

Reporting Requirements

FINRA Amends Rule 4530 to Eliminate Duplicative Reporting and Provide the Option to File Required Documents Online Using a New Form

Implementation Dates: March 4, 2013, and July 1, 2013

Executive Summary

FINRA has amended Rule 4530 to provide member firms:

- ▶ an exception for reporting information that is reported on the Form U4;
- ▶ an exception for reporting findings and actions by FINRA; and
- ▶ the option of filing required documents online using a new form.¹

The implementation date for the exception for reporting information that is reported on the Form U4 (Rule 4530(e)) and the exception for reporting findings and actions by FINRA (Rule 4530.10) is March 4, 2013. The implementation date for the option of filing required documents online using the new form (Rule 4530(g)) is July 1, 2013.

The text of the amendment is set forth in Attachment A. The data fields in the new form, including explanations of selected fields, are set forth in Attachment B.

Questions concerning this *Notice* should be directed to Afshin Atabaki, Associate General Counsel, Office of General Counsel, at (202) 728-8902.

Technical questions regarding the Form U4 exception should be directed to FINRA's Gateway Call Center at (301) 590-6500. Technical questions regarding the online filing option and the new form should be directed to the FINRA Help Desk at (800) 321-6273.

February 2013

Notice Type

- ▶ Rule Amendment

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Operations
- ▶ Senior Management
- ▶ Systems

Key Topics

- ▶ Disclosure Events
- ▶ Filing Requirements
- ▶ FINRA Findings and Actions
- ▶ Form U4
- ▶ Online Filing
- ▶ Reporting Requirements

Referenced Rules & Notices

- ▶ FINRA Rule 4530
- ▶ Regulatory Notice 11-10



Background & Discussion

FINRA Rule 4530 (Reporting Requirements) requires member firms to report to FINRA specified events, such as findings by a regulatory body, and quarterly statistical and summary information regarding written customer complaints.² The rule also requires firms to file with FINRA copies of specified criminal actions, civil complaints and arbitration claims.

Exception for Information Reported on the Form U4

Currently, under Rule 4530(e), a firm is not required to report a specified event if it reports that event on the Form U5 (Uniform Termination Notice for Securities Industry Registration), consistent with the requirements of that form.³ This provision is intended to eliminate duplicative reporting of information that is reported on the Form U5. FINRA has amended Rule 4530(e) to provide a similar exception for specified events reported on the Form U4 (Uniform Application for Securities Industry Registration or Transfer). The process for satisfying the Form U4 exception, however, will be slightly different, in part because of differences in the reporting criteria between Form U4 and Rule 4530 events.⁴

To satisfy the Form U4 exception, a member firm will be required to affirmatively indicate that the data reported on a Form U4 Disclosure Reporting Page (DRP) through the Central Registration Depository (CRD®) also be applied to satisfy its corresponding FINRA Rule 4530 reporting obligation. Specifically, FINRA will enable filers to designate through functionality (*i.e.*, checkboxes) in the CRD system that the data reported on the following specified Form U4 DRPs also be applied to satisfy the corresponding requirement under Rule 4530(a)(1): (1) Criminal; (2) Regulatory Action; (3) Civil Judicial; and (4) Customer Complaint/Arbitration/Civil Litigation.⁵

Firms can elect to use this new functionality or can continue to report an event via the Rule 4530 application in the FINRA Firm Gateway. Finally, similar to the Form U5 exception, the Form U4 exception will not apply to the reporting of quarterly statistical and summary customer complaint information pursuant to Rule 4530(d).

Exception for FINRA Findings and Actions

Rule 4530(a)(1)(A) requires a member firm to report external findings regarding the firm or an associated person. Rules 4530(a)(1)(C) and (D) require a member firm to report regulatory actions against the firm or an associated person. Rules 4530(a)(1)(A), (C) and (D) do not expressly exclude findings and actions by FINRA. However, because FINRA staff has access to such information through its own systems, FINRA has added Supplementary Material .10 to Rule 4530 to provide that, for purposes of Rules 4530(a)(1)(A), (C) and (D) only, member firms are not required to report findings and actions by FINRA. This exception is generally consistent with the exception under Rule 4530(f) for arbitration claims filed in the FINRA Dispute Resolution forum.

