



# 11560. Certificate of Company Whose Transfer Books Are Closed

## General Requirements

A certificate of a company whose transfer books are closed indefinitely for any reason shall be good delivery only if the required ownership transfer indemnification is affixed to or recorded upon the certificate. The indemnification acknowledges the assignor(s)' ultimate responsibility for the ownership of the certificate as of the date of the indemnification and shall be affixed or recorded only once during the lifetime of the certificate. Certificates delivered pursuant to this Rule must conform with all the applicable delivery requirements set forth in Rule 11550.

### ••• Supplementary Material: -----

#### .01 Sample Ownership Transfer Indemnification Stamp.

Date:	
The undersigned owner of this certificate (number) representing _____ shares of _____ hereby certifies the transfer of all ownership therewith to the bearer hereby. We acknowledge that the transfer books of the herein named corporation are closed and agree to accept responsibility in accordance with the provisions of Rule 11560 of the FINRA Uniform Practice Code.	
	_____ (Name of Member)
	_____ (Authorized Signature)

Amended by SR-FINRA-2010-060 eff. Dec. 15, 2010.  
Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended by SR-NASD-91-13 eff. Nov. 1, 1991.

**Selected Notice:** 10-49.

## 11571. Certificate in Name of Corporation

### (a) Transfer Books Open

A certificate in the name of a corporation or an institution, or in a name with official designation shall be a good delivery only if the statement "Proper papers for transfer filed by assignor" is placed on the assignment and signed by the transfer agent.

### (b) Transfer Books Closed

Where a certificate, an assignment or a power of attorney is in the name of a corporation and the transfer books of the issuing company are closed indefinitely for any reason, the certificate shall be a good delivery if the assignment or other instrument effecting transfer on the corporation's behalf is executed by an officer of such corporation, other than the secretary, and is accompanied by (1) a guarantee of such officer's signature executed by a person with the authority to make such a guarantee; (2) a copy of a corporate resolution and a completed and executed certificate of incumbency; and (3) the ownership transfer indemnification, as provided in Rule 11560, affixed to or recorded on the certificate.

### (c) Foreign Internal Securities

The foregoing requirements shall not apply to foreign internal securities when the requirements do not correspond to the laws or customs of the country concerned; but instead such laws and customs shall govern such securities.

#### ••• Supplementary Material: \_\_\_\_\_

#### .01 Sample Certificate and Authorizing Resolution/Certificate of Incumbency.

I hereby certify that a meeting of the Board of Directors of \_\_\_\_\_ a corporation organized under the laws of the State of \_\_\_\_\_ held the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, at which a quorum was present and acting throughout, the following resolution was duly adopted and is now in full force and effect:

RESOLVED, that any one of the following officers of this Corporation, viz: the President, Vice President, Treasurer or Secretary, be and is hereby fully authorized and empowered to sell, assign, transfer and deliver any and all shares of stock, bonds, debentures, notes, evidences of indebtedness, or other securities now or hereafter standing in the name of or owned by this Corporation, and to make, execute, and deliver, any and all written instruments necessary or proper to effectuate the authority hereby conferred.

I further certify that the authority thereby conferred is not inconsistent with the Charter or By-Laws of this Corporation, and that the following is a true and correct list of the officers of this Corporation authorized to act.

Signing Officers:

In witness, whereof, I have hereunto set my hand and the seal of said Corporation this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

(Affix Corporate Seal)

	_____
	Secretary

**(The foregoing certification and the assignment of the securities should be executed by different officers.)**

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

Amended by SR-NASD-91-13 eff. Nov. 1, 1991.

Amended effective September 11, 1991.

**Selected Notice:** 10-49.

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[11570. CERTIFICATES IN VARIOUS NAMES](#)

## 11572. Certificate in Name of Firm

Unless the endorsement specifies otherwise, there shall be a presumption that stock registered in a firm or business name is registered in the name of a partnership and not a corporation.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

**Selected Notice:** 10-49.

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[← 11571. CERTIFICATE IN NAME OF CORPORATION](#)

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[11573. CERTIFICATE IN NAME OF DISSOLVED FIRM SUCCEEDED BY NEW FIRM →](#)

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[> 11570. CERTIFICATES IN VARIOUS NAMES](#)

## 11573. Certificate in Name of Dissolved Firm Succeeded by New Firm

A certificate with an assignment or a power of substitution executed in the name of a firm that has since dissolved and is succeeded by a firm or firms having as general partners one or more of the general partners of the dissolved firm shall be a good delivery only if the new firm or one of the new firms shall have signed the statement "Execution Guaranteed" under a date subsequent to the formation of the new firm so signing.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

**Selected Notice:** 10-49.

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[← 11572. CERTIFICATE IN NAME OF FIRM](#)

[UP](#)

[11574. CERTIFICATE IN NAME OF DECEASED PERSON, TRUSTEE, ETC. →](#)

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[11570. CERTIFICATES IN VARIOUS NAMES](#)

## 11574. Certificate in Name of Deceased Person, Trustee, etc.

(a) A certificate shall not be a good delivery with an assignment or power of substitution executed by a: (1) person since deceased; (2) trustee or trustees, except as provided in paragraph (b) of this Rule, or except for trustees acting in the capacity of a board of directors of a corporation or association, in which case Rule 11571(a) shall apply; (3) guardian, except as provided in paragraph (b) of this Rule; (4) infant; (5) executor, except as provided in paragraph (b) of this Rule; (6) administrator, except as provided in paragraph (b) of this Rule; (7) receiver in bankruptcy; (8) agent; (9) attorney; (10) or with a qualification, restriction or special designation.

(b) A certificate shall be a good delivery with an assignment or a power of substitution executed by a: (1) domestic individual executor(s) or administrator(s); (2) domestic individual trustee(s) under an inter vivos or testamentary trust; or (3) domestic guardian(s) including committees, conservators and curators. These exceptions to paragraph (a) of this Rule are to cover transfers that will be effected by transfer agents without additional documentation. This paragraph (b) shall apply only to securities of a domestic issuer (organized under the laws of any state in the United States or District of Columbia) which are registered in the name(s) of (1), (2) or (3) of this paragraph (b). Certificates delivered pursuant to this paragraph (b) must be properly assigned, and the signature(s) to the assignment be guaranteed pursuant to Rule 11550(h).

(c) This Rule does not apply to certificates registered under a Statutory Gifts to Minors Act.

••• **Supplementary Material:** -----

**.01 Sample Limited Partnership Change of Trustee Form.**

Limited Partnership Change of Trustee Form

FBO (Investor's Name)	Partnership Name
Assignor (Present Trustee's Name)	Assignor's Address
Customer's A/C Number with Assignor	THIS HEREBY CONSTITUTES AND APPOINTS THE SAID PARTNERSHIP TO TRANSFER THE SAID INTERESTS ON THE BOOKS OF THE PARTNERSHIP WITH FULL POWER OF SUBSTITUTION IN THE PREMISES.
The Assignor hereby assigns to the Assignee 100% of the Assignor's right, title and interest in the Limited Partnership(s) described herein.	
ASSIGNOR'S RELEASE:  _____	_____
(Authorized Signature)	(Date)
Designee (New Trustee's Name)	(Assignee's Address)
(Customer's A/C Number with Assignee)	(Assignee's Tax ID Number)

New Trustee's (Assignee's) Instructions:	
Partnership Information:	
ASSIGNEE'S ACCEPTANCE	
_____	_____
(Authorized Signature)	(Date)

<b>Assignee:</b>	<b>Upon receipt, forward this form and the original certificate (if available) to the General Partner for re-registration.</b>
<b>General Partner:</b>	

Amended by SR-FINRA-2010-060 eff. Dec. 15, 2010.  
Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended by SR-NASD-91-13 eff. Nov. 1, 1991.  
Amended eff. July 1, 1974.

