This is another installment in our “What to Expect” webcast series on FINRA’s regulatory processes. It focuses on the process for filing Uniform Applications for Broker-Dealer Registration (Forms U4) and Uniform Termination Notices for Security Industry Registration (Forms U5). These filings are how individuals begin and end their registered relationship with FINRA®, and they are essential for FINRA’s ability to perform its regulatory oversight responsibilities. Other self-regulatory organizations and regulators require them, as well. Within this guide, you will learn what FINRA expects of you and what you should expect from FINRA during this process.
In order to do business in the securities industry, a person must pass certain qualifying examinations. To enroll in these exams, a firm must complete and submit a Form U4 and fingerprint card to FINRA on its employees’ behalf.

In addition, FINRA rules require people who are associated with a firm and who will be engaged in that firm’s securities or investment banking business to be registered with FINRA. The Form U4 is also used to provide or update an individual’s registration and transfer information. The Form U5 is used to terminate associations between individuals and firms.

These filings are submitted through the Central Registration Depository (Web CRD®), which is a FINRA-operated online registration database that all state regulators, including those in the District of Columbia, Puerto Rico, the U.S. Virgin Islands and U.S. exchanges, use. It maintains current information on the qualifications, registrations, and employment and disclosure histories of more than half-a-million registered securities professionals.

**When to Use the Form U4**

**Types of Form U4 Filings**

- **Initial Filing** – For individuals who have never registered or were not registered within the last 30 days; also for those who have not been registered for over two years

- **Relicensing** – For individuals who are transferring to another firm within 30 days of their last registration

- **Dual Filing** – For individuals who are registering with more than one firm

The Form U4 contains information on the representative’s disclosure history or background, such as:

- criminal history;
- regulatory actions;
- civil judicial proceedings;
- customer complaints;
- arbitrations;
- employment terminations;
- bankruptcy judgments and liens;
- branch office, residential and employment history; and
- any outside business activity.

Whenever something that was reported on a Form U4 changes, such as a registered representative’s branch office or residential address, or disclosure histories—registered representatives and their broker-dealer have an obligation to promptly (i.e., within 30 days) amend the Form U4.
When to Use the Form U5

Regulators also require notice when a registered representative stops working with a firm. As a result, the broker-dealer must file the Form U5 within 30 days of the registered representative's termination. Similar to the Form U4, firms also have an ongoing obligation to amend the U5, within 30 days, should a previous filing become inaccurate or incomplete.

FINRA staff review all U4 and U5 filings that contain disclosure-related details to make sure that they are adequate, and identify individuals who may be subject to disqualification. Unlike other disclosures that allow a 30-day window for reporting, statutory disqualifying events must be reported within 10 days. These filings are generally reviewed within two business days. If there are any issues with the filing, FINRA will post a letter in Web CRD that details the inquiry and asks the firm to clarify or amend the filing.

Suggestions for Filing Forms U4

Use Pre-Registration Searches

Firms can research the history of a representative who has been previously registered with another firm using the pre-registration search feature on Web CRD. Since FINRA rules require firms to investigate its potential employees prior to hiring, the pre-registration feature allows firms interested in hiring registered industry professionals to look at the candidate's CRD records. The fact that a firm is performing this search is not reported to the person's current or former employer. But, it’s important to note that a firm may not use this function to research a representative without that person’s expressed written consent, which authorizes the firm to look at the person's record. This consent could be in the form of a signed U4 application.

When using the pre-registration feature, firms should conduct a thorough review of the person's record, including registration, exams and continuing education status. The firm should carefully review the person’s disclosure history to see if there are any outstanding disclosures or deficiency letters on record.

