



## Compliance Watch: Disciplining Of Brokers To Stay On Record

By Kristen McNamara and Shelly Banjo

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NEW YORK (Dow Jones)--Brokers' disciplinary records will remain available to investors even after brokers leave the securities industry, under a newly approved rule amendment.

The Financial Industry Regulatory Authority said Tuesday it has received approval from the Securities and Exchange Commission to expand its online BrokerCheck service to make records of brokers' final regulatory actions permanently available.

Disclosure records for all former brokers with sanctions--including those who have been barred from the industry, suspended or fined by Finra, the SEC, Commodity Futures Trading Commission and other regulators--will be available beginning Nov. 30.

Such information as customer complaints, arbitration awards and criminal proceedings won't be permanently available.

Currently, investors can see the employment and disciplinary histories of more than 650,000 brokers under Finra's jurisdiction through the online BrokerCheck service for up to two years after the brokers leave the securities industry. Finra estimates there are more than 15,000 individuals who have left the industry following a final regulatory action and whose disciplinary history isn't currently available on BrokerCheck.

Finra says the permanent records will help investors protect themselves from barred brokers who resurface in other financial service roles, such as insurance agents and unregistered financial advisers.

Some attorneys and academic groups who represent investors say this is a good first step but doesn't go far enough.

"The proposal that passed is better than nothing, but not much better," says William Jacobson, director of the securities law clinic at Cornell University. "If Finra is going to expand BrokerCheck, why only expand it in a very limited manner?"

The disciplinary records can help investors avoid unscrupulous financial professionals--if investors know to search the database, says **Richard Roth**, of the Roth Law Firm in New York.

"You have to know it exists," says **Roth**, who represents brokers, brokerage firms and investors.

The SEC received more than 50 comment letters when the rule was proposed, many of which asked that Finra expand the amount of disclosure information beyond final regulatory actions.

"Finra believes that these comments are outside the scope of the rule proposal," Richard Pullano, associate vice president and chief counsel at

Finra, wrote in a response to the comment letters.

The self-regulatory organization didn't seek to expand access to other information "in an attempt to strike a balance between personal privacy and investor protection concerns," Pullano wrote.

Even though arbitration awards will not be available on the expanded BrokerCheck search, Jacobson notes that investors may still be able to find arbitration awards for all former brokers as far back as May 1989 through Finra's Arbitration Awards online database.

"But navigating the search engine takes a certain level of investor sophistication," Jacobson says.

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