

Information Notice

Late Disclosure Fee Related to Reporting of Judgment/Lien Events

Effective Date: August 13, 2012

Executive Summary

Effective August 13, 2012, FINRA has implemented new procedures regarding application of the late disclosure fee under Section 4(h) of Schedule A to the FINRA By-Laws to the reporting of judgment/lien events on Forms U4. Under the new procedures, FINRA is requesting that member firms provide the date the registered person learned of the judgment/lien on Form U4 when reporting such events and will assess the late disclosure fee based on that date.

Questions regarding this *Notice* should be directed to the Gateway Call Center at (301) 869-6699.

Discussion

Member firms are required to report when a registered person becomes subject to an unsatisfied judgment or lien in response to Question 14M on Form U4. Under the FINRA By-Laws, firms are required to report such matters not later than 30 days after learning of the facts or circumstances giving rise to the event (*i.e.*, the filing of the judgment or lien).¹ Member firms that do not report such matters in a timely manner are subject to a late disclosure fee under Section 4(h) of Schedule A to the FINRA By-Laws.

In connection with recent fee changes,² it has come to FINRA's attention that the manner in which the Form U4 currently elicits information regarding judgment/lien events may have resulted in firms being assessed a late disclosure fee based on the date of filing of the judgment or lien rather than the date on which the representative learned of the judgment or lien. Specifically, when reporting such matters, member firms are required to provide in Section 4 of the Form U4 Judgment/Lien Disclosure Reporting Page (DRP) the date the judgment or lien was filed. The DRP does not currently elicit in a discrete data field the date the registered person learned of the judgment

August 17, 2012

Suggested Routing

- ▶ Compliance
- ▶ Registered Representatives
- ▶ Registration
- ▶ Senior Management

Key Topic(s)

- ▶ FINRA By-Laws
- ▶ Form U4
- ▶ Late Disclosure Fee
- ▶ Reporting of Judgment/Lien Events



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or lien. FINRA previously assessed any related late disclosure fee through the Central Registration Depository® (CRD or CRD system) based on the date the judgment or lien was filed. Member firms were instructed to contact FINRA staff if they believed the late disclosure fee was assessed in error.³

Effective August 13, 2012, FINRA has implemented new procedures regarding application of the late disclosure fee to the reporting of judgment/lien events on Forms U4. Under the new procedures, FINRA is requesting that member firms provide, in addition to the date the judgment/lien was filed in Section 4 of the DRP, the date the registered person learned of the judgment/lien in Section 8 of the DRP (a free-text section), if it differs from the date provided in Section 4. If the member firm provides a date in Section 8 of the DRP, FINRA staff will review the information provided by the member firm to determine whether a filing is late based on the date the registered person learned of the judgment/lien and, if it is late, will assess the late disclosure fee based on that date.

FINRA has published guidance regarding how firms should report judgment/lien events at [Forms U4 and U5 Interpretive Questions & Answers](#) (Question 14M).

Endnotes

1. See FINRA By-Laws, Article V, Section 2(c).
2. See Securities Exchange Act Release No. 67247 (June 25, 2012), 77 FR 38866 (June 29, 2012) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Sections 4 and 6 of Schedule A to the FINRA By-Laws Regarding Fees Relating to the Central Registration Depository).
3. Information on requesting a late disclosure fee refund is available on FINRA's website at [Late Disclosure Fee FAQ](#).