**Selected Notice:** 10-49.



## 11580. Transfer of Limited Partnership Securities

(a) Each member that participates in the transfer of limited partnership securities, as defined in Rule 2310, shall use standard transfer forms in the same form as set forth in Rule 11581. This Rule shall not apply to limited partnership securities that are traded on a national securities exchange, or are on deposit in a registered securities depository and settle regular way.

(b) The Corporate Financing Department may, pursuant to a written request for good cause shown, grant an exemption from the requirements of paragraph (a) to permit a member to modify the standard transfer forms for the transfer of limited partnership securities where necessary to meet other legal or regulatory requirements or to otherwise facilitate the transfer of the securities.

Amended by SR-FINRA-2010-060 eff. Dec. 15, 2010.  
Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006  
Amended by SR-NASD-97-05 eff. May 8, 1997.  
Amended by SR-NASD-96-42 eff. Jan 24, 1997.  
Adopted by SR-NASD-95-53 eff. Jan. 29, 1996.

**Selected Notices:** 96-14, 10-49.





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## 11581. Limited Partnership Transfer Forms

The forms required by Rule 11580 are published in NASD Notice to Members 96-14 (March 1996), pp. 70-75.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

Adopted by SR-NASD-95-53 eff. Jan. 29, 1996.

**Selected Notice:** 10-49.

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[← 11580. TRANSFER OF LIMITED PARTNERSHIP SECURITIES](#)

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[11600. DELIVERY OF BONDS AND OTHER EVIDENCES OF INDEBTEDNESS →](#)

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## 11610. Liability for Expenses

Failure of the seller to meet the requirements of good delivery relating to bonds and similar evidences of indebtedness, as set forth in paragraphs (a) through (h) of this Rule inclusive, shall make the seller liable for any expense incurred as a result of such failure.

### **(a) Coupon Bonds**

A coupon bond shall have securely attached in the correct place proper coupons, warrants, etc., of the same serial number as the bond. Acceptance of cash or check in lieu of missing coupons shall be at the option of the purchaser.

### **(b) Endorsed Bonds**

A coupon bond bearing an endorsement of a definite name of a person, firm, corporation, association, etc., in conjunction with words of condition, qualification, direction, or restriction, not properly pertaining thereto as a security, shall not be a good delivery unless sold specifically as an "endorsed bond." This shall also apply to bonds with coupons bearing such endorsements.

### **(c) Interest in Default**

A bond upon which interest is in default shall carry all unpaid coupons.

### **(d) Registerable as to Principal**

A coupon bond registerable as to principal shall be a good delivery only if registered to bearer.

### **(e) Endorsements for Banking or Insurance Requirements**

A coupon bond bearing an endorsement indicating that the bond was deposited in accordance with a governmental requirement pertaining to banking institutions or insurance companies shall not be a good delivery. If released, with such release acknowledged before an officer authorized to take acknowledgments, it shall be a good delivery if sold specifically as a "released endorsed bond."

### **(f) Coupon Detached Prior to Delivery**

(1) A bond dealt in "and interest," for delivery on or after the date on which interest is due and payable, shall be delivered without the coupon payable on such date.

(2) Late delivery. In the settlement of contracts in bonds dealt in "and interest" where delivery is due prior to the interest payment date but is made on or after the interest payment date, bonds may be delivered without coupons payable on such date, and the seller may present such detached, unpaid coupons to the buyer for payment, the buyer bearing the risk of non-payment.

### **(g) Stamped Bonds**

(1) If a plan of reorganization which has been declared operative, or an amendment or supplement to an indenture provides that the bonds covered thereby shall be stamped to reflect the adoption of such plan or the amendment or supplement to the indenture, bonds so stamped shall be a good delivery and bonds not so stamped shall not be a good delivery.

(2) The fact that a bond has been stamped "Tax Paid" by any authority vested with the power to tax, if the stamp does not indicate ownership, shall not prevent such bond from being a good delivery.

### **(h) Certificates of Deposit**

Certificates of deposit issued by committees or depositories other than those specified at time of trade shall not be a good delivery.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

**Selected Notice:** 10-49.

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◀ 11600. DELIVERY OF BONDS AND OTHER EVIDENCES OF INDEBTEDNESS

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11620. COMPUTATION OF INTEREST ▶

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## 11620. Computation of Interest

### (a) Interest to be Added to the Dollar Price

In the settlement of contracts in interest-paying securities other than for "cash," there shall be added to the dollar price interest at the rate specified in the security, which shall be computed up to but not including the second business day following the date of the transaction. In transactions for "cash," interest shall be added to the dollar price at the rate specified in the security up to but not including the date of transaction.

### (b) Basis of Interest

Interest shall be computed on the basis of a 360-day year, i.e., every calendar month shall be considered to be 1/12 of 360 days; every period from a date in one month to the same date in the following month shall be considered to be 30 days.

*Note: The number of elapsed days should be computed in accordance with the examples given in the following table:*

*From 1st to 30th of the same month to be figured as 29 days;  
From 1st to 31st of the same month to be figured as 30 days;  
From 1st to 1st of the following month to be figured as 30 days;  
From 1st to 28th of February to be figured as 27 days;  
From the 23rd of February to the 3rd of March is to be figured as 10 days;  
From the 15th of May to the 6th of June is to be figured as 21 days.*

Where interest is payable on 30th or 31st of the month:

From 30th or 31st to 1st of the following month to be figured as 1 day;  
From 30th or 31st to 30th of the following month to be figured as 30 days;  
From 30th or 31st to 31st of the following month to be figured as 30 days;  
From 30th or 31st to 1st of second following month to be figured as 1 month, 1 day.

### (c) Securities Traded "and interest"

When delivery of a security traded "and interest" is made between the record date fixed for the purpose of determining the holder entitled to receive interest and the interest payment date, a deduction equivalent to the full amount of the interest to be paid shall be made on settlement.

### (d) Securities Traded "flat"

When delivery of a security traded "flat" is made after the record date fixed for the purpose of determining the holder entitled to receive interest, in the settlement of a contract made prior to the date on which the security was traded "ex-interest," a due-bill check for the full amount of the interest to be paid shall accompany the delivery.

### (e) Income Bonds

Income bonds shall be dealt in "flat" even though such bonds are paying interest, except that where a certain fixed rate is guaranteed in the indenture and provision is made for additional contingent payment, they shall be dealt in "and interest" at the fixed rate guaranteed in the indenture (so long as interest payments at such fixed rate are not in default and no announcement of intention to default has been made).

