

THE
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SEC Approves FINRA Rule Change to Permit the Use of Electronic Signatures for Discretionary Accounts

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The Securities and Exchange Commission has approved a proposed rule change to amend Financial Industry Regulatory Authority (FINRA) Rule 4512 (Customer Account Information) (the “Amended Rule”). For discretionary accounts, member firms are currently required to maintain a record of the dated, manual signature of each named, natural person authorized to exercise discretion in such accounts. The Amended Rule will allow for the use of electronic signatures in connection with discretionary accounts. A valid electronic signature would be any electronic mark that clearly identifies the signatory and is otherwise in compliance with the E-Sign Act, the guidance issued by the SEC relating to the E-Sign Act, and the guidance provided by FINRA staff through interpretive letters. The Amended Rule is consistent with the requirements of Securities Exchange Act of 1934 Rule 17a-3(a)(17)(ii) relating to discretionary accounts, which does not prescribe the type of signature that must be obtained from an authorized individual.

In addition, the Amended Rule clarifies that it applies only to discretionary accounts maintained by member firms for which associated persons of such firms are authorized to exercise discretion.

The Amended Rule goes into effect on May 6. FINRA’s Regulatory Notice is available [here](#).

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