

Notices

Regulatory Notices

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Dispute Resolution By-Laws

SEC Approves Amendments to FINRA Dispute Resolution By-Laws

Effective Date: August 2, 2010

Executive Summary

Effective August 2, 2010, the Board composition and governance structure of FINRA Dispute Resolution, Inc. (a subsidiary of FINRA) will more closely parallel the composition and governance structure of the FINRA, Inc. Board of Governors (FINRA Board).¹ The revisions to the FINRA Dispute Resolution, Inc. By-Laws (By-Laws) also reflect current business and legal practices concerning the administration of FINRA Dispute Resolution. In addition, the revisions make non-substantive or conforming changes to the By-Laws, including updates to reflect the corporate name change. The revised By-Laws are available at www.finra.org/finramanual/drbylaws.

Questions concerning this *Notice* should be directed to Kenneth L. Andrichik, senior vice president, chief counsel and director of Mediation and Strategy, Dispute Resolution, at (212) 858-3915 or ken.andrichik@finra.org.

Background and Discussion

On July 30, 2007, NASD and the New York Stock Exchange consolidated their member regulation, enforcement, and arbitration functions and became FINRA. As part of the consolidation, the Securities and Exchange Commission (SEC) approved amendments to the NASD By-Laws to implement governance and related changes,² including a FINRA Board governance structure that balances public and industry representation. At the time of the consolidation, the By-Laws of FINRA Dispute Resolution, a subsidiary of FINRA, were not amended.

July 2010

Notice Type

- Rule Amendment

Suggested Routing

- Legal
- Senior Management

Key Topics

- By-Laws
- Dispute Resolution

Referenced Rules & Notices

- FINRA Dispute Resolution By-Laws

On May 24, 2010, the SEC approved amendments to the FINRA Dispute Resolution By-Laws that:

- ▶ modify the composition of the FINRA Dispute Resolution Board;
- ▶ conform the FINRA Dispute Resolution By-Laws to the FINRA By-Laws; and
- ▶ reflect the corporate name change and other similar matters.

These changes complete the process of updating the By-Laws to reflect the consolidation and harmonize them with the FINRA By-Laws. The changes are effective August 2, 2010.

Revisions to FINRA Dispute Resolution By-Laws

The FINRA Dispute Resolution By-Laws, as revised, will more closely parallel the composition and governance structure of the FINRA Board, reflect current business and legal practices concerning the administration of FINRA Dispute Resolution and make non-substantive or conforming changes.

For example, FINRA amended the definitions of “broker” and “dealer” in Article I of the By-Laws to conform them to the definitions of “broker” and “dealer” in the Exchange Act, as amended by the Gramm-Leach-Bliley Act of 1999.³ FINRA is incorporating by reference the definitions of the terms “broker” and “dealer” as set forth in Sections 3(a)(4) and 3(a)(5), respectively, of the Exchange Act.⁴

FINRA amended Article IV, Section 4.3(a), of the By-Laws to reflect FINRA’s current governance structure and establish that FINRA Dispute Resolution Board members will be drawn exclusively from the FINRA Board. FINRA also amended Section 4.3(a) to streamline the composition of FINRA Dispute Resolution’s Board and implement a requirement that it contain more public directors⁵ than industry directors.⁶

To that end, FINRA amended Section 4.13 to remove the requirement that an executive committee of the FINRA Dispute Resolution Board include at least one public director, and institute the requirement that public directors must exceed industry directors on a FINRA Dispute Resolution Executive Committee of the Board.⁷

FINRA is also making certain other non-substantive changes to all articles of the FINRA Dispute Resolution By-Laws, including replacing the terms “the NASD” or “NASD” with “FINRA” or “the Corporation,” and changing the name of the dispute resolution subsidiary from “NASD Dispute Resolution” to “FINRA Dispute Resolution, Inc.”

The amendments become effective August 2, 2010.

Endnotes

- 1 See Exchange Act Rel. No. 62156 (May 24, 2010), 75 FR 30453 (June 1, 2010) (SEC Order Approving File No. SR-FINRA-2010-007).
- 2 See Exchange Act Rel. No. 56145 (July 26, 2007), 72 FR 42169 (August 1, 2007), as amended by Exchange Act Release No. 56145A (May 30, 2008), 73 FR 32377 (June 6, 2008) (File No. SR-NASD-2007-023).
- 3 Pub. L. 106-102, 113 Stat. 1338 (1999).
- 4 15 U.S.C. 78c(a)(4) and (a)(5).
- 5 A public director is a director of the Board who is not an industry director and who otherwise has no material business relationship with a broker or dealer or a self-regulatory organization registered under the Act (other than serving as a public director of such a self-regulatory organization). See FINRA Dispute Resolution By-Laws, Article I, Definitions (x).
- 6 An industry director is a director of the Board (other than the chairman of the FINRA Board and the chief executive officer of FINRA) who: (1) is or has served in the prior year as an officer, director (other than as an independent director), employee or controlling person of a broker or dealer, or (2) has a consulting or employment relationship with or provides professional services to a self-regulatory organization registered under the Act, or has had any such relationship or provided any such services at any time within the prior year. See FINRA Dispute Resolution By-Laws, Article I, Definitions (r).
- 7 See Article IV, §4.12(f) (Executive Committee).

Supplemental FOCUS Information

FINRA Requests Comment on Proposed Rule Requiring the Filing of Supplemental FOCUS Information and Proposed Supplementary Schedule to the Statement of Income (Loss) Page of FOCUS Report Parts II and IIA

Comment Period Expires: August 18, 2010

Executive Summary

FINRA requests comment on a proposed rule to require each member firm to file certain additional financial or operational schedules or reports to supplement SEC FOCUS Reports. FINRA further requests comment on one such proposed schedule, a supplement to the Statement of Income (Loss) page of FOCUS Report Parts II and IIA.

The text of proposed FINRA Rule 4524 (Supplemental FOCUS Information) is set forth in Attachment A. The proposed supplementary schedule for the Statement of Income (Loss) page of the FOCUS Report Parts II and IIA, including the proposed Operational Page, is set forth in Attachment B.

Questions concerning this *Notice* should be directed to:

- Kris Dailey, Vice President, Risk Oversight & Operational Regulation, at (646) 315-8434; or
- Susan DeMando Scott, Associate Vice President, Financial Operations Department, at (202) 728-8411.

July 2010

Notice Type

- Request for Comment

Suggested Routing

- Compliance
- Finance
- Legal
- Operations
- Regulatory Reporting
- Senior Management

Key Topics

- FOCUS Reporting

Referenced Rules & Notices

- SEA Rule 17a-5
- FINRA Rule 2010

Action Requested

FINRA encourages all interested parties to comment on the proposal. Comments must be received by August 18, 2010.

Member firms and other interested parties can submit their comments using the following methods:

- Emailing comments to *pubcom@finra.org*; or
- Mailing comments in hard copy to:

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

To help FINRA process and review comments more efficiently, persons should use only one method to comment on the proposal.

Important Notes: The only comments that FINRA will consider are those submitted pursuant to the methods described above. All comments received in response to this *Notice* will be made available to the public on the FINRA Web site. Generally, FINRA will post comments on its site one week after the end of the comment period.¹

Before becoming effective, a proposed rule change must be authorized for filing with the SEC by the FINRA Board of Governors, and then must be approved by the SEC, following publication for public comment in the *Federal Register*.²

Background & Discussion

SEA Rule 17a-5 requires member firms to file with FINRA monthly and quarterly reports concerning their financial and operational status (FOCUS Reports). FOCUS Reports provide FINRA with valuable information regarding a member firm's business; however, FINRA believes that it can better discharge its regulatory obligations with the benefit of additional information that gives FINRA a more complete and detailed view of a member firm's business operations. FINRA, therefore, is requesting comment on a proposed rule that requires firms to file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest. The content of any future proposed schedules and reports, their formats and the frequency of such supplemental filings, would be specified in a future *Regulatory Notice* (or similar communication) to be filed with the SEC.

In connection with the proposed rule, FINRA is proposing a supplementary schedule to capture with more specificity information from the Statement of Income (Loss) page of the FOCUS Report Parts II and IIA. The forms currently in use do not contain sufficient detail of revenues earned or expenses incurred by product or other more specific categories, thereby driving firms to report much of their revenue and expense as “other” (miscellaneous). FINRA believes the expanded revenue and expense information on the proposed supplementary schedule would provide FINRA greater transparency into a member firm’s business activities and would better illuminate industry trends, allowing for more focused examinations. Many line items are not applicable to firms with limited product offerings, thereby reducing the burden of completing the form.

As part of the proposed supplementary schedule, FINRA would require additional information with respect to a member firm’s underwriting and/or selling group activities when revenue from unregistered offerings exceeds 10 percent of total revenue. Member firms that exceed the 10 percent threshold would need to complete the corresponding section of a new Operational Page that is referenced in the proposed supplementary schedule.

Endnotes

- 1 FINRA will not edit personal identifying information, such as names or email addresses, from submissions. Persons should submit only information that they wish to make publicly available. See *NASD Notice to Members 03-73* (November 2003) (NASD Announces Online Availability of Comments) for more information.
- 2 Section 19 of the Securities Exchange Act of 1934 (SEA or Exchange Act) permits certain limited types of proposed rule changes to take effect upon filing with the SEC. The SEC has the authority to summarily abrogate these types of rule changes within 60 days of filing. See Exchange Act Section 19 and rules thereunder.

Attachment A

4524. Supplemental FOCUS Information

As a supplement to filing FOCUS reports required pursuant to SEA Rule 17a-5 and FINRA Rule 2010, each member shall file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest. The content of such schedules and reports, their formats, and the frequency of such supplemental filings shall be specified in a Regulatory Notice (or similar communication) issued pursuant to this Rule. FINRA shall file with the SEC any Regulatory Notice (or similar communication) issued pursuant to this Rule.

FINRA BrokerCheck

SEC Approves Changes to Expand the Information Released Through BrokerCheck and Establish a Process to Dispute (or Update) Information Disclosed Through BrokerCheck

Effective Date—Historic Complaints and Dispute Process:
August 23, 2010

Effective Date—Disclosure Period and Permanently Available Information: November 6, 2010

Executive Summary

The SEC approved amendments to FINRA Rule 8312, which governs the release of information through BrokerCheck.¹ The amendments:

- (1) make publicly available in BrokerCheck all historic customer complaints that became non-reportable after the implementation of Web CRD;
- (2) permanently make publicly available in BrokerCheck information about former associated persons of a member firm, as reported to CRD on a uniform registration form if they were (a) convicted of or pled guilty or no contest to certain crimes; (b) subject to a civil injunction involving investment-related activity or found in a civil court to have been involved in a violation of investment-related statutes or regulations; or (c) named as a respondent or defendant in an arbitration or civil litigation in which they were alleged to have committed a sales practice violation, and which resulted in an award or civil judgment against them;
- (3) expand the BrokerCheck disclosure period for former associated persons of a member firm to 10 years from two years; and
- (4) codify FINRA's current process for disputing the accuracy of (or updating) information disclosed through BrokerCheck.

