

Brokers

There are various types of investment professionals. And the products and services each type can—or cannot—provide will depend on the license(s) and training the person or firm has.

As you consider a particular person or firm—or as you construct a team to help you—here’s what you need to know about **brokers**.

- > **What they are:** While many people use the word broker generically to describe someone who handles stock transactions, the legal definition is somewhat different—and worth knowing. A broker-dealer is a person or company that is in the business of buying and selling securities—stocks, bonds, mutual funds, and certain other investment products—on behalf of its customers (as broker), for its own account (as dealer), or both. Individuals who work for broker-dealers—the sales personnel whom most people call brokers—are technically known as registered representatives.
- > **Who regulates them:** With few exceptions, broker-dealers must register with the Securities and Exchange Commission (SEC) and be members of FINRA. Individual registered representatives must register with FINRA, pass a qualifying examination, and be licensed by your state securities regulator before they can do business with you. You can obtain background information on broker-dealers and registered representatives—including registration, licensing, and disciplinary history—by using [FINRA BrokerCheck](#) or calling us toll-free (800) 289-9999. You can also contact your state securities regulator. To find your regulator, check the government listing of your phone book or contact the North American Securities Administrators Association at www.nasaa.org or (202) 737-0900.
- > **What they offer:** Broker-dealers vary widely in the types of services they offer, falling generally into two categories—full-service and discount brokerage firms. Full-service firms typically charge more for each transaction, but they tend to have large research operations that representatives can tap into when making recommendations, can handle nearly any kind of financial transaction you want to make, and may offer investment planning or other services. Discount broker-dealer firms are usually cheaper, but you may have to research potential investments on your own—though the broker-dealer websites may have a lot of information you can use. Registered representatives are primarily securities salespeople and may also go by such generic titles as financial consultant, financial advisor, or investment consultant. The products they can sell you depend on the licenses they hold. For example, a representative who has passed the Series 6 exam can sell only mutual funds, variable annuities, and similar products, while the holder of a Series 7 license can sell a broader array of securities. When a registered representative suggests that you buy or sell a particular security, he or she must have reason to believe that the recommendation is suitable for you based on a host of factors, including your income, portfolio, and overall financial situation, your tolerance for risk, and your stated investment objectives.

More

- > [What to Expect When You Open a Brokerage Account](#)
This publication explains what to expect if you do decide to open a brokerage account, including

what information you will be asked to provide, what decisions you will be asked to make, what questions you should ask your broker and what your rights are as a customer of a brokerage firm.

- > [Tips for Working With Your Investment Professional](#)

These tips can help ensure a productive relationship with your investment professional.

- > [Understanding the Brokerage Firm Transfer Process](#)

At times, investors transfer their securities accounts between broker-dealers. Here are some basic facts about the account transfer process.

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