



PUBLIC INVESTORS ARBITRATION BAR ASSOCIATION

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February 26, 2020

email to: pubcom@finra.org

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K. Street, NW
Washington, D.C. 20006-1506

Re: FINRA Regulatory Notice 20-02
Comment on the Effectiveness and Efficiency of Its Reporting Requirements Rule

Dear Ms. Piorko Mitchell:

I write on behalf of the Public Investors Arbitration Bar Association (“PIABA”), an international bar association comprised of attorneys who represent investors in securities arbitrations. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums, while also advocating for public education regarding investment fraud and industry misconduct. Our members and their clients have a strong interest in rules promulgated by the Financial Industry Regulatory Authority (“FINRA”) relating to both investor protection and disclosure. As such, PIABA frequently comments upon proposed rule changes and retrospective rule reviews (like the instant one) in order to protect the rights and ensure fair treatment of the investing public.

PIABA submits this comment because the bar association believes strongly that member firms’ reporting requirements should be strengthened so that the investing public has fair and accurate information about their financial advisors and brokerage firms. In particular, PIABA supports any changes to Rule 4530 that provide better, more thorough and complete reporting of events to FINRA’s Central Registration Depository (“CRD”), which in turn can be disclosed to the public through tools like BrokerCheck.

In June 2015, FINRA launched a national advertising campaign touting the ease and importance of using FINRA’s BrokerCheck. PIABA agrees that BrokerCheck can be an important tool, because it can allow investors to access information about their advisor’s securities licenses, employment history, as well as their history (or lack thereof) of customer complaints, civil proceedings or liens, and financial issues (like liens or bankruptcies). BrokerCheck gets its information from the CRD, but some of the information contained in the CRD is not reported on BrokerCheck.

PIABA supports any rules that make more effective and accurate reporting on BrokerCheck. The investing public should be able to rely on BrokerCheck to vet their financial advisors, but only if such information is accurate and meaningful. PIABA has previously highlighted issues with BrokerCheck in a report in 2014, as well as an update on that report in October 2016. The report and its update identify categories of information that are reported to the CRD but are not available on BrokerCheck. The report also recognized instances where BrokerCheck’s information

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was incomplete, unreliable, and even false at times. FINRA must fix these issues to make BrokerCheck more reliable and, in turn, to better protect the investing public.

Additionally, PIABA continues to have great concerns given the epidemic of advisors having customer complaints routinely expunged from their records. While FINRA has recently suggested some rule changes, nothing significant has changed in the last several years. From 2016 to 2018, advisors were having complaints expunged in 81% of cases, even though FINRA deems that expungement should only be granted in "extraordinary" circumstances. When hundreds, if not thousands, of customer complaints are being expunged from the BrokerCheck system every year, customers can no longer rely on the information on BrokerCheck.

In summary, PIABA supports any revision of the rules that raises standards for reporting requirements. PIABA supports revisions that provide more fair and accurate information to FINRA (and then the investing public via BrokerCheck), but FINRA must take further steps to enhance BrokerCheck and curb the abuses of the expungement process.

Very truly yours,

A handwritten signature in black ink, appearing to read "Sam Edwards". The signature is fluid and cursive, with a long horizontal stroke at the end.

Sam Edwards