



February 20, 2020

By Electronic Mail (pubcom@finra.org)

Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1506

**RE: FINRA Regulatory Notice 20-02; Comments with respect to Rule 4530 Reporting**

Dear Ms. Piorko Mitchell:

Commonwealth Financial Network (“Commonwealth”) welcomes and appreciates the opportunity to comment on FINRA’s consideration of the continued benefit of the Rule 4530 reporting process (“4530”).

Commonwealth is an independent broker/dealer and an SEC-registered investment adviser with home office locations in Waltham, Massachusetts, and San Diego, California. Commonwealth has more than 2,400 registered representatives who are independent contractors conducting business throughout all 50 states.

It is our belief that the 4530 reporting system is redundant and of little probative value. The events that it is designed to capture are often, if not always, reported by other means - including via forms U4 and U5 and ADV Part 2B (for dually registered persons), as well as FINRA’s Broker Check. The 4530 process is also of no benefit to the investing public as it is not a publicly available data base.

Additionally, it appears to Commonwealth that the 4530 reporting program may not be materially beneficial to FINRA itself. There does not appear to be any predictive value to FINRA that is not already available to FINRA by other means. Moreover, Commonwealth has not seen any material correlation between our 4530 filings and the areas of focus by FINRA staff during Commonwealth’s examinations.

Further, with respect to the quarterly complaint summary, the manner in which the reporting is implemented does not adequately capture the nature of many complaints. Those complaints that relate to ongoing matters or portfolio-wide issues do not translate well to a system that relies on a finite, drop-down menu of choices and specific start/end dates, or specific investments.

Similarly, the “amount in dispute” that the report seeks to capture is not always easily calculable. This often requires firms to report “more than \$5,000, cannot determine,” which lumps together two potentially diametrically opposing concepts. In many instances, there is no amount in dispute. For example, the complaint relates to something other than the customer’s investments or performance thereof<sup>1</sup>.

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<sup>1</sup> It is worthy to note that the presence of the dollar threshold in this section of the report appears designed to determine whether a particular grievance requires U4 reporting. However, the U4 criteria include “alleged damages,” whereas the 4530 report seeks “amount in dispute.” These are not necessarily identical concepts. Furthermore, a complaint is only

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Finally, in a time when member firms are consistently required to provide the lowest cost service to customers, a requirement for firms to regularly file 4530 reports creates added administrative burdens and personnel costs which seem to exceed any marginal benefits that may be provided by the reporting.

With the foregoing in mind, Commonwealth respectfully asks FINRA to rescind Rule 4530.

Most Sincerely,  
COMMONWEALTH FINANCIAL NETWORK



Joe Tully  
Assistant General Counsel

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U4-reportable if, among other things, it also alleges a “sales practice violation,” the existence of which is not sought in the 4530 report.