July 2010

Notice Type

- Rule Approval

Suggested Routing

- Compliance
- Legal
- Operations
- Registered Representatives
- Senior Management

Key Topics

- BrokerCheck
- BrokerCheck Dispute Process
- Central Registration Depository
- Historic Complaints
- Uniform Registration Forms

Referenced Rules & Notices

- FINRA Rule 8312

The amendments involving the public availability of historic customer complaints and the process for disputing the accuracy of information disclosed through BrokerCheck become effective on August 23, 2010. The effective date for the amendments pertaining to the expansion of the disclosure period for former associated persons and the permanent public availability of certain information about former associated persons of a member firm is November 6, 2010.

The text of the amendments to FINRA Rule 8312 is set forth in Attachment A.

Questions concerning this *Notice* should be directed to:

- ▶ Richard E. Pullano, Associate Vice President and Chief Counsel, Registration and Disclosure, at (240) 386-4821; or
- ▶ Stan Macel, Assistant General Counsel, Office of General Counsel, at (202) 728-8056.

Background & Discussion

FINRA Rule 8312 governs the information FINRA releases to the public via BrokerCheck. FINRA established BrokerCheck (formerly known as the Public Disclosure Program) in 1988 to provide the public with information on the professional background, business practices, and conduct of FINRA member firms and their associated persons. Via BrokerCheck, FINRA releases to the public certain information reported on uniform registration forms to the Central Registration Depository (CRD[®] or Web CRD).² Among other things, BrokerCheck helps investors make informed choices about the individuals and firms with which they may wish to do business.

The SEC recently approved amendments to FINRA Rule 8312. As discussed in more detail below, the amendments:

- ▶ make publicly available in BrokerCheck all historic customer complaints that became non-reportable after the implementation of Web CRD;
- ▶ expand the BrokerCheck disclosure period for former associated persons of a member firm to 10 years from two years;
- ▶ permanently make publicly available in BrokerCheck certain information about former associated persons of a member firm if any of the following applies, as reported to CRD on a uniform registration form: (i) the person was convicted of or pled guilty or nolo contendere to a crime; (ii) the person was the subject of a civil injunction in connection with investment-related activity or a civil court finding of involvement in a violation of any investment-related statute or regulation; or

- (iii) the person was named as a respondent or defendant in an investment-related, consumer-initiated arbitration or civil litigation which alleged that the person was involved in a sales practice violation and which resulted in an arbitration award or civil judgment against the person; and
- ▶ codify FINRA's current process for disputing the accuracy of (or updating) information disclosed through BrokerCheck.

The amendments involving the public availability of historic customer complaints and the process for disputing the accuracy of information disclosed through BrokerCheck become effective on August 23, 2010. The effective date for the amendments pertaining to the expansion of the disclosure period for former associated persons and the permanent public availability of certain information about former associated persons of a member firm is November 6, 2010.

Revisions Regarding Historic Customer Complaints

Pursuant to FINRA Rule 8312, Historic Complaints are customer complaints that were reported on a uniform registration form, are more than two years old and that have not been settled or adjudicated; and customer complaints, arbitrations or litigations that have been settled for an amount less than the specified dollar amount (identified on the customer complaint question) and are therefore no longer reportable on a uniform registration form. FINRA Rule 8312 currently provides that Historic Complaints be displayed in BrokerCheck only after the following conditions have been met: (1) a matter became a Historic Complaint on or after March 19, 2007; (2) the most recent Historic Complaint or currently reported customer complaint, arbitration or litigation is less than 10 years old; and (3) the person has a total of three or more currently disclosable regulatory actions, currently reported customer complaints, arbitrations or litigations, or Historic Complaints (subject to the limitation that they became Historic Complaints on or after March 19, 2007), or any combination thereof. Unless all three conditions are met, a person's Historic Complaints are not disclosed through BrokerCheck.³

Effective August 23, 2010, FINRA will eliminate the conditions set forth in FINRA Rule 8312 that must be met before Historic Complaints will be displayed in BrokerCheck. Eliminating these conditions will result in the disclosure of all Historic Complaints via BrokerCheck that became non-reportable after the implementation of Web CRD (*i.e.*, on or after August 16, 1999).

In conjunction with this change, FINRA will simplify the process by which member firms may add or revise comments to, or otherwise update information pertaining to, Historic Complaints.⁴ Currently, a member firm must contact FINRA and request that a Historic Complaint be “un-archived” if the member firm wants to change the information that it reported with respect to that Historic Complaint. After the member firm makes the necessary changes, the Historic Complaint is once again “archived,” if appropriate.

FINRA will simplify the process to amend Historic Complaints by allowing member firms to amend “archived” Historic Complaints without first contacting FINRA.⁵ With this change, member firms will be able to amend Historic Complaints in the same manner that they currently amend other reported disclosure events.

Expansion of the Disclosure Period for Former Associated Persons and the Information Permanently Available in BrokerCheck

Currently, as described in FINRA Rule 8312, BrokerCheck provides information regarding current and former member firms, as well as current associated persons and persons who were associated with a member firm within the preceding two years (*i.e.*, a two year “post-registration disclosure period”). In addition, BrokerCheck makes publicly available on a permanent basis certain information about former associated persons of a member firm who were the subject of a final regulatory action as defined in Form U4 that has been reported to CRD via a uniform registration form.

Beginning November 6, 2010, FINRA will expand the post-registration disclosure period to 10 years from two years. Furthermore, FINRA will permanently make publicly available in BrokerCheck certain information about former associated persons of a member firm who were registered on or after August 16, 1999, if any of the following applies, as reported to CRD on a uniform registration form: (1) the person was convicted of or pled guilty or *nolo contendere* to a crime;⁶ (2) the person was the subject of a civil injunction in connection with investment-related activity or a civil court finding of involvement in a violation of any investment-related statute or regulation;⁷ or (3) the person was named as a respondent or defendant in an investment-related, consumer-initiated arbitration or civil litigation which alleged that the person was involved in a sales practice violation and which resulted in an arbitration award or civil judgment against the person.⁸

FINRA will disclose through BrokerCheck information concerning any of the disclosure events described above, as well as certain administrative information (*e.g.*, employment and registration history) and information as to qualification examinations, if available, regarding these formerly registered individuals. FINRA also will provide the most recently submitted comment, if any has been provided by the subject person, presuming the comment is in the form and in accordance with the procedures established by FINRA and relates to the information provided through BrokerCheck.

BrokerCheck Dispute Process

FINRA occasionally receives telephonic and written inquiries from persons subject to BrokerCheck who believe that information disclosed about them through BrokerCheck is inaccurate. When FINRA receives these inquiries, FINRA typically reviews the alleged inaccuracy and, if appropriate, contacts the entity that reported the information to determine whether the information is accurate. Once FINRA obtains all of the available pertinent information, FINRA determines whether the information is still accurate or whether the information should be modified or removed from BrokerCheck.

Effective August 23, 2010, FINRA will enhance and codify this process, which will allow individuals and firms to dispute the accuracy of information displayed through BrokerCheck. The dispute process will be available both for challenges alleging the information was incorrect when filed and challenges asserting that the information has become incorrect due to events subsequent to filing.

Under the dispute process, only an “eligible party” will be able to dispute the accuracy of information disclosed in that party’s BrokerCheck report. An eligible party consists of any current member firm, any former member firm (subject to a condition discussed below), and any associated person of a member firm or person formerly associated with a member firm for whom a BrokerCheck report is available. With respect to former member firms, a dispute may be submitted only by a natural person who served as the former member firm’s Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Legal Officer or Chief Compliance Officer, or individual with similar status or function, as identified on Schedule A of Form BD at the time the former member firm ceased being registered with FINRA.

To dispute the accuracy of BrokerCheck information, an eligible party must submit a BrokerCheck Dispute Form, which will be available on FINRA’s website. The eligible party must identify the information that the party alleges is inaccurate and provide an explanation as to the reason the information is believed to be inaccurate. Additionally, the eligible party must submit with the BrokerCheck Dispute Form all available supporting documentation (if any exists).

After receiving the BrokerCheck Dispute Form, FINRA will determine whether the dispute is eligible for investigation. To be eligible for investigation, the dispute must pertain only to factual information and not to information that is subjective in nature or a matter of interpretation. FINRA will presume that a dispute involving factual information is eligible for investigation; however, the following non-exhaustive list of situations will be ineligible for investigation, even if they involve factual information:

- a dispute that involves information that was previously disputed under this process and that does not contain any new or additional evidence;
- a dispute that is brought by an individual or entity that is not an eligible party;
- a dispute that does not challenge the accuracy of information contained in a BrokerCheck report but only provides an explanation of such information;
- a dispute that constitutes a collateral attack on or otherwise challenges the allegations underlying a previously reported matter such as a regulatory action, customer complaint, arbitration, civil litigation or termination;
- a dispute that consists of a general statement contesting information in a BrokerCheck report with no accompanying explanation; and
- a dispute that involves information contained in CRD that is not disclosed through BrokerCheck.

If FINRA determines that a dispute is not eligible for investigation, it will notify the individual or firm of this determination in writing, including a brief description of the reason for the determination. A determination by FINRA that a dispute is not eligible for investigation is not subject to appeal.

If FINRA determines that a dispute is eligible for investigation, FINRA will add a general notation to the eligible party's BrokerCheck report stating that the eligible party has disputed certain information included in the report.⁹ FINRA will evaluate the BrokerCheck Dispute Form and supporting documentation submitted by the eligible party. If FINRA concludes that the documentation submitted is sufficient to make a determination regarding the information that is the subject of the request, FINRA will make the appropriate change(s), if any. If, however, the BrokerCheck Dispute Form and supporting documentation do not include sufficient information upon which FINRA can make a determination, FINRA will, under most circumstances, contact the entity that reported the information to CRD (*i.e.*, a firm, other regulator or FINRA department (the "reporting entity")) and request that the reporting entity verify that the information is accurate.¹⁰ Where a reporting entity other than FINRA is involved, FINRA will defer to

that reporting entity regarding the accuracy of the information provided to FINRA and disclosed through BrokerCheck.¹¹ If the reporting entity acknowledges that the information is not accurate, FINRA will update, modify or remove the information, as appropriate, based on the information provided by the reporting entity. If the reporting entity verifies the accuracy of the information or the reporting entity no longer exists or is unable to verify the accuracy of the information, FINRA will not change the information.

