

FREEFELLOW

LIMITS & THRESHOLDS

SIE

FINRA · Securities Industry Essentials

20

LIMITS

4

TOPICS

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LIMITS & THRESHOLDS

KNOWLEDGE OF CAPITAL MARKETS

4 items

An accredited investor needs **\$200,000** income (**\$300,000** joint) or **\$1M** net worth excluding primary residence.

FDIC insures bank deposits up to **\$250,000** per depositor, per insured bank, per ownership category.

Regulation A Tier 2 permits exempt offerings up to **\$75M** over **12 months**.

SIPC covers **\$500,000** per customer at a failed broker-dealer, with a **\$250,000** cash sub-limit.

UNDERSTANDING PRODUCTS AND THEIR RISKS

8 items

Rights typically expire in **30-45 days** with strikes below market, while warrants last **5+ years** with strikes above market at issue.

T-notes mature in **2, 3, 5, 7, and 10** years, while T-bonds mature in **20 and 30** years.

Commercial paper has a maximum maturity of **270 days**, and negotiable CDs require a **\$100,000** minimum.

Investment grade ends at **BBB-** (S&P/Fitch) or **Baa3** (Moody's); anything below is high-yield or junk.

A REIT must distribute at least **90%** of taxable income and invest at least **75%** of assets in real estate to retain pass-through tax status.

One standard equity option contract covers **100** shares, and open-end mutual fund NAV is calculated once daily after the **4:00 PM ET** market close.

A 529 donor may front-load **\$90,000** via **5-year** gift-tax averaging using the annual exclusion of **\$18,000** per donor.

FINRA's maximum mutual fund sales load is **8.5%**, and total 12b-1 fees must stay at or below **0.25%** for a fund to call itself "no-load."

UNDERSTANDING TRADING, CUSTOMER ACCOUNTS AND PROHIBITED ACTIVITIES

4 items

Reg T initial margin is **50%**, FINRA maintenance is **25%** long and **30%** short, with minimum equity of **\$2,000** to open.

Traditional IRA RMDs begin at **age 73** under SECURE 2.0, and early withdrawals before **age 59½** trigger a **10%** penalty plus tax.

CIP records must be retained for **5 years** after account closure and must include name, DOB, physical address, and SSN/ID number.

CTRs must be filed within **15 days** for cash over \$10,000, while SARs must be filed within **30 days** of detection (**60 days** if no suspect).

OVERVIEW OF THE REGULATORY FRAMEWORK

4 items

FINRA Rule 3220 caps business gifts at **\$100** per person per year, and freeriding triggers a **90-day** cash-account freeze.

Under SEC Rule 17a-4, broker-dealer records are retained for **6 years**, with the first **2 years** readily accessible.

FINRA Rule 2165 permits a temporary hold of **15 business days** on a senior's disbursement, extendable by **10**, for **25** maximum.

Insider trading civil penalties reach **treble damages** and criminal penalties reach **20 years** imprisonment with **\$5M individual / \$25M entity** fines.