### (f) Fractions of a Cent

In all transactions involving the payment of interest, fractions of a cent equalling or exceeding five mills shall be regarded as one cent; fractions of a cent less than five mills shall be disregarded.

Amended by SR-FINRA-2016-047 eff. Sept. 5, 2017.  
Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended by SR-NASD-94-56 eff. June 7, 1995.  
Amended eff. Jan. 2, 1968; Feb. 9, 1968; Feb. 21, 1969; Mar. 18, 1983.

**Selected Notices:** 83-69, 95-36, 10-49, 17-19.

## VERSIONS

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Sep 05, 2017 onwards

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## 11630. Due-Bills and Due-Bill Checks

### (a) Definition of Due-Bills

The term "due-bill" as used in this Rule means an instrument employed for the purpose of evidencing the transfer of title to any security or rights pertaining to any security contracted for or evidencing the obligation of a seller to deliver such to a subsequent purchaser. A due-bill shall not be transferable or assignable by the purchaser.

### (b) Definition of Due-Bill Checks

The term "due-bill checks" as used in this Rule means a due-bill in the form of a check payable on the date of payment of a cash dividend, interest on registered bonds or interest on unit investment trust securities, which prior to such date shall be considered as a due-bill, as defined in paragraph (a) of this Rule, for the amount of such dividend or interest.

### (c) Due-bills for Stock Dividends and Rights

A security sold before it trades "ex-dividend" (for stock and scrip dividends) or "ex-rights" and delivered too late for transfer on or before the record date, shall be accompanied by a due-bill for the distribution to be made. When a due-bill accompanying a delivery evidences the obligation of the seller to deliver stock, the purchaser shall prorate the value of the contract, and shall make payment of the balance upon redemption of the due-bill. The requirement to pro-rate the value of the contract as described above shall not apply to stock dividends less than ten percent (10%) or to "spinoffs" or rights.

### (d) Due-bill Checks for Cash Distribution and Interest

Due-bill checks for a cash distribution, interest on registered bonds or interest on unit investment trust securities shall accompany securities delivered too late for transfer on or before the record date.

### (e) Redemption of Due-Bills

Due-bills for any security or rights pertaining to any security shall be redeemable on the date on which the security or rights are issued by the corporation or as soon thereafter as the signer or guarantor of the due-bill can obtain transfer of the security or rights into denominations necessary to effect the redemption of the due-bills.

### (f) Default Upon Redemption of Due-Bills

A due-bill for any security or rights pertaining to any security issued pursuant to paragraph (c) of this Rule and presented for redemption pursuant to the terms of paragraph (e) of this Rule, and not honored by the seller may, at the option of the buyer, be treated as a "fail to receive" from the seller, and the distribution evidenced by such due-bill may be bought-in for the account and risk of the seller pursuant to the terms of Rule 11810. However, buy-ins executed in accordance with this paragraph (f) must be executed after the payable date of such securities as determined by the issuing corporation.

## ••• Supplementary Material: \_\_\_\_\_

### .01 Sample Due-Bills Form.

#### (a) Due-Bill for Stock Dividend or Stock Distribution

For value received, the undersigned hereby assigns, transfers and sets over to \_\_\_\_\_ the stock distribution of \_\_\_\_\_ ( ) shares of \_\_\_\_\_ stock of \_\_\_\_\_ to be issued on \_\_\_\_\_ to the registered holder of \_\_\_\_\_ ( ) shares of \_\_\_\_\_ stock of \_\_\_\_\_, represented by certificate number \_\_\_\_\_, to which the undersigned is entitled as a stock dividend, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the shares representing said stock dividend on the books of said corporation, with full power of substitution in the premises.

\_\_\_\_\_  
(Date)

	_____ (Official Signature)
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**(b) Due-Bill for Rights**

For value received, the undersigned hereby assigns, transfers, and sets over to \_\_\_\_\_ the warrant and/or fractional warrant to which the undersigned is entitled, evidencing the rights to subscribe for \_\_\_\_\_, which warrant and/or fractional warrant is to be issued to the holder of record at the close of business \_\_\_\_\_ of \_\_\_\_\_ ( ) shares of \_\_\_\_\_ stock of \_\_\_\_\_ represented by certificate No. \_\_\_\_\_

_____ (Date)	_____ (Official Signature)
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**(c) Due-Bill for Interest on When Issued Contract**

This is to certify that, upon issuance of \_\_\_\_\_ in accordance with the plan approved by \_\_\_\_\_, the undersigned will pay to \_\_\_\_\_ \$ \_\_\_\_\_ representing (contingent)(income) interest for \_\_\_\_\_ on \$ \_\_\_\_\_ principal amount of said bonds sold to it when, as, and if issued on 20 \_\_\_\_\_

This due-bill shall become null and void if the contract for sale of said bonds can not be completed in accordance with the plan approved by \_\_\_\_\_, on \_\_\_\_\_

_____ (Date)	_____ (Official Signature)
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**(d) Due-Bill for Dividend on When Issued Contract**

This is to certify that, upon issuance of \_\_\_\_\_ in accordance with the plan approved by \_\_\_\_\_, the undersigned will pay to \_\_\_\_\_ \$ \_\_\_\_\_, representing the dividend of \$ \_\_\_\_\_ per share declared for the period ending 20 \_\_\_\_\_, on \_\_\_\_\_ shares of \_\_\_\_\_ stock of \_\_\_\_\_ sold to it when, as, and if issued on \_\_\_\_\_ 20 \_\_\_\_\_

This due-bill shall become null and void if the contract for sale of said stock cannot be completed in accordance with the plan approved by \_\_\_\_\_, on \_\_\_\_\_

_____ (Date)	_____ (Official Signature)
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**(e) Due-Bill Check**

**Consider this check as due-bill until payable date as shown below**

NEW YORK _____, XYZ BANK	20 _____	No. 1999  1-2 — 210
Pay To The Order Of _____		
\$ _____		
Dollars		
In Payment of Dividend or Interest	Dividend Account –  Interest Account –	
On _____	NOT PAYABLE BEFORE _____	
RECORD DATE _____		

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended eff. Feb. 21, 1969; Mar. 1, 1970; Nov. 1, 1971; Nov. 1, 1972; Mar. 18, 1983.

**Selected Notices:** 83-69, 10-49.



## 11640. Claims for Dividends, Rights, Interest, etc.

### **(a) Dividends or Rights**

A buyer of stock who has the certificate in its possession in time to enable it to effect transfer prior to the closing of the books or to the record date shall have no claim upon the seller (unless the seller is the registered holder) for the dividend or rights pertaining to such certificate, but the seller, upon request of the buyer, shall use its best efforts to collect the same for the buyer.

### **(b) Substantiating Claims**

When a buyer of stock who has failed to have said stock transferred in time requests the seller to collect the dividends or rights pertaining thereto, the seller may require from the buyer the presentation of the certificate or a letter from the transfer agent substantiating the claim, or the buyer's written statement that it or its customer was the holder on the record date, and a guarantee of indemnity for liability arising out of any further demand for said dividend or rights.

### **(c) Interest or Rights**

The provisions of paragraphs (a) and (b) of this Rule shall be equally applicable to interest or rights pertaining to registered bonds and unit investment trust securities.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

Amended eff. Mar. 18, 1983.