Upon making its determination, FINRA will notify the disputing eligible party in writing that the investigation resulted in a determination that (1) the information is inaccurate or not accurately presented and has been updated, modified or deleted; (2) the information is accurate in content and presentation and no changes have been made; or (3) the accuracy of the information or its presentation could not be verified and no changes have been made. In addition, FINRA will remove the dispute notation from the eligible party's BrokerCheck report. A determination by FINRA regarding a dispute, including a determination to leave unchanged or to update, modify or delete disputed information, will not be subject to appeal.¹²

Endnotes

- 1 See Securities Exchange Act Release No. 62476 (July 8, 2010), 75 FR 41254 (July 15, 2010) (Order Approving File No. SR-FINRA-2010-012).
- 2 The uniform registration forms are Form BD (Uniform Application for Broker-Dealer Registration), Form BDW (Uniform Request for Broker-Dealer Withdrawal), Form BR (Uniform Branch Office Registration Form), Form U4 (Uniform Application for Securities Industry Registration or Transfer), Form U5 (Uniform Termination Notice for Securities Industry Registration), and Form U6 (Uniform Disciplinary Action Reporting Form).
- 3 In addition, even if a person meets the criteria established for disclosing Historic Complaints, only those Historic Complaints that became Historic Complaints after March 19, 2007, currently are displayed through BrokerCheck.
- 4 FINRA will also revise the customer dispute disclosure section of the BrokerCheck report to identify those customer disputes that were reported by a member firm as closed with no action, withdrawn, dismissed or denied. FINRA will continue to evaluate all aspects of its BrokerCheck program, including whether additional changes to the BrokerCheck report format should be implemented to make the reports easier to read and understand.
- 5 FINRA will continue to review all changes made to Historic Complaints to determine if further action is warranted.
- 6 In those circumstances where a dispute involves a court order to expunge information from BrokerCheck, FINRA will, as it does today, prevent the disputed information from being displayed via BrokerCheck while FINRA evaluates the matter.
- 7 FINRA will not contact the reporting entity if the entity is unlikely to have information regarding the disputed information.
- 8 If the reporting entity obtained its information from a third party (e.g., a firm reported to CRD that an associated individual had declared bankruptcy based on information from a consumer reporting agency), FINRA will not contact the third party (in this example, the consumer reporting agency) to try to verify the accuracy of the information. The reporting entity will have the responsibility of verifying the accuracy of the information it received from the third party.
- 9 Although FINRA determinations under the dispute process will not be subject to appeal, individuals and firms will continue to have the ability to challenge BrokerCheck information they believe to be inaccurate through other processes that are available today (e.g., an arbitration or court proceeding).
- 10 This information is currently elicited by Questions 14A(1)(a) and 14B(1)(a) on Form U4 and Questions 7C(1) and 7C(3) on Form U5.
- 11 This information is currently elicited by Questions 14H(1)(a) and 14H(1)(b) on Form U4.
- 12 This information is currently elicited by Question 14I(1)(b) on Form U4 and Question 7E(1)(b) on Form U5.

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Attachment A

New language is underlined; deletions are in brackets.

* * * * *

8000. Investigations and Sanctions

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8300. Sanctions

* * * * *

8312. FINRA BrokerCheck Disclosure

(a) No Change.

(b) (1) Except as otherwise provided in paragraph (d) below, FINRA shall release the information specified in subparagraph (2) below f[F] or inquiries regarding a current or former member, a current associated person, or a person who was associated with a member within the preceding ten [two] years.], except as otherwise provided in paragraph (d) below, FINRA shall release:]

(2) The following information shall be released pursuant to this paragraph (b):

[(1)] (A) any information reported on the most recently filed Form U4, Form U5, Form U6, Form BD, and Form BDW (collectively “Registration Forms”);

[(2)] (B) currently approved registrations;

[(3)] (C) summary information about certain arbitration awards against a member involving a securities or commodities dispute with a public customer;

[(4)] (D) the most recently submitted comment, if any, provided to FINRA by a person who is covered by BrokerCheck, in the form and in accordance with the procedures established by FINRA, for inclusion with the information provided through BrokerCheck. Only comments that relate to the information provided through BrokerCheck will be included;

[(5)] (E) information as to qualifications examinations passed by the person and date passed. FINRA will not release information regarding examination scores or failed examinations;

[(6)] (F) in response to telephonic inquiries via the BrokerCheck toll-free telephone listing, whether a particular member is subject to the provisions of NASD Rule 3010(b)(2) (“Taping Rule”);

[(7)] (G) Historic Complaints (i.e., the information last reported on Registration Forms relating to customer complaints that are more than two (2) years old and that have not been settled or adjudicated, and customer complaints, arbitrations or litigations that have been settled for an amount less than \$10,000 prior to May 18, 2009 or an amount less than \$15,000 on or after May 18, 2009 and are no longer reported on a Registration Form), provided that any such matter became a Historic Complaint on or after August 16, 1999; and [:]

[(A) any such matter became a Historic Complaint on or after March 19, 2007;]

[(B) the most recent Historic Complaint or currently reported customer complaint, arbitration or litigation is less than ten (10) years old; and]

[(C) the person has a total of three (3) or more currently disclosable regulatory actions, currently reported customer complaints, arbitrations or litigations, or Historic Complaints (subject to the limitation that they became a Historic Complaint on or after March 19, 2007), or any combination thereof; and]

[(8)](H) the name and succession history for current or former members.

(c) (1) Except as otherwise provided in paragraph (d) below, FINRA shall release the information specified in subparagraph (2) below f[F] or inquiries regarding a person who [(1)] was formerly associated with a member, but who has not been associated with a member within the preceding ten [two] years, and:

(A) [(2)] was ever the subject of a final regulatory action as defined in Form U4 that has been reported to CRD on a Registration Form; or

(B) was registered with FINRA on or after August 16, 1999, and any of the following applies, as reported to CRD on a Registration Form:

(i) was convicted of or pled guilty or nolo contendere to a crime;

(ii) was the subject of a civil injunction in connection with investment-related activity or a civil court finding of involvement in a violation of any investment-related statute or regulation; or

(iii) was named as a respondent or defendant in an investment-related, consumer-initiated arbitration or civil litigation which alleged that the person was involved in a sales practice violation and which resulted in an arbitration award or civil judgment against the person.

[, except as provided in paragraph (d) below, FINRA shall release, to the extent available:]

(2) The following information shall be released pursuant to this paragraph (c):

(A) [(1)] information regarding the [final regulatory action] event(s) enumerated in paragraph (c)(1)(A) or (B) as reported on a Registration Form;

(B) [(2)] administrative information, including employment history and registration history derived from information reported on a Registration Form;

(C) [(3)] the most recently submitted comment, if any, provided to FINRA by the person who is covered by BrokerCheck, in the form and in accordance with the procedures established by FINRA, for inclusion with the information provided through BrokerCheck. Only comments that relate to the information provided through BrokerCheck will be included; and

(D) [(4)] information as to qualifications examinations passed by the person and date passed. FINRA will not release information regarding examination scores or failed examinations.

For purposes of this paragraph (c), a final regulatory action as defined in Form U4 may include any final action, including any action that is on appeal, by the SEC, the Commodity Futures Trading Commission, a federal banking agency, the National Credit Union Administration, another federal regulatory agency, a state regulatory agency, a foreign financial regulatory authority, or a self-regulatory organization (as those terms are used in Form U4).

(d) No Change.

(e) Eligible parties may dispute the accuracy of certain information disclosed through FINRA BrokerCheck pursuant to the administrative process described below:

(1) Initiation of a Dispute

(A) The following persons (each an “eligible party”) may initiate a dispute regarding the accuracy of information disclosed in that eligible party’s BrokerCheck report:

(i) any current member;

(ii) any former member, provided that the dispute is submitted by a natural person who served as the former member’s Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Legal Officer or Chief Compliance Officer, or individual with similar status or function, as identified on Schedule A of Form BD at the time the former member ceased being registered with FINRA; or

(iii) any associated person of a member or person formerly associated with a member for whom a BrokerCheck report is available.

(B) To initiate a dispute, an eligible party must submit a written notice to FINRA, in such manner and format that FINRA may require, identifying the alleged inaccurate factual information and explaining the reason that such information is allegedly inaccurate. The eligible party must submit with the written notice all available supporting documentation.

(2) Determination of Disputes Eligible for Investigation

(A) FINRA will presume that a dispute of factual information is eligible for investigation unless FINRA reasonably determines that the facts and circumstances involving the dispute suggest otherwise.

(B) If FINRA determines that a dispute is eligible for investigation, FINRA will, except in circumstances involving court-ordered expungement, add a general notation to the eligible party’s BrokerCheck report stating that the eligible party has disputed certain information included in the report. The notation will be removed from the eligible party’s BrokerCheck report upon resolution of the dispute by FINRA. In disputes involving a court order to expunge information from BrokerCheck, FINRA will prevent the disputed information from being displayed via BrokerCheck while FINRA evaluates the matter.

(C) If FINRA determines that a dispute is not eligible for investigation, it will notify the eligible party of this determination in writing, including a brief description of the reason for the determination. A determination by FINRA that a dispute is not eligible for investigation is not subject to appeal.

(3) Investigation and Resolution of Disputes

(A) If FINRA determines that the written notice and supporting documentation submitted by the eligible party is sufficient to update, modify or remove the information that is the subject of the request, FINRA will make the appropriate change. If the written notice and supporting documentation do not include sufficient information upon which FINRA can make a determination, FINRA, under most circumstances, will contact the entity that reported the disputed information (the “reporting entity”) to the Central Registration Depository and request that the reporting entity verify that the information, as disclosed through BrokerCheck, is accurate in content and presentation. If a reporting entity other than FINRA is involved, FINRA will defer to the reporting entity about whether the information received is accurate. If the reporting entity acknowledges that the information is not accurate, FINRA will update, modify or remove the information, as appropriate, based on the information provided by the reporting entity. If the reporting entity confirms that the information is accurate in content and presentation or the reporting entity no longer exists or is otherwise unable to verify the accuracy of the information, FINRA will not change the information.

(B) FINRA will notify the eligible party in writing that the investigation has resulted in a determination that:

(i) the information is inaccurate or not accurately presented and has been updated, modified or deleted;

(ii) the information is accurate in content and presentation and no changes have been made; or

(iii) the accuracy of the information or its presentation could not be verified and no changes have been made.

