Change to Form U4 Regarding the Reporting of Judgment/Lien Events

Effective Date: October 26, 2013

Executive Summary

FINRA is amending the Form U4 to update the Judgment/Lien Disclosure Reporting Page (DRP) to add a question regarding the date a registered person learns of an unsatisfied judgment or lien.[1] The amendments are effective October 26, 2013.

Questions regarding this *Notice* should be directed to the Gateway Call Center at (301) 869-6699.

Discussion

Firms are required to report when a registered person becomes subject to an unsatisfied judgment or lien in response to Question 14M on Form U4. Firms also must complete the corresponding Judgment/Lien DRP to provide details about the unsatisfied judgment or lien. Under the FINRA By-Laws, firms are required to report such matters not later than 30 days after learning of the facts or circumstances giving rise to the event (*i.e.*, the filing of the judgment or lien).[2] Firms that do not report such matters in a timely manner are subject to a late disclosure fee under Section 4(h) of Schedule A to the FINRA By-Laws.[3]

Currently, the Judgment/Lien DRP requires only the date a judgment or lien was filed; it does not ask for information about the date that the registered representative learned of the judgment or lien.[4] If the date that a judgment or lien is filed is different from the date that the registered representative learns of the event, the Central Registration Depository (CRD®) may assess an erroneous late disclosure fee when the matter is reported. To address this discrepancy until the Form U4 could be amended, in 2012, FINRA instructed firms to report in a free-text section at the end of the Judgment/Lien DRP the date that a registered representative learned of an unsatisfied judgment or lien if that date was different from the date that the judgment or lien was filed.[5] If a firm provides a date in the free text section of the DRP, FINRA staff reviews the information the firm provides to determine whether a filing is late based on the date the registered person learned of the judgment/lien and, if it is late, will assess the late disclosure fee based on that date.

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To provide clarity with respect to the reporting of events involving unsatisfied judgments and liens and re-automate the late disclosure fee process, the amendments add to the Judgment/Lien DRP a question regarding the date that a registered representative learns of the judgment or lien. The current question regarding the date the judgment or lien was filed also will remain in the DRP.[6] By amending the Judgment/Lien DRP in this manner, firms will be aware of the need to report both the date the judgment or lien was filed with a court and the date the registered representative learned of the matter. The amendments become effective October 26, 2013.[7]

Endnotes

1. *See* Securities Exchange Act Release No. 70227 (August 19, 2013), 78 FR 52594 (August 23, 2013) (Notice of Filing and Immediate Effectiveness of SR-FINRA-2013-034).

2. *See* FINRA By-Laws, Article V, Sec. 2(c).

3. The amount of the fee is based upon the number of days the disclosure is late. *See* Section 4(h) of Schedule A to the FINRA By-Laws.

4. *See* Section 4 of the Judgment/Lien DRP.

5. *See* Information Notice 08/17/12. *See also* Section 8 of the Judgment/Lien DRP.

6. FINRA, however, is proposing to clarify that this question pertains to the date that the judgment or lien was filed with a court.

7. Once the amendment is implemented, firms should no longer report the date that a registered representative learned of an unsatisfied judgment or lien in the free-text section at the end of the Judgment/Lien DRP.