



**VIA ELECTRONIC MAIL: [pubcom@finra.org](mailto:pubcom@finra.org)**

March 10, 2020

Ms. Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
The Financial Industry Regulatory Authority, Inc.  
1735 K Street, NW  
Washington, DC 20006-1506

**Re: Regulatory Notice 20-02: Request for Comment on the Effectiveness and Efficiency of FINRA's Reporting Requirements Rule**

Dear Ms. Mitchell,

Cambridge Investment Research, Inc. ("Cambridge") appreciates the opportunity to comment on Regulatory Notice 20-02 regarding the efficacy of FINRA's reporting rule, FINRA Rule 4530 (the "Rule"). Cambridge is encouraged by FINRA's desire to conduct a retrospective assessment of the Rule and offers the following comments intended to clarify the Rule, further facilitate compliance with the Rule, and foster FINRA's goal of furthering investor protection.

We share FINRA's desire to ensure that any submission made pursuant to the Rule accurately and succinctly reflects the nature and context of the events specified in the Rule. In furtherance of this objective, Cambridge proposes the following:

- Amend Rule 4530(d) and the language of .08 "Customer Complaints" of the Supplementary Material to allow member firms to omit from the definition of the term "Customer Complaint" non-securities related issues. Currently, the Rule requires member firms to report "any written grievance by such person involving the member or a person associated with the member." This language compels reporting as "complaints" writings regarding matters that have nothing to do with the client's relationship with their financial professional, the service provided by that financial professional, or even the client's investments. Such a broad construction of the Rule necessarily captures matters that FINRA could not have contemplated member firms reporting. To curb this over inclusive application of the Rule, FINRA should amend the Rule and Supplementary Material to expressly omit from this requirement any grievance that is not "Financial

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Related” (as that term is defined in paragraph .09 of the Supplementary Material), or connected to the sales practices of the member firm or the associated person in any way. Such a modification will lead to disclosure of specifically those matters that bear directly on the client, the relationship with their financial professional, and their investments.

- Further align the categories of information and events reportable under the Rule with those required to be disclosed on Forms U4/U5. By more closely tying these reporting mechanisms FINRA could eliminate duplicative reporting and curb potential confusion. Also, member firms have been criticized for failing to submit reports under Rule 4530 with regard to activity already disclosed by that member on Form U4 or U5. FINRA could create additional supplementary material to provide guidance and clarity regarding whether disclosure on Form BD, U4, or U5 is sufficient or whether a Rule 4530 disclosure is required.
- Lastly, create additional problem codes for Rule 4530 reporting:
  - (1) that will allow member firms to distinguish those reportable events of associated persons which occurred at other member firms from the activities that occurred at the reporting member; and
  - (2) that will provide member firms with safe harbors from customer complaints when taking actions pursuant to other FINRA rules; for example, in Cambridge’s response to FINRA Request for Comment 19-27 (Rules and Issues Relating to Senior Investors) Cambridge requested new problem codes to properly distinguish complaints resulting from a member firm’s activities in compliance with Rule 2165 versus resulting from actual wrongful conduct.

Cambridge would be happy to discuss any of the comments or recommendations in this letter with FINRA.

Respectfully submitted,

*// Seth A. Miller*

Seth A. Miller  
General Counsel  
Executive Vice President, Chief Risk Officer