(C) A determination by FINRA, including a determination to leave unchanged or to modify or delete disputed information, is not subject to appeal.

Existing paragraph (e) to be re-designated as paragraph (f).

• • • Supplementary Material: -----

.01 No Change.

.02 Disputes Not Eligible for Investigation. For purposes of paragraph (e) of this Rule, examples of situations in which FINRA will determine that a dispute is not eligible for investigation include, but are not limited to:

(a) a dispute that involves information that was previously disputed under this process and that does not contain any new or additional evidence;

(b) a dispute that is brought by an individual or entity that is not an eligible party;

(c) a dispute that does not challenge the accuracy of information contained in a BrokerCheck report but only provides an explanation of such information;

(d) a dispute that constitutes a collateral attack on or otherwise challenges the allegations underlying a previously reported matter such as a regulatory action, customer complaint, arbitration, civil litigation, or termination;

(e) a dispute that consists of a general statement contesting information in a BrokerCheck report with no accompanying explanation; and

(f) a dispute that involves information contained in the Central Registration Depository that is not disclosed through BrokerCheck.

* * * * *

Election Notice

Notice of Annual Meeting of FINRA Firms and Proxy

July 12, 2010

Suggested Routing

- Executive Representatives
- Senior Management

Executive Summary

The Financial Industry Regulatory Authority, Inc. (FINRA) will conduct its annual meeting of firms on Thursday, August 12, 2010, at 10 a.m. in the FINRA Visitors Center, 1735 K Street, NW, in Washington, DC. The purpose of the meeting is to elect individuals to fill the seven Elected Governor seats on the FINRA Board of Governors (FINRA Board) and to vote on proxy proposals submitted by a member firm.

It is important that all firms be represented by proxy or in person at the annual meeting. Firms are urged to vote using one of the methods described below. In order for a proxy to be considered valid, the executive representative of the firm eligible to vote must sign it.

Firms that are members of FINRA as of the close of business on July 9, 2010 (the annual meeting record date) will be eligible to vote.

Note: This *Notice* was mailed and sent electronically to the executive representative of each FINRA member firm. It is also posted on FINRA's website at www.finra.org/notices/election/071210.

Questions regarding this *Notice* may be directed to:

- Marcia E. Asquith, Senior Vice President and Corporate Secretary, at (202) 728-8949; or
- T. Grant Callery, Executive Vice President and General Counsel, at (202) 728-8285.

Election of Governors

Item 1 on the proxy cards deals with the election of governors. There are seven seats on the FINRA Board to be filled at the upcoming annual meeting: three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors. To be eligible to serve, Small Firm Governors must be registered with Small Firms, the Mid-Size Firm Governor must be registered with a Mid-Size Firm and Large Firm Governors must be registered with Large Firms. Pursuant to Article I of FINRA's By-Laws, firm sizes are defined as follows:

- a Small Firm employs at least one and no more than 150 registered persons;¹
- a Mid-Size Firm employs at least 151 and no more than 499 registered persons;² and
- a Large Firm is defined as a firm that employs 500 or more registered persons.³

In order for the Board to maintain compliance with the compositional requirements of the FINRA By-Laws, the seven elected Board members have a continuing obligation to satisfy the firm-size classification throughout the entire term for which the governor is elected.

Term of Office

Beginning with the 2010 annual meeting, seats on the Board will be staggered into three classes. The first class of governors shall hold office until the first succeeding annual meeting of FINRA firms, the second class of governors shall hold office until the second succeeding annual meeting and the third class of governors shall hold office until the third succeeding annual meeting, or until a successor is duly appointed or elected (as the case may be) and qualified, or until death, resignation, disqualification or removal.

As specified in the FINRA By-Laws, the first class of governors shall include one Large Firm Governor and one Small Firm Governor; the second class of governors shall include one Large Firm Governor, one Mid-Size Firm Governor and one Small Firm Governor; and the third class of governors shall include one Large Firm Governor and one Small Firm Governor.

- **First Class:** to be elected to a one-year term holding office until the next annual meeting following the 2010 annual meeting;
- **Second Class:** to be elected to a two-year term holding office until the second succeeding annual meeting following the 2010 annual meeting; and
- **Third Class:** to be elected to a three-year term holding office until the third succeeding annual meeting following the 2010 annual meeting.

At each subsequent annual meeting, governors shall be appointed or elected for a term of three years to replace those whose terms expire. Governors may not serve more than two consecutive terms. If a governor is elected or appointed to fill a vacancy of such a governor position for a term of less than one year, the governor may serve up to two consecutive terms following the expiration of the governor's initial term.

The By-Laws expressly provide that the term of office of a governor shall terminate immediately upon a determination by the Board, by a majority vote of the remaining governors, that the governor no longer satisfies the classification for which the governor was elected and the governor's continued service would violate the compositional requirements of the Board set forth in the FINRA By-Laws.

Below is the list of the FINRA Nominating Committee nominees and those persons who, as stated in Article VII, Section 10 of the FINRA By-Laws (i) presented the requisite number of petitions in support of their nomination, and (ii) have been certified by the Corporate Secretary of FINRA as satisfying the classification of the governorship to be filled:

Small Firm Governor Candidates

FINRA Nominating Committee Nominees

- First Class:** G. Donald Steel, President, Planned Investment Company, Inc.
- Second Class:** Mari Buechner, President and Chief Executive Officer, Coordinated Capital Securities, Inc.
- Third Class:** Lisa Roth, Chief Executive Officer, Keystone Capital Corporation

Nominees by Petition

- First Class:** Ken Norensberg, President and Chief Executive Officer, Four Points Capital Partners LLC
- Howard Spindel, Senior Managing Director, Integrated Management Solutions USA LLC
- Second Class:** Joel R. Blumenschein, President, Freedom Investors Corp.
- Third Class:** Jed Bandes, President and Chief Operating Officer, Mutual Trust Company of America Securities

Mid-Size Firm Governor Candidates

FINRA Nominating Committee Nominee

Second Class: W. Dennis Ferguson, Executive Vice President and Director of Clearing, Sterne, Agee Financial Services, Inc.

Nominee by Petition

Second Class: Timothy Smith, President, Comprehensive Asset Management & Servicing Inc.

Large Firm Governor Candidates

FINRA Nominating Committee Nominees

First Class: Richard F. Brueckner, Chief Executive Officer, Pershing LLC

Second Class: Seth H. Waugh, Deutsche Bank Securities, Inc. and Chief Executive Officer, Deutsche Bank Americas

Third Class: James D. Weddle, Managing Partner, Edward Jones

Nominees by Petition

No individuals submitted petitions to be added as candidates for the Large Firm Governor seats.

Attachment A includes the profiles of the Small Firm candidates; Attachment B, the Mid-Size Firm candidates; and Attachment C, the Large Firm candidates.

Additionally, Attachment D lists the Public Governors, the Floor Member Governor, the Independent Dealer/Insurance Affiliate Governor and the Investment Company Affiliate Governor appointed by the FINRA Board to terms beginning on August 12, 2010, from candidates recommended by the Nominating Committee.

Member Firm Proposals

Items 2 through 8 on the proxy card are proposals submitted by a FINRA member firm for consideration at the upcoming annual meeting.⁴

On June 29, 2010, FINRA was notified that representatives of Amerivet Securities, Incorporated (Amerivet), a member firm of FINRA, intend to submit the seven proposals set forth below. The FINRA Board met and during the course of its deliberations with respect to the proposals, the FINRA Board focused on a number of factors, including the extent to which FINRA already addresses or has addressed the issues presented, the

potential benefit to firms of implementing the proposals, the costs associated with implementing the proposals and the fact that FINRA is a self-regulatory organization. On this last point, during the course of its deliberations and development of recommendations to firms with respect to the proposals, the FINRA Board took into account the fact that FINRA is the largest independent regulator of securities firms in the U.S. and considered the impact that implementation of the proposals could have on investor protection and market integrity. A number of these proposals could adversely affect FINRA's ability to fulfill this responsibility. Ultimately, the FINRA Board recommends a vote AGAINST each of the proposals, which are set forth in greater detail below.

Member Firm Proposal Regarding Disclosure of Officer Compensation

(Item 2 on Proxy Card)

We have been notified that representatives of Amerivet intend to submit the following proposal for consideration at the annual meeting. The text of the proposal, for which FINRA accepts no responsibility, is set forth below:

Disclosure of Compensation of FINRA's Top Ten Most Highly Compensated Employees

To promote transparency and avoid bloated compensation, beginning in its 2011 Annual Report and annually thereafter, FINRA should disclose the compensation, both direct and indirect, of its top ten most highly compensated officers. FINRA should also disclose any and all compensation, direct or indirect, to any compensation consultants employed by FINRA and/or the Board.

Response to Member Firm Proposal Regarding Disclosure of Officer Compensation

The FINRA Board recommends a vote AGAINST this proposal. The FINRA Board already discloses information about the direct and indirect compensation of its 40 most highly compensated officers on an annual basis by filing its tax return on Form 990 with the Internal Revenue Service. As a result, the FINRA Board believes that FINRA already publicly discloses in all material respects the information sought by this proposal. Since the information requested to be disclosed annually would, in large part, be duplicative of the publicly available Form 990 information, which is significantly broader in its scope than the proposal, the FINRA Board believes it would not be material to FINRA member firms.

For the foregoing reasons, the FINRA Board believes that the adoption of this proposal is unnecessary and not in the best interests of FINRA, its member firms or the investing public. Accordingly, the FINRA Board recommends a vote AGAINST this proposal.

Member Firm Proposal Regarding Independent Study of Involvement With the Madoff Family

(Item 3 on Proxy Card)

We have been notified that representatives of Amerivet also intend to submit the following proposal for consideration at the annual meeting. The text of the proposal, for which FINRA accepts no responsibility, is set forth below:

Independent Study of Current and/or Former FINRA Officer and/or Director Involvement with the Madoff Family

To avoid the appearance of a whitewash, FINRA should commission an independent study of the dealings between present and/or former FINRA officers and directors, on the one hand, and Bernard L. Madoff, members of his family and/or their respective affiliates on the other.