Consider Employment Screening Reports

Another tool that can be accessed through Web CRD is the employment screening report. The reports provide firms with the ability to review the financial history of the applicant and help validate the accuracy of answers to financial questions provided on the Form U4. FINRA partnered with a leading information service provider to make them available at competitive prices.
Submit Fingerprint Cards First and Electronically

In addition to the electronic Form U4 filing, firms must also submit a new fingerprint card each time it submits an application on behalf of its associated people for registration with FINRA. SEC rules require FINRA to send these fingerprints to the FBI for a criminal history search. Although FINRA lets firms submit the Form U4 and fingerprints at any time during the process, firms may consider submitting the fingerprints first in order to verify that the applicant has fully disclosed his or her criminal history, as appropriate, on the Form U4 before it is submitted. Then, if a firm learns of additional information during the fingerprint check, it can ensure that the Form U4 has all of the required disclosure information before it is submitted.

Fingerprints can be sent either by hard-copy cards or electronically. Firms that frequently submit fingerprint cards should consider scanning cards then submitting them to FINRA electronically. Doing so saves on postage costs, reduces the overall turnaround time on results and gives the firm flexibility to prioritize the cards that they want to submit first. There are a variety of vendors that are certified to support processing and sending electronic fingerprints.

Keep Information Current

The firm and applicant are required to manually sign the initial Form U4. So, as a firm prepares a Form U4 for submission, it should remind the individual applicant that by signing the form, he or she attests to its accuracy and acknowledges an ongoing obligation to keep it current. In other words, the representative is responsible for keeping the information current, in addition to the firm. The firm must keep the signed copy of the initial Form U4 in its files.

Provide Representatives with Required Copies

FINRA rules permit firms to file amendments to Form U4 disclosure information without obtaining the representative's signature. However, prior to filing, a firm is expected to put forth reasonable effort to provide the representative with a copy of the amended disclosure information and obtain his or her written acknowledgment that the information was received and reviewed. This acknowledgement can be in the form of an email.

Also, when giving the form or amendment to the representative to sign, FINRA rules require that the representative is provided with a disclosure notice concerning the pre-dispute arbitration clause contained on the Form U4.
Suggestions for Reviewing Forms before Submitting them to FINRA

Ensure Accuracy
Firms should be mindful that any information filed may be made publicly available through FINRA’s BrokerCheck®, a resource that investors use to learn about a broker’s background, registration and license status. Therefore, firms should ensure that submitted information is accurate.

Omit Sensitive Information
Firms should exercise extreme care not to include sensitive information like a social security number, credit card number, or account number on the disclosure reporting page. The customer’s name should only appear in the customer name field and should not appear anywhere else on the page.

Conduct a Thorough Review
Remember that FINRA staff checks to see if the information provided is complete. They check for vague wording that may need follow-up with the firm. They also check for accuracy of the information—since information can come from multiple sources, including regulators. Firms should be thorough, clear and precise when preparing the filing.

Some common mistakes include submitting incomplete or insufficient information, like not answering all of the applicable disclosure questions in Section 14 on the Form U4.

Provide Sufficient Disclosure Information
Firms should be as upfront as possible and provide enough information so that FINRA does not have to request more details. Refer to FINRA’s Forms U4 and U5 interpretive guidance for more information.

Make Amendments Promptly
As mentioned earlier, the Form U4 must be kept current. If anything changes, it must be amended within 30 days. However, for disciplinary events that trigger a statutory disqualification—like a felony criminal conviction—the form must be amended within 10 days. Firms should be sure to choose the “edit” Filing Type when amending an existing disclosure in Web CRD. Otherwise, Web CRD will create a new disclosure and instead of amending the existing one.
Suggestions for Keeping Representatives’ Information Up-to-Date

Educate Staff About Disclosure Events

Firms should train a broad range of staff on what events require disclosure. FINRA firms range from very small to very large, and business models vary a great deal, so which staff members to train will vary. For instance, larger firms should consider training staff in fields related to legal, customer complaint, compliance, human resources and security on what types of events may be reportable. Firms that outsource legal or compliance functions should make sure that the responsibility for reporting events is clear at all times.

Document Events

If a firm determines that an event—like a specific customer complaint—is not reportable, it may be helpful to document why the filing is not necessary. This practice can help avoid future confusion and allows the firm to demonstrate why it believes its decision to not report an event was thought through and not an oversight.