**Selected Notices:** 83-69, 10-49.



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## 11650. Transfer Fees

The party at whose instance a transfer of securities is made shall pay all service charges of the transfer agent.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

**Selected Notice:** 10-49.

[< 11640. CLAIMS FOR DIVIDENDS, RIGHTS, INTEREST, ETC.](#)

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[11700. RECLAMATIONS AND REJECTIONS >](#)

## 11710. General Provisions

### (a) Definition

The term "reclamation" as used in this Code shall mean a claim for the right to return or the right to demand the return of a security which has been previously accepted. Securities which have been presented for delivery on a transaction and which for a valid reason have been refused shall within the meaning of Rules 11710 and 11720, inclusive, be deemed a rejection for the purposes of these Rules.

### (b) Uniform Reclamation Form

#### (1) Form Must Accompany Securities

A properly executed Uniform Reclamation Form must accompany securities on reclamation or return.\*

#### (2) Absence of Form Permits Sell-Out

Any security reclaimed or returned on a transaction without a properly executed Uniform Reclamation Form as prescribed within this Rule may, at the option of the receiving broker, be "sold-out" pursuant to Rule 11820, however, in no event later than three business days after receipt of the receiving broker or its agent.

### (c) Time for Delivery of Reclamation and Manner of Settlement

(1) A security with an irregularity having been delivered may be returned or reclaimed between the hours established by rule or practice in the community where the delivery or reclamation is to be made.

(2) When a security is returned or reclaimed, the party who originally delivered it shall immediately give the party returning it either the security in proper form for delivery in exchange for the security originally delivered, or the money amount of the contract. In the latter case, unless otherwise agreed, the party to whom the security is returned shall be deemed to be failing to deliver the security until such time as a proper delivery is made.

### (d) Minor Irregularities

Reclamation for an irregularity which affects only the currency of the security in the market shall be made within 15 days from the day of original delivery, except that, if the security is issued under the jurisdiction of a foreign country, the period for reclamation under this section shall be 45 days from the day of original delivery.

### (e) Wrong Form of Certificate

Reclamation, by reason of the fact that a form of certificate was delivered which was not a good delivery, but which is exchangeable without charge for a certificate which is a good delivery, shall be made within 15 days from the day of original delivery.

\* Specifications for use of the Uniform Reclamation Form are contained in the Final Report of the Banking and Securities Industry Committee entitled "Four Uniform Forms," dated December 22, 1971.

### ••• Supplementary Material: —————

#### .01 Uniform Reclamation Form.

<b>Uniform Reclamation Form</b>	To Accompany Reclamations Subject to Rules & Regulations of:	Stock Clearing Corp. Annex Clearing Corp. National Clearing Corp. FINRA - Uniform Practice Code
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RECLAIMED TO	REC No.	NAME OF RECEIVER	DATE SECURITIES BELOW RECEIVED
RECLAIMED BY	DEL. No.	NAME OF DELIVERER	DATE OF RETURN
QUANTITY	Security Description (certificate's can be applied to reverse side of copy #1)		AMOUNT

Wrong Security _____ Should Be	Wrong Money _____ Our Money
Carries Due Bill	Duplicates Delivery _____ You Delivered On
Needs Signature Guarantee	Wrong Settlement Date _____ Our S/D
Needs Tax Stamp	No Instructions
Release Power of Attorney	Needs Legal Opinion
Coupon Missing	Needs Better Account Date
Other - Explanation	

_____	_____	_____
Name of Person making Reclamation (Print )	Telephone Number	Extension

ATTACH COPIES 1 & 2 TO CERTIFICATE - COPIES 3 & 4 ARE RETAINED BY DELIVERER

FORM AS SHOWN IS NOT DRAWN TO SCALE

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended eff. Sept. 1, 1969; Dec. 1, 1972.

**Selected Notice:** 10-49.

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## 11720. Irregular Delivery — Transfer Refused — Lost or Stolen Securities

### (a) Irregular Delivery

Reclamation, by reason of the fact of an irregularity in the delivery of a security, shall be within 30 months after the settlement date of the contract. For purposes of this paragraph (a), the term "irregular delivery" shall include, among other things, wrong, duplicate, misdirected or over-deliveries and delivery of unit investment trust securities having the incorrect payment option.

### (b) Transfer Refused

Reclamation, by reason of the fact that a specific certificate tendered in settlement of a contract has been presented for transfer and transfer thereof has been refused by the transfer agent, shall be within 30 months after the settlement date of the contract.

### (c) Lost or Stolen or Confiscated Securities

Reclamation, by reason of the fact that a security is lost or stolen or confiscated shall be within 30 months after the settlement date of the contract.

### (d) Running of 30 Month Period

The running of the 30-month period described in this Rule shall not be deemed to foreclose a member's rights to pursue its claim via other open avenues, including but not limited to the FINRA arbitration procedure.

Amended by SR-FINRA-2010-060 eff. Dec. 15, 2010.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

Amended by SR-NASD-91-13 eff. Nov. 1, 1991.

Amended eff. Jan. 2, 1968; Sept. 1, 1971; Apr. 1, 1974; Mar. 18, 1983; and September 11, 1991.

**Selected Notices:** 83-69, 10-49.

[> FINRA RULES](#) [> 11000. UNIFORM PRACTICE CODE](#) [> 11700. RECLAMATIONS AND REJECTIONS](#)

## 11721. Obligations of Members Who Discover Securities in Their Possession to Which They Are Not Entitled

Any member who discovers securities in its possession to which it is not entitled is required to make reasonable attempts to ascertain and to promptly notify the true owner of such securities and to take affirmative steps to correct the situation. Failure to abide by this requirement may result in a violation of Rule 2010.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

Amended by SR-NASD-91-13 eff. Nov. 1, 1991.

Amended eff. Jan. 2, 1968; Sept. 1, 1971; Apr. 1, 1974; Mar. 18, 1983; and September 11, 1991.

**Selected Notices:** 83-69, 10-49.

[← 11720. IRREGULAR DELIVERY — TRANSFER REFUSED — LOST OR STOLEN](#)

[UP](#)

[11730. CALLED SECURITIES →](#)

[SECURITIES](#)



[> FINRA RULES](#) > [11000. UNIFORM PRACTICE CODE](#) > [11700. RECLAMATIONS AND REJECTIONS](#)

## 11730. Called Securities

Reclamation by reason of the fact that a security was delivered after publication of notice of call for its redemption, may be made without limit of time and such security may be returned to the party who held it at the time of such publication; except that this Rule shall not apply when an entire issue is called for redemption or when the security involved was dealt in specifically as a "called" security.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

Amended eff. Jan. 2, 1968.

**Selected Notice:** 10-49.

[← 11721. OBLIGATIONS OF MEMBERS WHO DISCOVER SECURITIES IN THEIR POSSESSION TO WHICH THEY ARE NOT ENTITLED](#)

[UP](#)

[11740. MARKING TO THE MARKET →](#)





## 11740. Marking to the Market

### **(a) Demand for Deposit**

The party who is partially unsecured by reason of a change in the market value of the subject of a contract in securities may demand from the other party a deposit equal to the difference between the contract price and the market price, without being required to make a mutual deposit. Such deposit shall be made either with the member demanding same or with a mutually agreed-on depository or, on failure to agree on a depository, with any member of the Federal Reserve System with an office in the financial district of the city where the unsecured party maintains its office.