Response to Member Firm Proposal Regarding Independent Study of Involvement With the Madoff Family

The FINRA Board recommends a vote **AGAINST** this proposal. The FINRA Board believes that the proponent's request to commission an independent study of the relationship between Mr. Madoff, members of Mr. Madoff's family and/or their respective affiliates and present and former officers and directors of FINRA is essentially duplicative of the review conducted by the Special Review Committee of the FINRA Board in 2009 and is, therefore, unnecessary. The FINRA Board established the Special Review Committee to conduct an internal review of FINRA's examination program, with particular emphasis on the examinations of FINRA member firms associated with Bernard L. Madoff. The Special Review Committee, acting through outside counsel, reviewed the relevant examination files of the member firms associated with Mr. Madoff and considered the interaction of those firms with certain representatives of FINRA. Committee interviews with FINRA personnel included specific questioning about relationships with Madoff family members and whether any such relationships impacted FINRA regulatory efforts. The Special Review Committee, in September 2009, issued a *Report of the 2009 Special Review Committee on FINRA's Examination Program in Light of the Stanford and Madoff Schemes* in which the Special Review Committee published its results and recommendations. The FINRA Board does not believe that the study sought by the proponent would provide meaningful additional information to the FINRA Board, FINRA members or the investing public. In addition, the development of such a study would require significant time, effort and expenditure. The FINRA Board does not believe that incurring these costs would be a wise use of FINRA's resources.

For these reasons, FINRA believes this proposal is unnecessary and duplicative and would add costs and dissipate FINRA's resources with little or no benefit to FINRA, its member firms or the investing public. **Accordingly, the FINRA Board recommends a vote AGAINST this proposal.**

Member Firm Proposal Regarding Transparency of FINRA Investment Policies, Practices and Transactions

(Item 4 on Proxy Card)

We have been notified that representatives of Amerivet also intend to submit the following proposal for consideration at the annual meeting. The text of the proposal, for which FINRA accepts no responsibility, is set forth below:

Transparency of FINRA Investment Policies, Practices and Transactions

To avoid conflicts of interest, FINRA should publicly disclose the identities of all persons it consults or does business through in connection with the investment of its assets, including all financial institutions or advisors involved in the purchase or sale of any FINRA assets of any kind including those held in any FINRA retirement plans.

Response to Member Firm Proposal Regarding Transparency of FINRA Investment Policies, Practices and Transactions

The FINRA Board recommends a vote AGAINST this proposal. The FINRA Board believes the adoption of this proposal is not in the best interests of FINRA, its member firms or the investing public. FINRA is a self-regulatory organization that is dedicated to investor protection and market integrity. The FINRA Board believes that the public disclosure of such information may mislead firms and investors to believe that the utilization of certain intermediaries and advisors carries with it an implicit endorsement by FINRA on the quality or viability of such entities, or that a determination to cease such services has a negative implication. In this regard, FINRA does not permit consultants, financial institutions or advisors to disclose their relationship with FINRA or use their relationship with FINRA to market their services, and the adoption of this proposal would contradict FINRA's long-standing policy of non-disclosure. Moreover, FINRA has strong controls in place to ensure that regulatory personnel do not have access to any information regarding FINRA investments that might raise conflict issues.

For these reasons, FINRA believes this proposal is unnecessary and not in the best interests of FINRA, its member firms or the investing public. **Accordingly, the FINRA Board recommends a vote AGAINST this proposal.**

Member Firm Proposal Regarding FINRA Board Meetings To Be Made Public

(Item 5 on the Proxy Card)

We have been notified that representatives of Amerivet also intend to submit the following proposal for consideration at the annual meeting. The text of the proposal, for which FINRA accepts no responsibility, is set forth below:

FINRA Board of Governors Meetings Should Be Made Public Except When Absolutely Necessary

Beginning on September 1, 2010, transcripts of all meetings of the FINRA Board of Governors and/or Committee of the Board should be made public on FINRA's website within 30 days following each such meeting. The Board by affirmative vote can close those portions of the meetings when non-public regulatory matters are on the agenda or to be discussed and confidentiality is warranted.

Response to Member Firm Proposal Regarding FINRA Board Meetings To Be Made Public

The FINRA Board recommends a vote **AGAINST** this proposal. The FINRA Board believes that the adoption of this proposal is unnecessary and not in the best interests of FINRA, its member firms or the investing public. The FINRA Board believes that FINRA already regularly communicates to its firms the material information associated with meetings of the Board through FINRA's Annual Financial Report, Notices and other means. In addition, FINRA currently does not transcribe meetings of the FINRA Board or committees thereof. The FINRA Board is responsible for managing the business and affairs of FINRA and the need for candid deliberations among the members of the FINRA Board (or a committee thereof) is paramount if the Board is to fully consider matters before the FINRA Board and effectively carry out its duties. The FINRA Board believes that the practice of transcribing meetings of the FINRA Board or committees thereof, much less publishing transcripts of such meetings, could stifle candid deliberations among the members of the FINRA Board or committees. Because the FINRA Board believes that it is useful for its governors to be able to freely engage in deliberations regarding all matters before it, the FINRA Board believes that the publication of transcripts would hinder the FINRA Board's decision-making process. Further, the proposal makes no exception for a wide variety of matters that demand confidentiality, such as sensitive non-regulatory business information and matters subject to the attorney-client privilege, trade secret issues and intellectual property matters. Indeed, FINRA believes that publishing transcripts of meetings of a board or a committee thereof would be unprecedented for any organization similar to FINRA or in the public company context as (setting aside governmental bodies required by law to do so) FINRA is not aware of any corporation so transcribing and publishing transcripts of board meetings.

For these reasons, FINRA believes this proposal is unnecessary and, if implemented, may hinder the ability of the FINRA Board to engage in a candid discourse in making a decision for FINRA, to the detriment of the best interests of FINRA, its member firms and the investing public. **Accordingly, the FINRA Board recommends a vote AGAINST this proposal.**

Member Firm Proposal Regarding “Say on Pay”

(Item 6 on Proxy Card)

We have been notified that representatives of Amerivet also intend to submit the following proposal for consideration at the annual meeting. The text of the proposal, for which FINRA accepts no responsibility, is set forth below:

“Say on Pay” for Top Five Most Highly Compensated FINRA Employees

Consistent with principles of good governance, beginning in 2011, at least once in each year, FINRA members should have a non-binding vote on the compensation levels of the top five most highly compensated FINRA employees.

Response to Member Firm Proposal Regarding “Say on Pay”

The FINRA Board recommends a vote AGAINST this proposal. The FINRA Board is cognizant of FINRA’s status as a self-regulatory organization and is concerned that a process—in which those regulated opine on the performance of the regulator—would give an inappropriate perception of the membership’s influence on the FINRA regulatory program. The structure currently in place for the Board in making its compensation decisions is, in the view of the Board, appropriate. The principal Board committee making these determinations, the Management Compensation Committee, is composed entirely of public board members for precisely the reason that FINRA believes that industry participants should not be making recommendations on FINRA compensation matters. The Management Compensation Committee is responsible for developing compensation plans designed to attract and retain highly qualified leaders. In carrying out its responsibility, the Management Compensation Committee receives guidance on appropriate compensation programs from outside advisors, and the plan is voted on by the entire FINRA Board. The FINRA Board believes this process is effective in establishing programs that appropriately recognize and reward the contributions of FINRA’s executive team. In addition, the FINRA Board does not believe that the non-binding vote sought by this proposal would provide the FINRA Board or the Management Compensation Committee appropriate guidance as to FINRA’s compensation structure or individual executive compensation. While public companies may become subject to non-binding say on pay stockholder votes in the near future, FINRA is not a public company subject to such rules.

An annual obligation to have a non-binding say on pay vote, and the concomitant resources needed to develop the requisite disclosure and hold a member firm vote on the matter, also would require significant additional time, effort and expenditure. The FINRA Board does not believe that these costs are a wise use of FINRA’s resources.

For these reasons, FINRA believes this proposal is unnecessary and not in the best interests of FINRA, its member firms or the investing public. **Accordingly, the FINRA Board recommends a vote AGAINST this proposal.**

Member Firm Proposal Regarding Creation and Employment of an Independent, Private-Sector Inspector General

(Item 7 on Proxy Card)

We have been notified that representatives of Amerivet also intend to submit the following proposal for consideration at the annual meeting. The text of the proposal, for which FINRA accepts no responsibility, is set forth below:

Creation and Employment of an Independent Private Sector Inspector General

Beginning on September 1, 2010, FINRA should employ an independent private sector inspector general ("Inspector") on a standing basis to investigate claims of misconduct by FINRA executives and employees or others acting on its behalf. The reports of the Inspector should be filed with the FINRA Board of Governors, the Securities Exchange Commission, the Senate Committee on Banking and the House Committee on Financial Services.

Response to Member Firm Proposal Regarding Creation and Employment of an Independent, Private-Sector Inspector General

The FINRA Board believes the adoption of this proposal is unnecessary and not in the best interests of FINRA, its member firms or the investing public, and recommends a vote **AGAINST** the proposal. First, FINRA is subject to comprehensive oversight by various divisions of the Securities and Exchange Commission, which conduct examinations of all aspects of FINRA operations. Further, within FINRA there already exist two offices that provide the types of review that would be contemplated by this proposal. First, FINRA has a significant Internal Audit function that reports directly to the FINRA Audit Committee. Internal Audit already reviews all major regulatory and program areas within FINRA and reports its findings directly to this Committee. Second, FINRA's Office of the Ombudsman already provides a neutral and confidential forum for member firms and their employees, public investors and any other business or individual who interacts with FINRA to voice their concerns about operations, enforcement or other FINRA activities or staff. Upon receiving a concern, the Ombudsman's Office conducts an independent review of the situation and works toward the identification and evaluation of positive solutions for all parties involved. Because the FINRA Internal Audit Department and the Ombudsman's Office already provide a forum for the investigation of claims sought by the proposal, an independent inspector general would provide little or no value to FINRA, its member firms or the investing public. Indeed, the FINRA Board also has the ability to establish, and has in the past established, special independent committees to consider and/or investigate conduct. Moreover, the establishment and maintenance of such an office would inevitably necessitate the expenditure of significant time, effort and funds. The proposal is inconsistent with the typical practice of public-sector companies and organizations similar to FINRA. The FINRA Board ultimately does not believe that the costs associated with the implementation of this proposal are a wise use of FINRA's resources.

For these reasons, FINRA believes this proposal is unnecessary and not in the best interests of FINRA, its member firms or the investing public. **Accordingly, the FINRA Board recommends a vote AGAINST this proposal.**

Member Firm Proposal Regarding Disclosure of IRS Correspondence Concerning \$35,000 NASD Member Payment

(Item 8 on Proxy Card)

We have been notified that representatives of Amerivet also intend to submit the following proposal for consideration at the annual meeting. The text of the proposal, for which FINRA accepts no responsibility, is set forth below:

Disclosure of IRS Correspondence Concerning \$35,000 NASD Member Payment

FINRA should immediately make available correspondence between NASD (including its lawyers, agents and employees) on the one hand, and the IRS on the other hand, concerning the regulatory consolidation of NASD and the regulatory arm of NYSE, provided that FINRA members first sign a confidentiality agreement in substantially the form posted on the website of the Honorable Judge Jed S. Rakoff of the United States District Court for the Southern District of New York.

