

Information Notice

FINRA Reminds Firms of Upcoming Changes to BrokerCheck

Executive Summary

In this *Notice*, FINRA reminds member firms of changes to BrokerCheck it will implement on August 23, 2010, and the steps firms and individuals may take with respect to these changes prior to implementation.

Questions about this *Notice* should be directed to Richard E. Pullano, Associate Vice President and Chief Counsel, Registration and Disclosure, at (240) 386-4821.

Background and Discussion

As announced in *Regulatory Notice 10-34*, on August 23, 2010, all historic customer complaints that became non-reportable after the implementation of the Central Registration Depository (CRD® or Web CRD®) (*i.e.*, on or after August 16, 1999) will be publicly available in BrokerCheck. Additionally, FINRA's current process for disputing the accuracy of (or updating) information disclosed through BrokerCheck will be enhanced and codified.

Historic Customer Complaints

Presently, FINRA Rule 8312 provides that Historic Complaints¹ be displayed in BrokerCheck only after certain conditions have been met.²

Effective August 23, 2010, FINRA will eliminate the conditions set forth in FINRA Rule 8312 that must be met before Historic Complaints will be displayed in BrokerCheck. Eliminating these conditions will result in the disclosure of all Historic Complaints via BrokerCheck that became non-reportable after the implementation of Web CRD.

August 3, 2010

Suggested Routing

- Compliance
- Legal
- Operations
- Registered Representatives
- Senior Management

Key Topic(s)

- BrokerCheck
- BrokerCheck Dispute Process
- Central Registration Depository
- Historic Complaints

Referenced Rules & Notices

- FINRA Rule 8312
- Regulatory Notice 10-34

To help firms ensure that Historic Complaints that will be displayed when this change is implemented are accurate and up-to-date, FINRA has introduced functionality to Web CRD to enable firms to more easily amend Historic Complaints. Specifically, firms now have the ability to amend Historic Complaints in the same manner that they amend any reportable disclosure event. In this regard, Web CRD now displays an individual's Historic Complaints along with the individual's current disclosure matters in the Forms U4 and U5 Disclosure Reporting Page (DRP) data entry screen. To amend a Historic Complaint, a firm need only click the appropriate edit link and enter the necessary changes.³

BrokerCheck Dispute Process

FINRA occasionally receives inquiries from persons subject to BrokerCheck who believe that information disclosed about them through BrokerCheck is inaccurate. When FINRA receives these inquiries, it typically reviews the alleged inaccuracy and, if appropriate, contacts the entity that reported the information to determine whether the information is accurate. Once FINRA obtains all of the available pertinent information, it determines whether the information is still accurate or whether it should modify or remove the information from BrokerCheck.

Effective August 23, 2010, FINRA will enhance and codify this process. The process will be available both for challenges alleging the information was incorrect when filed, and challenges asserting that the information has become incorrect or out-of-date due to events subsequent to filing.

To mitigate any potential delays that may occur upon the implementation of the enhanced dispute process, FINRA will accept disputes that firms or individuals submit prior to August 23, 2010. FINRA will process these disputes as they are received, but will not follow the specific procedures outlined for the dispute process in amended FINRA Rule 8312 until the August 23, 2010, implementation date. For example, FINRA will not add the dispute notation to an eligible party's BrokerCheck report as specified in paragraph (e)(2)(B) of the rule until August 23.

Information regarding the enhanced dispute process, including the BrokerCheck Dispute Form (which must be submitted to FINRA to initiate a dispute), is available at www.finra.org/BrokerCheck/DisputeProcess.

For more information on these BrokerCheck changes and the additional changes that will become effective on November 6, 2010,⁴ see *Regulatory Notice 10-34*.

Endnotes

- 1 Historic Complaints are customer complaints that were reported on a uniform registration form that are more than two years old and that have not been settled or adjudicated; and customer complaints, arbitrations or litigations that have been settled for an amount less than the specified dollar amount (identified on the customer complaint question) and are therefore no longer reportable on a uniform registration form.
- 2 The conditions are as follows:
 - (1) a matter became a Historic Complaint on or after March 19, 2007;
 - (2) the most recent Historic Complaint or currently reported customer complaint, arbitration or litigation is less than 10 years old; and
 - (3) the person has a total of three or more currently disclosable regulatory actions, currently reported customer complaints, arbitrations or litigations, or Historic Complaints (subject to the limitation that they became Historic Complaints on or after March 19, 2007), or any combination thereof.
- 3 FINRA will continue to review all changes made to Historic Complaints in such amendments to determine if further action is warranted.
- 4 The effective date for amendments pertaining to the expansion of the disclosure period for former associated persons from two years to 10 and the permanent public availability of certain information about former associated persons is November 6, 2010.

Unless all three conditions are met, a person's Historic Complaints are not disclosed through BrokerCheck. In addition, even if a person meets the criteria established for disclosing Historic Complaints, only those Historic Complaints that became Historic Complaints after March 19, 2007, are displayed through BrokerCheck.