### **(b) Assignment of Contract**

Either party to a contract in securities may assign the contract, either at the time the transaction is effected or at the time a request is made for funds to "mark to the market," provided the other party to the contract assents to the assignment.

### **(c) Refund of Deposit**

If the market value of the subject of the contract changes so as to permit a total or partial refund of any deposits which have been made in accordance with paragraph (a) of this Rule, such refunds shall be made on demand.

### **(d) Delivery of Demand for Deposit or Refund**

All demands for deposits or refunds shall be in writing and shall be delivered at the office of the party upon whom the demand is made during the business hours of member banks of the Federal Reserve System located in the community where such party maintains its office, and such demands shall be complied with immediately.

### **(e) Failure to Comply with Demand**

Failure of a party to comply with a demand for a deposit or refund made in accordance with paragraphs (a), (c) and (d) of this Rule shall entitle the party making the demand to close the contract without notice, by making offsetting purchase or sale contracts in the best available market for the account and liability of the party failing to comply with said demand.

### **(f) Contract Closure**

No contract shall be closed pursuant to paragraph (e) of this Rule prior to the expiration of regular delivery time in the community where the party making the demand maintains its office, on the next business day following the day when notice of such demand was received by the other party.

### **(g) Notice of Offsetting Purchase or Sale**

The party making such offsetting purchase or sale contracts shall as promptly as possible on the day on which they are made (1) notify the other party via letter, facsimile transmission, electronic mail, or other comparable written media, and (2) mail or deliver formal confirmation of same to the other party and a copy of said confirmation to the Committee.

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

Amended eff. Feb. 21, 1969; Mar. 1, 1970.

**Selected Notice:** 10-49.

## 11810. Buy-In Procedures and Requirements

### The Rule

### Notices

(a) A securities contract that has not been completed by the seller according to its terms may be closed by the buyer not sooner than the third business day following the date delivery was due, in accordance with this Rule.

However, this Rule shall not apply:

- (1) where the contract is subject to the "buy-in" requirements of a national securities exchange or a registered clearing agency, in which case, the requirements of the national securities exchange or registered clearing agency, as applicable, would apply;
- (2) to transactions in securities exempted under Section 3(a)(12) of the Exchange Act;
- (3) to transactions in municipal securities as defined in Section 3(a)(29) of the Exchange Act;
- (4) to transactions in redeemable securities issued by companies registered under the Investment Company Act; provided, however, that this Rule shall apply to secondary market transactions between members in any security issued by a registered investment company classified as a "unit investment trust" under Section 4 of the Investment Company Act. Redemption of securities directly by the trustee of the unit investment trust are not transactions between members for purposes of this subparagraph; and
- (5) to transactions in Direct Participation Program securities as defined in Rule 2310.

### **(b) Notice of "Buy-in" and Confirmation of Receipt**

(1) Written notice of "buy-in" shall be delivered to the seller at its office not later than 12:00 noon, Eastern Time (ET), two business days preceding the execution of the proposed "buy-in."

(2) For purposes of this Rule, written notice shall include an electronic notice through a medium that provides for an immediate return receipt capability. Such electronic media shall include but not be limited to facsimile transmission, a computerized network facility, or the electronic functionality of a registered clearing agency.

(3) Confirmation of receipt of the "buy-in" notice by the seller shall be maintained with the notice as part of the buyer's books and records.

(4) If the seller receiving the "buy-in" notice does not accept such "buy-in" notice, it shall send a signed, written response to the buyer stating its rejection with respect thereto by no later than 6:00 p.m. ET on the date of issuance of such notice. If the seller receiving the "buy-in" notice does not send a signed, written response to the buyer stating its rejection of such "buy-in" notice by no later than 6:00 p.m. ET on the date of issuance of the "buy-in" notice, the notice shall be deemed to have been accepted by the seller. However, prior to the proposed effective date of the "buy-in," the seller has a right to request proof of fail obligation from the buyer and the buyer shall deliver such proof to the seller prior to such date. In no event shall a buyer be entitled to a "buy-in" that exceeds the liability of a seller under an unsettled securities contract because of the failure of the seller to reject a "buy-in" notice as stated in this paragraph (b). A buyer may not execute a "buy-in" notice to such extent the buyer fails to deliver the proof of fail obligation in accordance with the requirements of this paragraph (b).

(5) Notice shall be redelivered immediately by the receiving party to other parties from which the securities involved are due in the form of a re-transmitted notice. A re-transmitted notice of "buy-in" received by a member shall be delivered to subsequent parties not later than 12 noon ET on the business day preceding the time and date of execution of the proposed buy-in, and the time specified for delivery shall not be prior to the time specified in the original notice.

Each party receiving a re-transmitted notice shall be subject to paragraphs (b)(3) and (4) of this Rule; provided, however, that with respect to the written response required by paragraph (b)(4), each party receiving the re-transmitted notice must provide such response to the party from which such notice was received.

(6) When notice of "buy-in," or re-transmitted notice thereof, is given for less than the full amount of securities due, it shall not be for less than one trading unit.

### **(c) Information Contained in "Buy-in" Notice**

Every notice of "buy-in" (including re-transmitted notice thereof) shall state the date that the contract will be closed out, the quantity and contract value of the securities covered by said contract, the settlement date of said contract and any other information deemed necessary to properly identify the contract to be closed out. Such notice shall state further that unless delivery is effected at or before 3:00 p.m. ET on the "effective date" of the "buy-in" notice, the security may be "bought-in" on the date specified for the account of the seller. Each "buy-in" notice shall also state the name and telephone number of the individual authorized to pursue further discussions concerning the buy-in.

#### **(d) Procedures for Closing of Contracts**

(1)(A) A seller that has received a "buy-in" notice, pursuant to this Rule, or re-transmitted notice thereof, and that has not rejected or stayed the notice as provided by this Rule, shall deliver the securities to the party issuing such notice at or before 3:00 p.m. ET on the "effective date" of the "buy-in" notice unless otherwise agreed to by the issuing party, prior to execution of the "buy-in" and such seller having notified the issuing party that it has physical possession of the securities. If the issuing party, prior to the execution of the "buy-in" pursuant to this Rule, is notified by a seller that some or all of the securities (but not less than one trading unit) are in the seller's physical possession and will be promptly delivered to such member, then the order to "buy-in" shall not be executed with respect to such securities, and the member that has initiated the original order to "buy-in" shall accept and pay for such securities, if delivered promptly. If such securities are not promptly delivered, the seller that has stated that they would be promptly delivered shall be liable for any resulting damages.