Response to Member Firm Proposal Regarding Disclosure of IRS Correspondence Concerning \$35,000 NASD Member Firm Payment

The FINRA Board recommends a vote **AGAINST** this proposal. The information that the proponent seeks was produced in litigation in the United States District Court for the Southern District of New York. In that proceeding, the court agreed with FINRA that it was necessary to maintain this information under seal because “[d]isclosure could cause [FINRA] significant competitive disadvantage.” On appeal, the Second Circuit affirmed the district court’s decision to seal this information to protect FINRA from “financial harm.” In February 2010, another judge of the district court re-affirmed the sealing decision. Moreover, in addition to causing competitive disadvantage, public disclosure would overturn judicial decisions that the courts uniformly agreed were necessary to prevent competitive harm to FINRA. The disclosure would provide no benefit to the membership. The FINRA Board continues to believe, as these judicial decisions have recognized, that maintaining the confidentiality of this information is of vital competitive importance to FINRA. Finally, the proponent suggests these concerns could be addressed by the creation of a process to allow the more than 4,000 FINRA firms to review this information by signing a confidentiality agreement. However, the process associated with ultimately executing such a confidentiality arrangement with FINRA firms and the monitoring of their compliance with the confidentiality obligations would require significant time, effort and costs. The FINRA Board does not believe that these costs are a wise use of FINRA’s resources.

For these reasons, FINRA believes this proposal is not in the best interests of FINRA, its member firms or the investing public. **Accordingly, the FINRA Board recommends a vote AGAINST this proposal.**

Voting Eligibility

Firms registered with FINRA as of the close of business on Friday, July 9, 2010, are eligible to vote. With respect to item 1 on the proxy, firms are eligible to vote for the nominees who are running for seats that are in the same size category as their own firm and will receive proxy cards listing only the relevant candidates running for the seats reserved for their firm size. Items 2 through 8 on each proxy card will be the same for all FINRA firms.

A proxy was mailed to the executive representative of each eligible firm containing the nominees for its voting class along with a copy of this *Notice*.

Voting Methods

Firms will be able to submit a proxy by any lawful means, including any of the following methods:

- ▶ Telephone;
- ▶ U.S. mail; or
- ▶ Internet.

Alternatively, firms may attend the annual meeting and vote in person. The proxy mailed to each eligible firm contains detailed instructions on the proxy submission procedures.

As mentioned above, it is important that all firms be represented at the annual meeting. Following receipt of this *Notice* and proxy, executive representatives of firms may receive telephone reminders during the election period. This will ensure that FINRA receives sufficient proxies to satisfy the annual meeting quorum requirements, as well as to ensure broad participation in the election by all firms that are eligible to vote. For purposes of the election of each category of governors (Item 1 on the Proxy Card), a quorum must be met in the applicable firm-size category.-

Revocation of Proxies

If you have given a revocable proxy pursuant to a proxy card distributed by FINRA or otherwise in the manner described herein, you may nonetheless revoke your proxy by attending the annual meeting and voting in person. In addition, you may revoke any such proxy you give at any time before the annual meeting by delivering to FINRA's Corporate Secretary a written statement revoking it or by duly delivering another proxy at a later time. Your attendance at the annual meeting will not in and of itself constitute a revocation of your proxy.

Voting Instructions

The named proxies shall vote as instructed by the FINRA firm. In the absence of a direction with respect to the election, any duly delivered proxy will not be counted in determining the outcome of the election, but will be counted in determining the presence of a quorum at the annual meeting. In the absence of a direction with respect to any of the seven member firm proposals, any duly delivered proxy will be voted "AGAINST" each of such member firm proposals for which a direction is not given, and will be counted in determining the presence of a quorum at the annual meeting. In their discretion, the named proxies will be authorized to vote upon all such other matters as may properly come before the annual meeting or any adjournment or postponement thereof.

Endnotes

- 1 See Article I (ww) of the FINRA By-Laws.
- 2 See Article I (cc) of the FINRA By-Laws.
- 3 See Article I (y) of the FINRA By-Laws.
- 4 See Article XXI, Section 3 of the FINRA By-Laws.

Attachment A: Profiles of Small Firm Candidates

Jed Bandes

Jed Bandes has dealt with the rigorous challenges that confront small broker-dealers and producers on a daily basis for over 27 years. He is not only the president and chief operating officer of Mutual Trust Co. Of America Securities, but he is proud to call himself a producer as well. He has seen firsthand how a once approachable association of securities dealers evolved into the regulatory organization we now call the Financial Industry Regulatory Authority (FINRA). In addition to overcoming the many daily challenges of running and supervising his firm, he is also responsible for being the point man during FINRA cycle exams, writing his own trade tickets, trading a diverse portfolio of securities, drafting and reviewing written supervisory procedures (WSPs), dealing with FINRA, filing focus reports and all other compulsory FINRA related data, and supervising brokers and branch offices. Jed's securities licenses include General Securities Principal, Municipal Securities Principal, Registered Option Principal, General Securities Representative, Investment Banking Representative, and Introducing Broker/Dealer Financial Operation Principal. Jed's certifications include Certified Financial Planner, Charter Financial Consultant and Charter Life Underwriter. Jed earned a degree in finance from FSU.

Joel Blumenschein

Joel Blumenschein is president of Freedom Investors Corp. He is a skilled financial services business person with over 25 years of executive, industry and regulatory experience. Since 1985 he has held positions of increasing responsibility from registered representative through today as president of Freedom Investors Corp. Joel has experience in all aspects of owning and operating a small broker-dealer, from writing tickets to writing WSPs. Joel was elected to the District 8 Business Conduct Committee and served three years. He gained the respect from his fellow committee members and was elected District Chairman in the 2009 – 2010 year, as well as appointment to the FINRA Advisory Council for that time frame. He is currently a member of the nominating committee. He was known for his ability to see all sides of an issue and then building consensus to resolve and move the points forward. Joel holds a B.A., cum laude, in finance from the University of Wisconsin—Milwaukee, and maintains Series 4, 7, 24, 63 and 65 Registrations. He is also a member of SIPA and FSX.

Mari J. Buechner

Mari J. Buechner is the president and chief executive officer of Coordinated Capital Securities, Inc. (CCS), a full-service broker-dealer and investment advisory firm located in Madison, Wisconsin, and has over 20 years of small firm industry experience. CCS has 90 independent contractor registered representatives and seven home office personnel. Ms. Buechner has developed and implemented a supervisory system designed to accommodate a small independent contractor firm. In 2008, Ms. Buechner was appointed as an at-large member of FINRA's Small Firm Advisory Board. She is a member of FINRA's Independent Dealer/Insurance Affiliate Committee, a past FINRA District 8 Committee member, a member of the FINRA District 8 Nominating Committee, a past member of FINRA Licensing and Registration Committee and volunteers her time to work on various FINRA member education programs. She is also a Board member of the Financial Services Institute. Ms. Buechner graduated from the University of Wisconsin-Madison in 1987 with a bachelor of science degree in finance and marketing.

Ken Norensberg

Ken Norensberg is the president and chief executive officer of Four Points Capital Partners, LLC (FPCP), an independent broker-dealer in New York City, and has worked for the past 14 years with independent broker-dealers. Mr. Norensberg started his career as a registered representative and quickly rose through the ranks to become the northeast regional manager. Subsequently, he was a manager on Wall Street as well as VP of business development, specializing in the independent broker-dealer arena. Additionally, Mr. Norensberg is the Managing Director of Luxor Financial Group, Inc. (LFG), a New York-based compliance and business development firm specializing in regulatory filings with the various states and districts as well as business development platforms. Mr. Norensberg's unparalleled experience in virtually all aspects of owning and operating independent broker-dealers as well as his expertise in the regulatory environment makes him uniquely qualified for the board position. Mr. Norensberg graduated from the City University of New York, Brooklyn College with a bachelor of science degree in management and finance, and maintains the following FINRA and state licenses: Series 4, 7, 24, 63 and 79.

Lisa Roth

Lisa Roth is the chief executive officer and majority owner of Keystone Capital Corporation, a FINRA member firm with its headquarters in San Diego, CA. In her capacity as CEO, Ms. Roth directs the strategic initiatives of the company and manages its mission-critical departments, including business development and regulatory affairs. Keystone has two distinct business units, servicing on one hand the investment needs of Gen-Y investors, and on the other an institutional marketplace, including public pensions, endowments, funds and other high-net-worth investors. Previously, following the acquisition of ComplianceMAX Financial Corporation, of which she was founder and CEO, Ms. Roth was the EVP managing director of National Regulatory Services, a regulatory compliance and technology company providing compliance expertise and technology solutions to regulated firms in the financial and investment services sectors. Prior to that, Ms. Roth served in various executive capacities with Royal Alliance Associates, First Allied Securities and other brokerage and advisory firms. Ms. Roth serves as the chairman of the Member Advocacy Committee and was past-chairman of the National Association of Independent Broker Dealers (NAIBD). As such, Ms. Roth supports the NAIBD's efforts to inform, educate and advocate on behalf of its members, which include approximately 300 small and independent broker-dealers. Additionally, Ms. Roth is an active participant in industry forums, including FINRA committees and advisory boards, other trade associations, industry and regulatory conferences, and ad hoc committees as necessary to promote a culture of continuous improvement for investment services firms and the securities industry in general. Ms. Roth's constructive approach to advocacy has resulted in enhanced awareness of small firm issues among regulators, legislators and industry professionals. Ms. Roth currently serves as chairman of FINRA's Small Firm Advisory Board.

