personal Trading by Analysts				
22	Restrictions on Analyst purchasing or selling securities issued by a company that Analyst follows (or related options / derivatives).	Explicit prohibition on Analyst trading such securities within specified periods around the publication of a research report on the company, rating or price target change, subject to exceptions including for investments in registered diversified investment companies and certain other investment funds and for transactions in personal financial hardship circumstances	Mandatory policies and procedures restricting Analyst trading in such securities and any fund whose performance is materially dependent upon the performance of such securities	Mandatory policies and procedures restricting Analyst trading in such securities and any fund whose performance is materially dependent upon the performance of such securities

¹⁵ The blackout periods under the New Equity Rule go into effect following “the date of” an offering, which FINRA interprets to mean the later of the effective date of the registration statement or the first date on which the securities were bona fide offered to the public (as is the case under the Current Equity Rules).

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
23	Mandatory policies and procedures that ensure Analyst accounts, supervisors of Analysts and associated persons able to influence the content of a research report ¹⁶ do not benefit in their trading from knowledge of the content or timing of a research report.	Not explicitly	Yes	Yes
24	Prohibition on Analyst purchasing or receiving securities before an IPO if issuer is principally engaged in the same business as companies that Analyst follows.	Yes, subject to exceptions for investments in registered diversified investment companies and certain other investment funds	Yes	No
25	Prohibition on Analyst purchasing or selling any security (or related options / derivatives) in a manner inconsistent with recommendation, subject to exceptions.	Yes, subject to exceptions for investments in registered diversified investment companies and certain other investment funds and for transactions in personal financial hardship circumstances	Yes, and permits financial hardship exceptions as long as policies define financial hardship circumstances	Yes, and permits financial hardship exceptions as long as policies define financial hardship circumstances
26	Pre-approval required for certain transactions of persons who oversee Analysts.	Yes	No, but see Row 23	No, but see Row 23
Disclosures				
Mandatory Disclosures in Research Reports				
27	If Analyst or member of household has financial interest in subject company's securities (including certain derivatives) and nature of such interest.	Yes	Yes	Yes
28	If member or its affiliate have financial interest in subject company's securities.	Yes, if beneficially own 1% or more of any class of equities of the subject company	Yes, if beneficially own 1% or more of any class of equities of the subject company	No, but see Row 35

¹⁶ Under the New Equity Rule and the Debt Rule, an associated person with the ability to influence the content of a research report is an associated person who is required to review the content of the research report or has exercised authority to review or change the research report prior to publication or distribution. However, the term does not include legal or compliance personnel who may review a research report for compliance purposes but are not authorized to dictate a particular recommendation, rating or price target.

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
29	If Analyst received compensation based on (among other factors) the firm's IB revenues.	Yes	Yes	Yes, and compensation based on S&T and PT revenues
30	If Analyst received compensation from the subject company in the past 12 months.	Yes	Yes	Yes
31	If member or affiliates (1) managed or co-managed a public offering for subject company in past 12 months, (2) recently received compensation for IB services from subject company in past 12 months or (3) expect to receive or seek compensation for IB services from subject company in next 3 months.	Yes	Yes	Yes
32	If member or affiliates received compensation for products or services other than IB services from subject company in past 12 months.	Yes, to the extent Analyst or employee with ability to influence report knows ¹⁷	Yes ¹⁸	Yes ¹⁹
33	If subject company is, or during past 12 months was, a client of the firm, and if so, the types of services provided.	Yes, to the extent Analyst or employee with ability to influence report knows	Yes	Yes
34	If Analyst or member of household serves as an officer, director or advisory board member of subject company.	Yes	Not explicitly, but would be a material conflict that must be disclosed under requirement described in Row 36 ²⁰	Not explicitly, but would be a material conflict that must be disclosed under requirement described in Row 36 ²¹

¹⁷ Disclosure of whether an affiliate of the member received compensation for products or services other than IB services from the subject company in the past 12 months is also required where the Analyst or member has reason to know of such compensation, unless the member has implemented policies and procedures reasonably designed to prevent the Analyst and employees of the member with the ability to influence the substance of a research report from directly or indirectly receiving information from the affiliate as to whether the affiliate received such compensation.

¹⁸ New FINRA Rule 2241.04 and new FINRA Rule 2242.04 state that a member may satisfy this disclosure requirement with respect to the receipt of non-IB compensation by an affiliate by implementing policies and procedures reasonably designed to prevent the Analyst and associated persons with the ability to influence the content of research reports (see note 16 for the definition of this term) from directly or indirectly receiving information from the affiliate as to whether the affiliate received such compensation. However, a member must disclose receipt of such non-IB compensation received in the past 12 months when the Analyst or an associated person with the ability to influence the content of a research report has actual knowledge that an affiliate received such compensation during that period.