(B) On failure of the seller to effect delivery in accordance with the "buy-in" notice, or to obtain a stay as provided in this Rule, the buyer may close the contract by purchasing all or part of the securities necessary to satisfy the amount requested in the "buy-in" notice. Securities delivered to the buyer by the seller subsequent to the receipt of the "buy-in" notice shall be considered as delivered pursuant to the "buy-in" notice. Delivery of the requisite number of shares, as stated in the "buy-in" notice, or execution of the "buy-in" by the buyer against the seller will also operate to close-out all contracts covered under re-transmitted notices of buy-ins issued pursuant to the original notice of buy-in. However, if a re-transmitted notice is sent by a member prior to the delivery of the requisite number of shares as stated in the "buy-in" notice, or prior to the execution of the "buy-in," but such notice is not received by the recipient until after the delivery of the shares or execution of the "buy-in," then the member that sent the notice may, unless otherwise agreed, promptly re-establish, by a new sale, the contract with respect to which such notice was sent. A "buy-in" may be executed by a member from its long position and/or from customers' accounts maintained with such member.

(C) For transactions where the buyer is a customer (other than another member), upon failure of a clearing corporation to effect delivery in accordance with a buy-in notice, the contract must be closed by purchasing for "cash" in the best available market, or at the option of the buyer for guaranteed delivery, for the account and liability of the party in default all or any part of the securities necessary to complete the contract.

(D) As provided in paragraphs (d)(1)(A) through (C) of this Rule, members must be prepared to defend the price at which the "buy-in" is executed relative to the current market at the time of the "buy-in."

**(2) Buy-in for unit investment trust securities.** Buy-in execution options, in addition to those contained in paragraph (d)(1), may be available when the buyer wishes to buy-in contracts made for unit investment trust securities. The buyer may:

(A) by mutual agreement, accept from the seller in lieu of the seller's obligation under the original contract (which shall be concurrently canceled) the delivery of unit investment trust securities which are comparable to those originally bought in quantity, quality, yield or price and maturity, with any additional expenses or any additional cost of acquiring such substituted securities being borne by the seller;

(B) if the buyer's options in paragraph (d)(1) are not available and the buyer and seller cannot agree upon the option in paragraph (d)(2)(A), above, require the seller, for the account and liability of the seller, to repurchase the unit investment trust securities on terms which provide that the seller pay an amount which requires the seller to bear the burden of any change in the market price from the original contract price, with accrued interest. Bearing the burden of any change in the market price from the original contract price means that if the current market price is higher than the original contract price, the buyer may require the seller to repurchase the unit investment trust securities at the current market price and conversely means that if the current market price is lower than the original contract price, the buyer may require the seller to repurchase the unit investment trust securities at the original contract price, with accrued interest.

#### **(e) "Buy-in" Not Completed**

(1) In the event that a "buy-in" is not completed pursuant to the provisions of paragraph (d) hereof on the day specified in the notice of "buy-in," or as such date may be extended pursuant to the provisions of this Rule, said notice shall expire at the close of business on the day specified in the notice of buy-in.

(2) When a "buy-in" notice for a reconfirmation eligible security is pending during a reconfirmation and pricing period and one or more members are participating in a reconfirmation and pricing service, such "buy-in" notice shall be canceled. Written notice of cancellation must be received by the non-participating member prior to the original or extended date of execution. Failure to provide such notification may

FINRA is a registered trademark of the Financial Industry Regulatory Authority, Inc. Reprinted with permission from FINRA. Version date May 11, 2022. result in an execution. New notice of "buy-in" may be issued no earlier than the first business day following the final reconfirmation and pricing settlement date.

**(f) Delivery by Seller**

Prior to the closing of a contract on which a "buy-in" notice has been given, the buyer shall accept delivery of the securities called for by the contract, provided that in the case of a partial delivery of securities called for by the contract, the portion remaining undelivered at the time the buyer proposes to execute the "buy-in" is not an amount which includes an odd-lot which was not part of the original transaction.

**(g) Securities in Transit**

If prior to the closing of a contract on which a "buy-in" notice has been given, the buyer receives from the seller written or comparable electronic notice stating that the securities, except for those securities due from a depository, are (1) in transfer; (2) in transit; (3) being shipped that day; (4) due from a depository, and giving the certificate numbers of the securities; then the buyer must extend the execution date of the "buy-in" for a period of seven (7) calendar days from the date delivery was due under the "buy-in." Upon request of the seller, an additional extension of seven (7) calendar days may be granted by the Committee due to the circumstances involved.

**(h) Notice of Executed "Buy-In"**

The party executing the "buy-in" shall immediately upon execution, but no later than 6:00 p.m. ET on the date of execution of the buy-in, notify the party for whose account the securities were bought as to the quantity purchased and the price paid. Such notification shall be in written or electronic form having immediate receipt capabilities. If this written media is not available the telephone shall be used for the purpose of same day notification, and written or similar electronic notification having next day receipt capabilities must also be sent out simultaneously. In either case formal confirmation of purchase shall be forwarded to the party entitled to receive the same not later than 9:30 a.m. ET on the following business day after the execution of the "buy-in." Notification of the execution of a "buy-in" shall be given to succeeding parties to which a re-transmitted notice was issued pursuant to paragraph (c) of this Rule using the same procedures stated in this paragraph. If a re-transmitted "buy-in" is executed, it will operate to close out all contracts covered under the re-transmitted notice. Statements of resulting money differences, if any, shall also be provided immediately. Any money difference resulting from the closing of a contract, or from the re-establishment of a contract as provided in this Rule, shall be paid not later than 3:00 p.m. ET on the business day after the settlement date of the executed "buy-in" to the member entitled to receive the same.

**(i) "Close-Out" Under Uniform Practice Code Committee Rulings**

(1) When a national securities exchange makes a ruling that all open contracts with a particular member, which is also a member of FINRA, should be closed-out immediately (or any similar ruling), members may close-out contracts as directed by the exchange.

(2) Whenever the Uniform Practice Code Committee ascertains that a court has appointed a receiver for any member because of its insolvency or failure to meet its obligations, or whenever the Uniform Practice Code Committee ascertains, based upon evidence before it, that a member cannot meet its obligations as they become due and that such action will be in the public interest, the Uniform Practice Code Committee may, in its discretion, issue notification that all open contracts with the member in question may be closed-out immediately.

(3) Within the meaning of this paragraph (i), to close-out immediately shall mean that (A) "buy-ins" may be executed without prior notice of intent to "buy-in" and (B) "sell-outs" may be executed without making prior delivery of the securities called for.

(4) All close-outs executed pursuant to the provisions of this paragraph (i) shall be executed for the account and liability of the member in question. Notification of all close-outs shall immediately be sent to such member pursuant to the confirmation provisions of the Rule 11200 Series at least thirty minutes before such close-out.

**(j) Failure to Deliver and Liability Notice Procedures**

(1)(A) If a contract is for warrants, rights, convertible securities or other securities which (i) have been called for redemption; (ii) are due to expire by their terms; (iii) are the subject of a tender or exchange offer; or (iv) are subject to other expiring events such as a record date for the underlying security and the last day on which the securities must be delivered or surrendered (the expiration date) is the settlement date of the contract or later, the receiving member may deliver a Liability Notice to the delivering member as an alternative to the close-out procedures set forth in paragraphs (b) through (h). When the parties to a contract are both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through the use of said automated notification service. When the parties to a contract are not both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities, and must be sent as soon as practicable but not later than two hours prior to the cutoff time set forth in the instructions on a specific offer or other event in order to obtain the protection provided by this Rule.