Howard Spindel

Howard Spindel is a senior managing director of Integrated Management Solutions, a consulting firm to the financial services community since 1985. During 2005, Mr. Spindel co-founded Integrated Investment Solutions LLC, an affiliated hedge fund administrator. He currently serves as the financial and operations principal, registered options principal or general securities principal of 30 FINRA member firms, all but one of which are defined as small firms. After graduating from Hunter College of the City University of New York, where he earned a bachelor of science degree in accounting in 1968, Mr. Spindel began his career in the Technical Research and Review Department and on the audit staff of Oppenheim, Appel, Dixon & Co. In 1971, he became a certified public accountant. In 1974, Mr. Spindel became associated with Coopers & Lybrand as an audit supervisor, and then in 1975 with the New York Stock Exchange (NYSE) as manager of the Capital and Operational Standards Section of its Regulation and Surveillance Group. In 1977, Mr. Spindel served as comptroller of Wm. D. Mayer & Co., an NYSE member firm specializing in options trading. In 1980, he became a financial and operations partner at S.B. Lewis & Company, an NYSE member firm specializing in arbitrage and mergers and acquisitions. In 1982, Mr. Spindel was an operations partner of Greenfield Partners, another NYSE member firm. Mr. Spindel currently serves on the Board of Directors of the Financial Management Society of the Securities Industry and Financial Markets Association (SIFMA), on SIFMA's Capital Committee, and on the boards of directors of three publicly held companies. From 2005 through 2007, he served on the District Committee of FINRA District 10 in New York City. In January 2008, Mr. Spindel was elected to FINRA's Small Firm Advisory Board, representing the New York Region for a three-year term. Should he be elected to the Board of Governors, he would continue his service on that Board as an ex-officio member, a role he enjoys. He has testified as an expert witness in securities industry matters at disciplinary proceedings, civil and criminal court cases, arbitrations and the United States Congress. He has served as a featured speaker at various NASD/FINRA and American Institute of Certified Public Accountants sponsored conferences, in each case dealing with issues involving the business of, and applicability of rules, procedures and controls to, broker-dealers, especially small ones.

G. Donald Steel

G. Donald Steel is the chief executive officer and president of Planned Investment Company, Inc., a small broker-dealer and registered investment advisor firm in Indianapolis, Indiana. Mr. Steel has been producing manager since 1980 and the firm's president since 1987. Planned Investment Company conducts fund and variable annuity direct business and listed business clearing through Mesriow Financial, Inc. Mr. Steel was a member of the NASD District 8 Committee from 1990 to 1991 and was Chairman of that committee in 1992. He is a FINRA arbitrator and is an ex-officio member of the FINRA Small Firm Advisory Board. Mr. Steel previously served on the Net Capital Task Force in 2005 and on the Small Firm Business Continuity Task Force from 2006 to 2007. Mr. Steel served for 30 years in the U.S. Navy, both as an active and reserve naval flight officer. He retired in 2002 as a captain. Mr. Steel has been the board chairman of three United Way Agencies, including The Salvation Army. He chaired the building of the USS Indianapolis (CA-35) National Memorial, and was a national vice president of the Navy League of the U.S. He is a past president of the Kiwanis Club of Indianapolis. Mr. Steel graduated with a bachelor's degree in Soviet studies and general engineering in 1975 from the U.S. Naval Academy. He received his Naval Flight Officer Wings in 1977, and attended the Naval Justice School.

Attachment B: Profiles of Mid-Size Firm Candidates

W. Dennis Ferguson

W. Dennis Ferguson is executive vice president, director of clearing for Sterne, Agee & Leach, Inc., as well as registered with Sterne Agee Financial Services, Inc. located in Boca Raton, Florida. Starting in the securities industry in 1970, he has worked in the clearing services arena since 1982. Service in the financial industry includes Securities and Financial Markets Association (SIFMA) as member of the Clearing Firms Committee and the Membership Committee, both of which he has previously chaired. From 1995 to 1996, he was president of the Florida Securities Dealers Association. Mr. Ferguson has previously served NASD as Chairman of the District 7 Committee and as a member of the Membership, Financial Responsibility and Uniform Practice Code Committees. In 2008, he completed a four-year term on the FINRA National Adjudicatory Council, the last two years as its chairman. Mr. Ferguson graduated from Florida Southern College and did graduate work at Florida Atlantic University.

Tim Smith

Tim Smith entered the securities industry in 1985, opened an investment advisory company in 1995, and founded his current broker-dealer in 1998. Since then, Comprehensive has become a national market leader in its niche, serving the broker-dealer needs of hybrid financial advisors. Tim has served for the last three years on the District No. 9 District Committee, including two years as chairman and the past year as chairman of the National Advisory Council, meeting with FINRA and SEC staff in Washington to discuss industry issues. Tim's experience includes sales, management, marketing, operations and compliance. He holds the Series 7, 24, 27, 31, 63 and 65 licenses, and serves his organization as CEO and FINOP. He is a graduate of Seton Hall University with a B.A. in communication, and holds the Certified Financial Planner™ designation. He also has held leadership positions in other organizations, including serving his town as mayor and councilman, and numerous board/trustee positions.

Attachment C: Profiles of Large Firm Candidates

Richard F. Brueckner

Richard F. Brueckner is chairman and CEO of Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation (BNY). Mr. Brueckner is also a senior executive vice president of BNY and a member of its Executive Committee. He joined BNY in May 2003 when it acquired Pershing from Credit Suisse First Boston (CSFB). Prior, he served as CEO of Pershing, and as a member of the CSFB Executive Board after CSFB acquired Donaldson, Lufkin & Jenrette (DLJ) Securities Corporation and Pershing in November 2000. Mr. Brueckner joined DLJ in 1978 and served as treasurer of DLJ and CFO of Pershing, where he has held a variety of senior management positions in administration, finance, marketing and operations throughout his career. Prior to that, he was a member of the management group of the Investment Services Department of KPMG Peat Marwick. Mr. Brueckner joined the NASD Board of Governors in January 1998. He has previously served as chairman of the NASD National Adjudicatory Council and as chairman of the New York District Committee. He is on the Board of Directors of the Securities Industry and Financial Markets Association (SIFMA), and has served as SIFMA's co-treasurer, co-chair of the Audit and Finance Committee, and is also a trustee of SIFMA's Foundation for Investor Education. Mr. Brueckner is chairman of the Board of Trustees of Muhlenberg College in Allentown, Pennsylvania. He graduated from Muhlenberg College with a bachelor of arts degree in economics, and became a certified public accountant in New York in 1973.

Seth Waugh

Seth Waugh joined Deutsche Bank in April 2000 as regional head of Global Markets and Equities and vice chairman of the Americas Executive Committee. Seth was appointed CEO of Corporate and Investment Banking in the Americas in 2001 and the following year was named CEO of Deutsche Bank Americas and chairman of the Americas Executive Committee, a position he has held since May 2002. He was appointed member of the Group Executive Committee effective April 1, 2009. Seth is chairman of the Deutsche Bank Securities Inc. (DBSI) Board of Directors and serves as chairman of the Board, CEO and president of several Deutsche Bank companies including Deutsche Bank Trust Company and Deutsche Bank Trust Corporation Americas. Before joining Deutsche Bank, Seth was CEO of Quantitative Financial Strategies (QFS) in Greenwich, CT. Prior to his role at QFS, Seth spent 11 years at Merrill Lynch in a variety of capacities in the Fixed Income Division, most recently as senior vice president and co-head of Global Debt Markets. Earlier in his career, Seth managed the Corporate Bond and International Trading desks at Salomon Brothers. Seth's industry positions have included board seats with the Securities Industry and Financial Markets Association and The Clearing House. In addition, he is the Deutsche Bank Americas representative to the Financial Services Forum, an organization composed of 20 CEOs from the largest U.S. financial institutions. He is also a member of the Executive Committee of the Partnership for New York City. Seth is the chairman of the Board of Directors for Deutsche Bank Americas Foundation, which administers the philanthropic activities of Deutsche Bank within the United States, Canada and Latin America. Seth's philanthropic endeavors also include positions on the boards of the YMCA of Greater New York, the Multiple Sclerosis Society of Greater New York, the Partnership for New York City, St. Vincent's Services of Brooklyn, the Local Initiatives Support Corporation, the Lawrenceville School in Lawrenceville, New Jersey and he is a member of the Winthrop University Hospital Board of Regents in Syosset, New York. A graduate of Amherst College, Seth earned dual bachelor of arts degrees in economics and English.

James D. Weddle

James D. Weddle managing partner of Edward Jones, was earning his M.B.A. at Washington University when he was hired in 1976 as a part-time intern in the firm's Research Department. After completing his M.B.A., Weddle left Research to become a financial advisor in Connersville, Indiana. He opened the firm's 200th branch. In 1984, Weddle was named a principal in the firm and was invited back to the St. Louis headquarters where he assumed a series of responsibilities, initially in new financial advisor training, then for one of the firm's largest areas, mutual fund sales and marketing. Weddle then led the implementation of a new sales management structure for the firm, taking responsibility for developing the firm's growth across the entire East Coast and for coordinating the efforts for all of the U.S. While he led the East Coast, the firm expanded from 250 offices to over 1,000. Weddle assumed responsibility for managing all of the firm's branch offices in late 1997. His responsibilities included not only the facilities themselves, but also financial advisors' compensation and financial advisor leadership development. Weddle has been a member of the firm's Management Committee since 1987 and in January 2006, he succeeded Douglas E. Hill as Edward Jones' fifth managing partner. A native of Illinois and a graduate of DePauw University in Greencastle, Indiana, Weddle also graduated from the University of Pennsylvania Wharton School's Securities Industry Institute in 1988. He served as a trustee of the institute from 1989 until 1993, and served on the Continuing Education Committee of the Securities Industry Association from 1994 through 1996. Weddle is on the Executive Committee for Webster University Board of Trustees; on the Executive Committee of The United Way of Greater St. Louis; a past board member of the Securities Industry & Financial Markets Association (SIFMA); a member of the Board of Commissioners for the St. Louis Science Center; a member of Washington University's Olin School of Business National Council; and a member of the University of Missouri—St. Louis Chancellor's Council.

Attachment D: Appointed Governor Seats on the FINRA Board

In addition to the candidates to be elected to the Small Firm, Mid-Size Firm and Large Firm seats, the FINRA Board has appointed the following individuals to the seats indicated below.

Floor Member Governor

- **First Class:** John F.X. Dolan, Kellogg Specialist Group, LLC

Independent Dealer/Insurance Affiliate Governor

- **Second Class:** Mark Casady, LPL Financial

Investment Company Affiliate Governor

- **Third Class:** John J. Brennan, The Vanguard Group, Inc.

Public Governors

First Class:

- Charles A. Bowsher, Former Comptroller General of the U.S.
- James E. Burton, Former CEO, World Gold Council
- Harvey J. Goldschmid, Columbia University Law School
- Kurt P. Stocker, Northwestern University

Second Class:

- Ellyn L. Brown, Brown & Associates
- Richard S. Pechter, DLJ Financial Services Group & DLJ Direct (Retired)
- Joel Seligman, University of Rochester

Third Class:

- William H. Heyman, The Travelers Companies, Inc.
- Dr. Shirley Ann Jackson, Rensselaer Polytechnic Institute
- John W. Schmidlin, JP Morgan Chase (Retired)
- Gary H. Stern, Former President of the Federal Reserve Bank of Minneapolis

Election Notice

NAC Election

FINRA Announces Nominees for Upcoming Vacancies on the National Adjudicatory Council

Executive Summary

The purpose of this *Election Notice* is to announce FINRA's nominees for two vacancies on the National Adjudicatory Council (NAC) to be filled by one Large Firm NAC Member and one Mid-Size Firm NAC Member.