Establish a Periodic Certification Process

The firm may also wish to set up a periodic certification process for registered representatives to review and verify their disclosure information. This is especially useful for events that trigger a Form U4 disclosure requirement that the firm may not know about first hand. For example, a firm might not know if one of its registered representatives was arrested or filed for bankruptcy unless that person told the firm. So, a periodic certification could ask whether the representative was the subject of any criminal or civil proceeding, bankruptcy filing, judgment or lien since the prior certification. This would remind representatives of their responsibility to report these issues to meet the 30-day reporting deadline.

Provide Managers with CRD Snapshot Reports

Finally, as a useful supervisory tool, firms may consider providing managers with the CRD snapshot reports of the disclosure records for the representatives they supervise. This way the manager can follow-up on outstanding disclosure events like a representative’s personal bankruptcy filing. Requests for these reports can be made through the standard reporting queue in Web CRD.

Keeping FINRA Informed When Representatives Stop Working with the Firm

If a registered representative leaves, the firm must file a Form U5 within 30 days of termination and provide a copy of it to the person whose registration has been terminated. If a representative left the firm and the firm later learns of a reportable event involving activities that occurred while the representative was still employed at the firm, the firm must submit an amended Form U5 to report it. This is done by responding to the appropriate question in Section 7 of the form and completing the accompanying disclosure reporting page. This obligation continues until the matter is resolved. Often, a Form U5 is amended to report a customer complaint or an arbitration that is served on the firm after the employee has left the firm. As with the Form U4, Form U5 amendments must be made within 30 days, and late fees are assessed beyond this deadline.
Tools to Help Firms Track Filings and Reportable Events

FINRA has a number of resources available to help firms keep track of filings and reportable events:

**Late Filing Fee Report.** FINRA’s Report Center includes a late filing fee report. Accurate, current information is critical to effective regulation, so firms are assessed late fees when disclosures are late. This monthly report provides statistical data on the number of termination and disclosure filings the firm submits. It includes how many filings were late for a given month, the late disclosure and late filing fees assessed, and the firm’s performance relative to the industry. Firms should use this report to monitor performance with respect to the timeliness of disclosure and Form U5 filings. Such a review can help identify problems and improve filing procedures going forward.

**Automatic Email Notifications from Web CRD.** Firms can designate employees to receive automatic email notifications from Web CRD. These firm-specific emails provide notice whenever significant registration-related conditions occur, like when a Form U6 is filed by a regulator against a representative at the firm or when a person’s fingerprint results contain criminal history record information. This way, the firm can take corrective action soon after an event occurs.
Additional Resources

Form U4 Instructions, Form U4 and Form U5
www.finra.org/crd/forms

FINRA Rule 3080 – Disclosure to Associated Persons When Signing Form U4
www.finra.org/nasdmanual/rules/r3080

Securities Exchange Act of 1934
www.finra.org/rules/sec/1934

FINRA Security FAQ
www.finra.org/CRD/securityFAQ

Instructions to Set Up E-mailed Firm Notifications and Firm Queues for Individuals
Navigation Guide:
www.finra.org/crduides

Web CRD Late Filing Fee Report
www.finra.org/reportcenter

Duplicate Disclosure Interpretive Guidance
www.finra.org/CRD/duplicate_disclosure_guidance

Form U4 and U5 Interpretive Guidance Questions
www.finra.org/CRD/filing_guidance

Equifax Employment Screening
www.finra.org/crd/equifax

Notice to Members 04-09 – February 2004
www.finra.org/ntm/04-09

Late Disclosure Fee Frequently Asked Questions
www.finra.org/CRD/late_disclosure_fee_FAQ

FINRA Broker Check Program
www.finra.org/brokercheck

Fingerprint Vendors
www.finra.org/crd/efs_vendors

FINRA’s Gateway Call Center
(301) 869-6699