¹⁹ See note 18. In addition, the Debt Rule provides a limited exception relating to compensation from a foreign sovereign received by a non-U.S. affiliate, subject to implementing specified written policies and procedures.

²⁰ See New Equity Rule Proposal at p.69946 n.59.

²¹ See 79 FR 69905, 69914 n.82 (Nov. 24, 2014) (hereinafter, the "Debt Rule Proposal").

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
35	If member was making a market in subject company's securities when report was published.	Yes	Yes	No, although disclosure required if firm trades or may trade as principal in debt securities (or related derivatives) that are subject of report
36	Any other material conflict of interest the Analyst knows or has reason to know at time of publication of the report.	Yes	Yes, and any conflict that an associated person of the member with the ability to influence a research report knows or has reason to know	Yes, and any conflict that an associated person of the member with the ability to influence a research report knows or has reason to know
37	Certain disclosures not required if disclosure would reveal certain material non-public information.	Yes	Yes	Yes
Other Research Report Disclosure Requirements				
38	Mandatory policies and procedures reasonably designed to ensure purported facts in reports are based on reliable information.	Not explicitly	Yes	Yes
39	If a report contains a price target, must disclose valuation methods used and risks that may impede achievement of price target. Price targets must have a reasonable basis.	Yes	Yes, and requirements also apply to any recommendation or rating	No, but requirements apply to any recommendation or rating
40	If a report contains a rating or price target, and member has assigned a rating or price target to subject company's securities for at least 1 year, the report must show over a specified period the security's daily closing prices, the ratings or price targets assigned, and the dates ratings or price targets were assigned.	Yes, information must be in the form of a line graph	Yes, information must be in the form of a line graph	Yes, with modifications ²²
41	Required disclosures must be on front page of research reports or front page must refer to page on which disclosures are found. Disclosures and references to disclosures must be clear, comprehensive and prominent.	Yes	Yes, electronic reports may provide a hyperlink to required disclosures	Yes, electronic reports may provide a hyperlink to required disclosures

²² Under the Debt Rule, if a report limited to the analysis of an issuer of a debt security contains a rating for the subject company, and the member has assigned a rating to such subject company for at least one year, the report must show each date on which a member has assigned a rating and the rating assigned on such date.

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
42	Mandatory policies and procedures reasonably designed to prevent improper selective or tiered dissemination of reports.	Yes ²³	Yes ²⁴	Yes ²⁵
43	If research report contains a rating, member must define the meaning of each rating in its rating system, and definitions must be consistent with words' plain meanings. Regardless of rating system, member must disclose in each research report percentage of all securities rated by the member to which the member would assign a "buy," "hold / neutral" or "sell" rating, and member must disclose percentage of subject companies within each of the three categories for whom the member recently provided IB services.	Yes	Yes	Yes, with modifications ²⁶
Mandatory Disclosures in Public Appearances				
44	If Analyst or member of household has financial interest in subject company's securities (including certain derivatives) and nature of such interest.	Yes	Yes	Yes
45	If member or affiliates have financial interest in subject company's securities.	Yes, if beneficially owns 1% or more of any class of common equity securities of the subject company	Yes, if beneficially owns 1% or more of any class of common equity securities of the subject company	No
46	If, to the extent Analyst knows or has reason to know, the member or any affiliate received compensation from subject company in the past 12 months.	Yes	Yes	Yes

²³ This requirement stems from an existing interpretation of FINRA Rule 2010. See New Equity Rule Proposal at p.69948 and Debt Rule Proposal at p.69915.

²⁴ Under both the New Equity Rule and the Debt Rule, a member may provide different research products and services to different classes of customers, which may lead to different recommendations or ratings, *provided* that (1) each recommendation or rating is consistent with the meaning of the member's ratings systems for each respective product and (2) the member informs its other customers that receive a research product that the member's alternative research products and services may reach different conclusions or recommendations that could impact the price of the security. However, a member may not differentiate a research product based on the timing of receipt of a recommendation, rating or other potentially market-moving information, nor may a member label a research product with substantially the same contents as a different research product as a means to allow certain customers to trade in advance of other customers.

²⁵ See note 24.

²⁶ Under the Debt Rule, a member must include in each report limited to the analysis of an issuer of a debt security that includes a rating of the subject company the percentage of all subject companies rated by the member to which the member would assign a "buy," "hold" or "sell" rating.