FINRA's Nominating and Governance Committee nominated the following individuals: Charles V. Senatore for the Large Firm NAC seat and James H. Williams for the Mid-Size Firm NAC seat.

Eligible individuals who were not nominated may petition to have their name included on a ballot for a contested election by following the procedure below.

Note: This *Notice* was distributed electronically to the executive representative of each FINRA member firm and it is posted on FINRA's Web site at www.finra.org/Notices/Election/073010. Executive representatives should circulate this *Notice* to their firms' branch managers.

Questions regarding this *Notice* may be directed to:

- Marcia E. Asquith, Senior Vice President and Corporate Secretary, at (202) 728-8949; or
- Marc Menchel, Executive Vice President and Regulatory General Counsel, at (202) 728-8410.

July 30, 2010

Suggested Routing

- Executive Representatives
- Senior Management

Background

The NAC is appointed by the FINRA Board of Governors to review all disciplinary decisions issued by FINRA hearing panels and presides over disciplinary matters that have been appealed to or called for review by the NAC. The NAC also reviews statutory disqualification matters and considers appeals of membership proceedings and exemption requests.

Composition of the NAC

In 2008, the SEC approved a rule change to amend FINRA Regulation's By-Laws to restructure the industry representation on the NAC. The changes replaced the regionally based approach to appointing industry members to the NAC with a process that is based on firm size and is similar to the FINRA Board approach. Under the amended FINRA Regulation By-Laws, the seven industry members of the NAC include two Small Firm, one Mid-Size Firm, two Large Firm and two At-Large Industry NAC Members. The other members of the NAC are seven Non-Industry Members, three of whom are public.

These changes to the composition of the NAC are being phased in over three years, as the terms of the existing industry members expire.

The Nominating and Governance Committee identifies candidates for all NAC seats, including the five industry member seats that are based on firm size.

Vacancies and Terms

The term of one regionally based Industry Member of the NAC will expire at the end of 2010. This seat will be filled with a Large Firm Member. The term of the Mid-Size Firm Member will also expire at the end of 2010 and will be filled with a like member. Each nominee will serve a three-year term beginning in January 2011.

Nominees and Nomination Process

FINRA's Nominating and Governance Committee has nominated the following individuals to fill the vacant Large Firm and Mid-Size Firm NAC Member seats:

Nominee for Large Firm NAC Member

- ▶ Charles V. Senatore – Senior Vice President of Fidelity Investments

Nominee for Mid-Size Firm NAC Member

- ▶ James H. Williams – President of Financial Telesis, Inc.

Profiles of the FINRA nominees are included in Attachment A.

Pursuant to Article VI, Section 6.2 of the FINRA Regulation By-Laws, a person who has not been nominated may be included on a ballot for an election to fill the open NAC seats if:

- (a) Within 45 days of the date of this Election Notice, such person presents to the Secretary of FINRA, in the case of petitions solely in support of such person, petitions in support of his or her nomination duly executed by three percent of the members entitled to vote (based on firm size classification) for such nominee's election or, in the case of petitions in support of more than one person, petitions in support of the nominations of such persons duly executed by ten percent of the members entitled to vote (based on firm size classification) for such nominees' election; and
- (b) The Secretary certifies that the petitions are duly executed by the executive representatives of the requisite number of members entitled to vote for such nominee's/nominees' election, and the person(s) satisfies/satisfy the classification (Large Firm, Mid-Size Firm or Small Firm) of the NAC seat to be filled, based on such information provided by the person(s) as is reasonably necessary to make the certification.

Firms may only endorse a petition candidate for an open seat that corresponds to the firm's size classification. No firm may endorse more than one such candidate.

Individuals interested in petitioning to become candidates must complete a candidate profile form (Attachment B) and submit it to FINRA's Corporate Secretary. Upon receipt of a candidate profile form, the Corporate Secretary will forward the interested individual a list of firms eligible to endorse a candidate for that seat (based on firm size classification).

Individuals submitting petitions must provide information sufficient for the Corporate Secretary to determine that the petitions are duly executed by the executive representatives of the requisite number of large or mid-size firms by Monday, September 13, 2010.

The number of FINRA large firms as of the close of business on July 29, 2010, was 171 and the number of FINRA mid-size firms as of the close of business on July 29, 2010, was 219. The requisite number of large firm endorsements required to meet the above-referenced threshold is 6 and the requisite number of mid-size firm endorsements required to meet the above-referenced threshold is 7 for petitions in support of the nomination of a single person. Please note that, if a petition slate includes individuals from different firm-size categories, the signatures of 10 percent of each respective class size are required.

Voting Eligibility

In the case of a contested election, firms are eligible to cast one vote for an industry candidate who is running for a seat that is in the same size category as their own firm. Therefore, large firms may vote for a Large Firm NAC candidate and mid-size firms may vote for a Mid-Size Firm NAC candidate.

The size classification of each FINRA member firm will be verified on the day the ballots are mailed. All eligible large and mid-size firms will receive a ballot containing the candidates for the vacant Large Firm or Mid-Size Firm NAC seat.

Firm Contact Information

Firms are reminded to accurately maintain their executive representative's name and email address, as well as their firm's main postal address in FINRA's records. This will ensure that important mailings, such as election information, will be properly directed. A firm's failure to keep this information accurate may jeopardize the firm's ability to participate in elections.

To update an executive representative's name and email address, firms may access the FINRA Contact System, located on FINRA's Web site at www.finra.org/fcs. To update postal address information, firms must file a Form BD Amendment via the Web CRD system. For assistance updating information via either of these systems, please contact the FINRA Call Center at (301) 590-6500.

Endnote

- 1 Pursuant to NASD Rule 1160, firms must update their contact information promptly, but in any event not later than 30 days following any change in such information, as well as review and, if necessary, update the information within 17 business days after the end of each calendar year. Additionally, firms must comply with any FINRA request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by FINRA staff. See NASD Rule 1160 and FINRA *Regulatory Notice 07-42* (September 2007).

Attachment A – Profiles of FINRA’s Nominees to the NAC

FINRA Nominee for Large Firm NAC Member Seat

Charles V. Senatore is head of corporate compliance for Fidelity Investments, the largest mutual fund company in the United States. He is responsible for overseeing the fulfillment of regulatory requirements across Fidelity’s investment management, investment advisory, institutional and brokerage businesses.

Prior to joining Fidelity in May 2003, Mr. Senatore served as co-head of Global Compliance at Merrill Lynch, after having served as director of the firm’s Regulatory Affairs Group. From 1994 to 1997, Mr. Senatore served as director of the SEC’s Southeast Region.

Prior to his service at the SEC, Mr. Senatore practiced law in South Florida and served as an assistant U.S. Attorney in the Southern District of Florida, including service as chief of that office’s Public Corruption Section.

Mr. Senatore received a bachelor of arts degree in economics from Williams College and earned a J.D. from the University of Chicago Law School.

Mr. Senatore is currently chair-elect of the Board of Directors of the National Society of Compliance Professionals and serves on the SIFMA Self-Regulation and Supervisory Practices Committee, the FINRA Compliance Advisory Committee and the ICI Chief Compliance Officer Committee. He served previously as a member and chair of both the FINRA District 10 Committee and District 10 Nominating Committee, as well as an adjunct professor of Securities Regulation at the University of Miami Law School.

FINRA Nominee for Mid-Size Firm NAC Member Seat

James H. Williams is the president and owner of Financial Telesis Inc., a broker-dealer and registered investment advisory firm based in San Rafael, California. Financial Telesis Inc. has been a broker-dealer since 1992 and currently has more than 300 registered representatives and advisors specializing in mutual fund, group annuities and variable products. The firm is composed of both retail-based representatives and representatives that specialize in retirement plan services. Mr. Williams is a C.P.A. and has over 25 years experience in the securities industry as a CFO, CCO, FINOP and owner. He is currently registered as a Financial Operations Principal for more than 10 FINRA-registered firms.

Mr. Williams began his securities career in 1985 as the CFO, CCO and FINOP for Planned Investments Inc., a general securities firm located in San Francisco. In 1988, he became the Senior VP, CFO and CCO for Grigsby Brandford, a municipal bond underwriting firm in San Francisco with branch offices in many major cities across the country. Mr. Williams has an undergraduate degree from the University of Maryland.

Mr. Williams was elected to the FINRA District 1 Committee in 2006 and became chairman for the 2009-2010 term. He is a past president of the Board of Directors, San Francisco Chapter IAFP, and past treasurer for the National Association of Independent Broker Dealers (NAIBD), a non-profit broker-dealer industry association.

ATTACHMENT B - NAC Election Candidate Profile Form

An electronic version of this form also is available at www.finra.org/notices/election/073010.

Indicate the position for which you wish to be considered:

Large Firm NAC Member **OR** Mid-Size Firm NAC Member

Current Registration

Name: _____ CRD #: _____

Firm Name: _____ Firm #: _____

Title/Primary Responsibility: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ Fax: _____

Email: _____

Prior Registration (List the most recent first. Feel free to include extra pages if necessary.)

Firm: _____

Title/Primary Responsibility: _____

Firm: _____

Title/Primary Responsibility: _____

General Areas of Expertise

(please check all that apply)

- Compliance/Legal
- Corporate Finance
- Financial/Operational
- Institutional Sales
- Investment Advisory
- Retail Sales
- Trading/Market Making
- Other

Product Expertise

(please check all that apply)

- Corporate Bonds
- Direct Participation Programs
- Equity Securities
- Investment Company
- Municipal/Government Securities
- Options
- Variable Contracts Securities
- Other

Memberships/Positions in Trade or Business Organizations

Past FINRA or NASD Experience and Dates of Service (please check all that apply)

Committee Member (identify committee): _____ Approx. Dates: _____

Arbitrator _____ Approx. Dates: _____

Mediator _____ Approx. Dates: _____

Expert Witness (arbitrations, disciplinary proceedings) _____ Approx. Dates: _____

Other: _____ Approx. Dates: _____

Educational Background

School: _____ Degree: _____

School: _____ Degree: _____

Return the completed candidate profile form to Marcia Asquith via fax at (202) 728-8075 or email at CorporateSecretary@finra.org.