

Ways to Facilitate and Increase Investor Use of BrokerCheck Information

FINRA has traditionally served as a filter to prevent investors from going directly to state regulators to obtain a more complete and useful CRD report. But that report was still nearly incomprehensible with pages of redundant information on the same event and almost no information on qualifications.

It is amusing that so many commentators are terrified concerning disclosure of test scores. I suspect those same individuals aggressively use lots of meaningless credentials to enhance their credibility. If those test scores were part of the public record, registered persons might take them seriously and lobby FINRA to make the tests more meaningful than the lame and irrelevant exercises that so many commentators now characterize them as being. Still, that is a minor issue to investors.

Comments to the specific questions.

Categories of Information:

The biggest improvement would be including customer complaints. They are currently available from most state regulators (because they don't work for the industry) and tell more about a broker than any other item. The complaints are reported by the member, and characterized or mischaracterized as the member sees fit, so its not like the broker can't explain how (s)he was actually blameless and the complaint was denied as completely frivolous and unjustified in any case. FINRA should not be in the business of hiding this information from the public.

Links to other websites:

An investor should be able to click on each prior industry affiliation to investigate prior employers. As we know, the bottom stratum of the industry transfer from firm to firm as the bucket shops go out of business leaving defrauded investors holding the bag. A record of several successive bucket shops would be highly informative, especially if the current firm is newly organized (by the same usual suspects) with little regulatory history. The control person CRDs should link to firm CRDs so that an investor would know with whom (s)he was dealing.

Educational Background:

If a person is hiring a financial advisor, that person should have access to the same information that a reputable firm would require prior to hiring an employee. Most reputable firms would not hire a professional without a resume of education residence, and employment history. An investor should not be asked to do so? The information should be on the CRD so the investor has access to basic background. Furthermore, if it's not on the CRD, the broker is free to make it up or embellish it as necessary; even on the CRD embellishment would probably remain a common practice, but at least there is the chance of some repercussions if discovered.

Report Design, Format and Content

The multiple listing of the same complaint or series of complaints by different SRO's is maddeningly distracting. It is as if the CRD was designed to be very hard to read. And yes group disclosure events at the beginning, not the end.

Investor Awareness

Unless FINRA makes the CRD useful, those familiar with the system will continue to advise investors to use the on-line search for the sole purpose of doing a preliminary check for reportable information and then calling their state securities regulator to get a more complete report including customer complaints. The public CRD, as now offered, is next to worthless; not worthless, but close.

FINRA should provide all of its records to academic researchers, interested parties and for-profit information services. The information can not have too much dissemination. A more valuable place to start would be with full disclosure of all arbitration claims against brokers and firms from beginning through settlement or award so that an investors would know that if they choose poorly and are defrauded, their chance of recovering their losses is very small.

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