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
47	If Analyst received compensation from subject company in the past 12 months.	Yes	Yes	Yes
48	If, to the extent Analyst knows or has reason to know, subject company is, or during past 12 months was, a client of the firm, and if so, the types of services provided, if Analyst knows.	Yes	Yes	Yes
49	If the Analyst or a member of household serves as an officer, director or advisory board member of subject company.	Yes	Not in rule, but would be a material conflict that must be disclosed under requirement described in Row 50 ²⁷	Not in rule, but would be a material conflict that must be disclosed under requirement described in Row 50 ²⁸
50	Any other material conflict of interest the Analyst knows or has reason to know at time of appearance.	Yes	Yes	Yes
51	Certain disclosures not required if disclosure would reveal certain material non-public information.	Yes	Yes	Yes
52	Records of public appearances sufficient to demonstrate compliance with applicable disclosure requirements must be maintained for at least 3 years.	Yes	Yes	Yes
Distribution of Third-Party Research Reports				
53	Requirement to accompany third-party research with, or provide a web address for, certain disclosures.	Yes	Yes, with explicit requirement to disclose material conflicts reasonably expected to have influenced the member's choice of third-party research provider or subject company of a third-party research report	Yes, with explicit requirement to disclose material conflicts reasonably expected to have influenced the member's choice of third-party research provider or subject company of a third-party research report
54	Mandatory written supervisory procedures to ensure completeness and	Yes	Not explicitly ²⁹	Not explicitly

²⁷ See New Equity Rule Proposal at p.69946 n.59.

²⁸ See Debt Rule Proposal at p.69914 n.82.

²⁹ The New Equity Rule Proposal noted that this provision was being proposed; however, it did not actually appear in the proposed rule text and does not appear in the final rule text of either the New Equity or Debt Rules.

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
	accuracy of required disclosures.			
55	Exceptions from disclosure requirements for third-party research reports made available to customers: (1) upon request; (2) in connection with certain solicited orders; or (3) through a member-maintained website.	Yes	Yes	Yes
56	Requirement to review third-party research reports (other than independent third-party research reports) to ensure they contain no untrue statement of material fact or are otherwise not misleading.	Yes, registered principal or supervisory analyst must approve third-party research reports based on this review	Yes, registered principal or supervisory analyst must approve third-party research reports based on this review	Yes, but such reports not explicitly required to be approved by a registered principal or supervisory analyst
57	Prohibition on distributing third-party research known, or reasonably should be known, not to be objective or reliable.	Not explicitly	Yes	Yes
58	Requirement that third-party research be clearly labeled as such. ³⁰	Yes	Yes	Yes
Supervisory Procedures				
59	Requirement to adopt and implement written supervisory procedures reasonably designed to ensure member and its employees comply with the provisions of the rule.	Yes	Yes	Yes
60	Annual attestation that the member has adopted and implemented written supervisory procedures reasonably designed to ensure compliance with the provisions of the rule.	Yes	No, although annual attestation regarding compliance with, and supervisory processes concerning, all applicable FINRA rules already required under FINRA Rule 3130	No, although annual attestation regarding compliance with, and supervisory processes concerning, all applicable FINRA rules already required under FINRA Rule 3130
Prohibition on Retaliation Against Analysts				
61	Prohibition on retaliation against Analysts by a member's employees for an unfavorable research report or public appearance that may adversely affect business interests.	Yes, but applies only to retaliation / threats by IB personnel and only in circumstances that may	Yes, extends to retaliation / threats by any employee	Yes, extends to retaliation / threats by any employee*

³⁰ See FINRA Rule 2711, [Notice to Members 04-18](#).

	Requirement	Current Equity Rules	New Equity Rule	Debt Rule
		adversely affect an IB relationship		
Other Exemptions				
62	Certain provisions of the rule not applicable to members with limited IB activity (“ Small Firm Exemption ”).	Yes	Yes ³¹	Yes, and additional exemption from PT-related safeguards for firms with limited PT activity
63	Requirement that members qualifying for the Small Firm Exemption must maintain records for 3 years of communications that, but for exemption, would be subject to other requirements of the rule.	Yes	Yes, and must also maintain records sufficient to establish eligibility for exemption	Yes, and must also maintain records sufficient to establish eligibility for exemption
64	Mandatory information barriers or other safeguards for firms relying on Small Firm Exemption reasonably designed to ensure Analysts are insulated from pressure ³² by IB personnel and other persons who might be biased in their judgment or supervision.	No	Yes	Yes
65	FINRA has authority to issue exemption for good cause.	No	Yes	Yes

³¹ Under the New Equity Rule, the list of provisions that a qualified firm is exempted from under the Small Firm Exemption is broader than under the Current Equity Rules.

³² Although firms relying on the Small Firm Exemption will have to establish safeguards reasonably designed to ensure Analysts are insulated from *pressure* by certain non-research personnel, they will not be required to establish safeguards that insulate Analysts from *review* and *oversight* by certain non-research personnel.