(B) If the contract is for a deliverable instrument with an exercise provision and the exercise may be accomplished on a daily basis, and the settlement date of the contract to purchase the instrument is on or before the requested exercise date, the receiving member may deliver a Liability Notice to the delivering member no later than 11:00 a.m. ET on the day the exercise is to be effected. Notice may be redelivered immediately to another member but no later than noon ET on the same day. When the parties to a contract are both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, the transmission of the liability notice must be accomplished through use of said automated notification service. When the parties to a contract are not both participants in a registered clearing agency that has an automated service for notifying a failing party of the liability that will be attendant to a failure to deliver, such notice must be issued using written or comparable electronic media having immediate receipt capabilities. If the contract remains undelivered at expiration, and has not been canceled by mutual consent, the receiving member shall notify the defaulting member of the exact amount of the liability on the next business day.

(C) In all cases, members must be prepared to document requests for which a Liability Notice is initiated.

(2) If the delivering member fails to deliver the securities on the expiration date, the delivering member shall be liable for any damages which may accrue thereby. A Liability Notice delivered in accordance with the provisions of this Rule shall serve as notification by the receiving member of the existence of a claim for damages. All claims for such damages shall be made promptly.

(3) For the purposes of this Rule, the term "expiration date" shall be defined as the latest time and date on which securities must be delivered or surrendered, up to and including the last day of the protect period, if any.

(4) If the above procedures are not utilized as provided under this Rule, contracts may be "bought-in" without prior notice, after normal delivery hours, on the expiration date. Such buy-in execution shall be for the account and risk of the defaulting member.

**(k) Contracts Made for Cash**

Contracts made for "cash," or made for or amended to include guaranteed delivery on a specified date may be "bought-in" without notice during the normal trading hours on the day following the date delivery is due on the contract; otherwise, the procedures set forth in paragraphs (b) through (g) of this Rule shall apply. In all cases, notification of executed "buy-in" must be provided pursuant to paragraph (h) of this Rule. "Buy-ins" executed in accordance with this paragraph shall be for the account and risk of the defaulting broker-dealer.

**(l) "Buy-In" Desk Required**

Members shall have a "buy-in" section or desk adequately staffed to process and research all "buy-ins" within the required time frames of this Rule.

**(m) Buy-In of Accrued Securities**

Securities in the form of stock, rights or warrants which accrue to a buyer shall be deemed due and deliverable to the buyer on the payable date. Any such securities remaining undelivered at that time shall be subject to the "buy-in" procedures as provided under this Rule.

**••• Supplementary Material: —————**

**.01 Early Closures of Markets.** For purposes of paragraphs (c) and (d)(1)(A) of this Rule, in the event of an announced early closure of the market upon which the security subject to the "buy-in" notice is traded, members may take the action required by such paragraphs not earlier than one hour prior to the announced early closure of such market.

**.02 Securities Delivered by Seller After Execution of "Buy-In."** Where securities have been delivered by the seller after the "buy-in" order has been placed by the party affecting the "buy-in," the securities may be returned to the seller if the "buy-in" was executed in accordance with this Rule before it could reasonably be cancelled by the initiating party.

**.03 Sample Buy-In Forms.**

**(a) Notice of Buy-In**

	.....
	(Member's Name)
	.....

	(Locality and Date)
TO .....	
RE .....	
(Quantity and Description of Security)	
which is due from you to the undersigned on a contract made on ..... at ..... for settlement	
(Date of Contract)	(Contract Price)
.....	
(Settlement Date)	
* * *	
We hereby notify you that unless you make delivery of the foregoing security at or before ..... (Time and Date) the security will be bought in for your account and risk pursuant to Rule 11810 in the Uniform Practice Code.	
Note: If some or all of the foregoing securities are due you by another member of the Financial Industry Regulatory Authority, Inc. Rule 11810 permits the use of the re-transmitted buy-in.	
Buy-In Dept.	
By:	
Phone:	

**(b) Notice of Re-transmitted Buy-In**

	.....
	(Member's Name)
	.....
	(Locality and Date)
TO .....	
RE .....	
(Quantity and Description of Security)	
which is due from you to the undersigned on a contract made on ..... at ..... for settlement on	
(Date of Contract)	(Contract Price)
.....	
(Settlement Date)	
* * *	
<p>We hereby inform you that a notice of buy-in has been issued with respect to the aforesaid securities and stated that unless delivery was made at or before ..... (Time and date on original buy-in) the securities may be bought in pursuant to Rule 11810 of the Uniform Practice Code.</p>	
<p>Note: If some or all of the foregoing securities are due you by another member of the Financial Industry Regulatory Authority, Inc. Rule 11810 also permits you to use the re-transmitted buy-in.</p>	
Buy-In Dept.	

By:

Phone:

Amended by SR-FINRA-2016-047 eff. Sept. 5, 2017.  
Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended by SR-NASD-2007-035 eff. March 13, 2008.  
Amended by SR-NASD-2005-087 eff. Aug. 1, 2006.  
Amended by SR-NASD-95-50 eff. Dec. 28, 1995.  
Amended by SR-NASD-91-61 eff. Mar. 1, 1993.  
Amended by SR-NASD-89-34 eff. Feb 1, 1990.  
Amended by SR-NASD-87-10 eff. June 1, 1989.  
Amended by SR-NASD-84-20 eff. Jan. 1, 1985.  
Amended by SR-NASD-83-8 eff. Oct. 14, 1983.  
Amended by SR-NASD-82-1 eff. Mar. 12, 1982; Mar. 18, 1983.  
Amended eff. Jan. 2, 1968; Feb. 9, 1968; Feb. 21, 1969; Sept. 1, 1969; Mar. 1, 1970; June 1, 1970; Sept. 1, 1970; Aug. 1, 1972; Dec. 1, 1972; May 1, 1973; Jan. 13, 1977; Apr. 7, 1978.

**Selected Notices:** 73-39, 82-34, 83-6, 83-69, 84-68, 86-59, 89-44, 89-56, 90-15, 93-17, 96-8, 08-06, 10-49, 17-19.

[← 11800. CLOSE-OUT PROCEDURES](#)

[UP](#)

[11820. SELLING-OUT →](#)

## VERSIONS

Sep 05, 2017 onwards



## 11820. Selling-Out

### **(a) Conditions Permitting "Sell-Out"**

Upon failure of the buyer to accept delivery in accordance with the terms of the contract, and lacking a properly executed Uniform Reclamation Form or the equivalent depository generated advice for depository eligible securities meeting the requirements prescribed in Rule 11710(b), the seller may, without notice, "sell-out" in the best available market and for the account and liability of the party in default all or any part of the securities due or deliverable under the contract.

### **(b) Notice of "Sell-Out"**

The party executing a "sell-out" as prescribed above shall, as promptly as possible on the day of execution, but no later than 6 p.m. ET, notify the broker-dealer for whose account and risk such securities were sold of the quantity sold and the price received. Such notification shall be in written or electronic form having immediate receipt capabilities. A formal confirmation of such sale shall be forwarded as promptly as possible after the execution of the "sell-out."

