

# Case Study

## FINRA-COMPLIANT RESEARCH DISTRIBUTION

### FIRM PROFILE

Boutique Broker/Dealer of approximately 75 registered representatives. Business lines include equity and fixed-income sales and trading. Research publication across product lines furnished by approximately 5 analysts and reviewed by 2 research principals with other job functions.

### BUSINESS NEEDS

**Pre-Distribution Approval:** The firm wished to streamline the research approval process and provide for a mechanism to centrally control the appropriate supervisory approvals and provide for proper record retention.

**Distribution:** The firm wished to have a means to distribute research materials widely to their institutional clients outside of standard email and .pdf attachments. The firm also wished to have a service where clients could retrieve research on a protected basis on their own. The firm is claiming the FINRA [Rule 2242](#) Institutional Exemption on Debt Research and wishes to provide for proper records accordingly.

**Redistribution Control:** The firm wished to have a means whereby a client could not easily share firm research without any accountability.

**Post Distribution Accountability:** The firm wished to have a means to see which clients were reading their research, including a real time readership email to sales representatives covering an account and statistical readership data of an account over time.

### PROVIDED SOLUTIONS

An internal web-based research portal was created. It provides for a research upload process where each pre-approved research report is uploaded, tagged with appropriate specifics on the target company, author, industry, etc. and placed into a pending approval queue. Research principals receive real-time alerts that new research is pending. They have the ability to view and approve the research. All approval data is tracked for an audit trail. Approved research can then be released on a simultaneous basis so approved clients and internal sales people receive the new research at the same time. Salespeople may also send the research directly through the web-based portal. Research is sent via a "Smart Link" using a 3-key cypher that makes tampering improbable. Clients can also use an externally facing research portal should they have a login. In each case, prior to research being displayed, clients must affirm they meet the requirements of a Qualified Institutional Buyer (QIB). The affirmation by the client is stored for a full audit trail as required under FINRA [Rule 2242](#). Readership data for either directly sent "Smart Link" research or the self-serve external portal is aggregated and displayed on the internal research portal for sales usage. Likewise, a real-time read alert is sent to sales representatives on each client read. The client was extremely satisfied as the process of distributing research could be quantified thereby providing management substantive information as to realizing the value of research being distributed.

\*Please note specific facts in this case have been altered to protect client confidentiality.

### MOST APPLICABLE RULES

#### **FINRA [Rule 2241](#)**

Research Analysts and  
Research Reports

#### **FINRA [Rule 2242](#)**

Debt Research Analysts  
and Debt Research Reports

### ADDITIONAL RULES

#### **FINRA [Rule 2210](#)**

Advertising Regulation