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.

Amended by SR-NASD-91-13 eff. Nov. 1, 1991.

Amended eff. Feb. 21, 1969; Sept. 1, 1969.

**Selected Notice:** 10-49.



## 11840. Rights and Warrants

### (a) Definition — "Rights"

The term "rights" or "rights to subscribe," as used in this Rule is the privilege offered to holders of record of issued securities to subscribe (usually on a pro rata basis) for additional securities of the same class, of a different class, or of a different issuer as the case may be.

### (b) Definition — "Warrants"

The term "warrants" or "stock purchase warrants" as used in this Rule is an instrument issued separately or accompanying other securities, but not necessarily issued to stockholders of record as of a specific date; i.e., warrants issued with or attached to bonds, common stock, preferred stocks, etc. The instrument represents the privilege to purchase securities at a stipulated price or prices and is usually valid for several years.

### (c) Basis and Unit of Trading — Rights

Except as otherwise designated by the Committee, transactions in rights to subscribe shall be on the basis of one right accruing to each share of issued stock and the unit of trading in rights shall be 100 rights (unless otherwise specified).

### (d) Basis and Unit of Trading — Warrants

Except as otherwise agreed or designated by the Committee, transactions in stock purchase warrants shall be on the basis of one warrant representing the right of the purchaser to receive one warrant in settlement of such transaction and the unit of trading shall be 100 warrants. Members must ascertain how many warrants they have to sell, what each warrant entitles the holder to purchase, the purchase price, and the current price of the warrant relative to the price of the underlying security which may be purchased. Trades in warrants should be properly described on comparisons and confirmations.

### (e) Securities Which Have Expired by Their Terms

(1) In contracts for warrants, rights or other securities which have expired by their terms, deliveries effected more than 30 days after expiration shall be consist of (A) the expired securities; or (B) a Letter of Indemnity in lieu of the expired instrument.

(2) In the case of units or other securities of which one or more of the integral parts of the instrument has expired by its terms, after expiration, the instrument shall cease to be a unit as originally contemplated in the contract. Deliveries effected after expiration shall consist of the unexpired security and (A) the expired instrument; or (B) a Letter of Indemnity in lieu of the expired instrument.

(3) Deliveries effected pursuant to paragraphs (e)(1) and (2) of this Rule shall be settled at the existing contract price.

### ••• Supplementary Material: -----

#### .01 Sample Letter of Indemnity.

	_____ (Date)
To: _____	
Re: _____	
(Quantity and Description)	

		CUSIP #: _____
For value received the undersigned hereby assigns, transfers and sets over to you all rights and privileges which may accrue on the above contract made on (Date of Contract) _____ at (Contract Price) _____ for settlement (Settlement Date).		
Upon acceptance of this delivery in lieu of physical certificates, we agree, for ourselves, our successors, assigns, heirs, executors and administrators, to at all times indemnify and hold harmless from and against any and all claims, liabilities, damages, taxes, charges and expense sustained or incurred by reason of this action. Acceptance of this delivery shall operate to close-out the above stated contract in accordance with the provisions of the FINRA's Uniform Practice Code.		
_____ (Member Firm)	_____ (Official Signature)	
If any questions, please contact _____ at (Telephone Number) _____		

Amended by SR-FINRA-2010-030 eff. Dec. 15, 2010.  
Amended by SR-NASD-91-13 eff. Nov. 1, 1991.  
Amended eff. Sept. 1, 1969; Mar. 1, 1970.

**Selected Notice:** 10-49.

## 11860. COD Orders

(a) No member shall accept an order from a customer, including foreign customers and/or broker-dealers trading with or through the member, for eligible transactions of such customers that settle in the United States, pursuant to an arrangement whereby payment for securities purchased or delivery of securities sold is to be made to or by an agent of the customer unless all of the following procedures are followed:

(1) The member shall have received from the customer prior to or at the time of accepting the order, the name and address of the agent and the time and account number of the customer on file with the agent and institution number, where appropriate.

(2) Each order accepted from the customer pursuant to such an arrangement has noted thereon the fact that it is a payment on delivery (POD) or collect on delivery (COD) transaction.

(3) The member shall deliver to the customer a confirmation, or all relevant data customarily contained in a confirmation with respect to the execution of the order, in whole or in part, not later than the close of business on the next business day after any such execution.

(4) The member shall have obtained an agreement from the customer that the customer will furnish its agent instructions with respect to the receipt or delivery of the securities involved in the transaction promptly upon receipt by the customer of each confirmation, or the relevant data as to each execution, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and that in any event the customer will assure that such instructions are delivered to its agent no later than:

(A) in the case of a purchase by the customer where the agent is to receive the securities against payment (COD), the close of business on the first business day after the date of execution of the trade as to which the particular confirmation relates; or

(B) in the case of a sale by the customer where the agent is to deliver the securities against payment (POD), the close of business on the first business day after the date of execution of the trade as to which the particular confirmation relates.

(5) The facilities of a Clearing Agency shall be utilized for the book-entry settlement of all depository eligible transactions except transactions that are to be settled outside the United States. The facilities of either a Clearing Agency or a Qualified Vendor shall be utilized for the electronic confirmation and affirmation of all depository eligible transactions.

### **(b) Definitions**

For purposes of this Rule, the following terms shall have the meanings stated below:

(1) "Clearing Agency" shall mean a clearing agency as defined in Section 3(a)(23) of the Exchange Act that is registered with the SEC pursuant to Section 17A(b)(2) of the Exchange Act or has obtained from the SEC an exemption from registration granted specifically to allow the clearing agency to provide confirmation and affirmation services.

(2) "Depository eligible transactions" shall mean transactions in those securities for which confirmation, affirmation or book entry settlement can be performed through the facilities of a Clearing Agency. Eligible sinking funds and/or dividends reinvestment transactions must be confirmed, acknowledged and book entry settled through the facilities of a registered securities depository.

(3) "Qualified Vendor" shall mean a vendor or electronic confirmation and affirmation service that:

(A) shall, for each transaction subject to this Rule: (i) deliver a trade record to a Clearing Agency in the Clearing Agency's format; (ii) obtain a control number for the trade record from the Clearing Agency; (iii) cross-reference the control number to the confirmation and subsequent affirmation of the trade; and (iv) include the control number when delivering the affirmation of the trade to the Clearing Agency;

(B) certifies to its customers (i) with respect to its electronic trade confirmation/affirmation system, that it has a capacity requirements evaluation and monitoring process that allows the vendor to formulate current and anticipated estimated capacity requirements; (ii) that its electronic trade confirmation/affirmation system has sufficient capacity to process the specified volume of data that it reasonably anticipates to be entered into its electronic trade confirmation/affirmation system during the upcoming year; (iii) that its electronic trade confirmation/affirmation system has formal contingency procedures, that the entity has followed a formal process of reviewing the likelihood of contingency occurrences, and that the contingency protocols are reviewed, tested and updated on a regular basis; (iv) that its electronic trade confirmation/affirmation system has a process for preventing, detecting, and controlling any potential or actual systems integrity failures, and its procedures designed to protect against security breaches are followed; and (v) that its current assets exceed its current liabilities by at least \$500,000;