Availability of Online Filings and New Form

Rule 4530(f) requires firms to promptly file with FINRA copies of specified criminal actions, civil complaints and arbitration claims.⁶ Firms currently have the option of filing the required documents either electronically (as a scanned email attachment or scanned and saved on a disk) or in paper form, but they do not have the option of filing these documents with FINRA online. FINRA has adopted Rule 4530(g) to give firms the option of filing the documents required under Rule 4530(f) online via FINRA's Firm Gateway. To facilitate online filings, FINRA has created a new form, which will be available through the Firm Gateway on July 1, 2013.⁷ Member firms that choose to file their documents online will be required to complete the mandatory fields on the new online form, such as the name and telephone number of the contact person and the name of the complainant or plaintiff, and attach to the form a scanned copy of the documents required under Rule 4530(f), in a format such as portable document format (PDF).

Firms will continue to have the option of filing the documents required under Rule 4530(f) via mail or email. In addition, the requirement to provide limited summary information regarding the documents applies only to firms that choose to file the documents with FINRA online using the new form; the requirement does not apply to firms that use other permissible electronic means (*e.g.*, email) to file the documents with FINRA.

Implementation Dates

The Rule 4530(e) amendment (with respect to the Form U4 exception) and new Rule 4530.10 (with respect to the exception for FINRA findings and actions) will be implemented on March 4, 2013. New Rule 4530(g) (with respect to the online filing option using the new form) will be implemented on July 1, 2013.

Endnotes

1. See Securities Exchange Act Release No. 68701 (January 18, 2013), 78 FR 5532 (January 25, 2013) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Relating to FINRA Rule 4530 (Reporting Requirements); File No. SR-FINRA-2013-006).
2. The specified events and customer complaint information must be electronically reported to FINRA via an application on FINRA's Firm Gateway. See [Regulatory Notice 11-10](#) (March 2011).
3. This exception does not apply to the reporting of quarterly statistical and summary customer complaint information under the rule.
4. For example, a registered person's Form U4 must be amended to report pending arbitration claims initiated by a customer where the registered person is the subject of such a claim, the customer alleges sales practice violations, and the customer claims damages in the amount of \$5,000 or more. A member firm must report such a matter promptly (in general, not later than 30 days after the firm is served with the customer claim) and before the claim has a final disposition. In contrast, FINRA Rule 4530(a)(1)(G) requires the reporting of such matters only when there has been a final disposition that results in an award or a settlement for an amount exceeding \$15,000.
5. Rules 4530(a)(1)(A) through (H), which address the reporting of regulatory, criminal and civil actions generally correspond with information that is reported on the Form U4. There is no corresponding provision on the Form U4 for matters reportable under Rule 4530(a)(2) (disciplinary actions taken by a member firm against an associated person) or Rule 4530(b) (a member firm's internal conclusions of violations).
6. Rule 4530 provides an exception for any arbitration claim that is originally filed in the FINRA Dispute Resolution forum and for those documents that have already been requested by FINRA's Registration and Disclosure (RAD) staff, provided that the firm produces those requested documents to RAD staff within 30 days after receipt of such request.
7. For data fields and explanations of selected fields in the new form, see Attachment B.

Attachment A

New language is underlined; deletions are in brackets

4530. Reporting Requirements

(a) through (d) No Change.

(e) Nothing contained in this Rule shall eliminate, reduce or otherwise abrogate the responsibilities of a member or person associated with a member to promptly disclose required information on the Forms BD, U4 or U5, as applicable, to make any other required filings or to respond to FINRA with respect to any customer complaint, examination or inquiry. In addition, members are required to comply with the reporting obligations under paragraphs (a), (b) and (d) of this Rule, regardless of whether the information is reported or disclosed pursuant to any other rule or requirement, including the requirements of the Form[s] BD [or U4]. However, a member need not report: (1) an event otherwise required to be reported under paragraph (a)(1) of this Rule if the member discloses the event on the Form U4, consistent with the requirements of that form, and indicates, in such manner and format that FINRA may require, that such disclosure satisfies the requirements of paragraph (a)(1) of this Rule, as applicable; or (2) an event otherwise required to be reported under paragraphs (a) or (b) of this Rule if the member discloses the event on the Form U5, consistent with the requirements of that form.

(f) No Change.

(g) Members may file electronically, in such manner and format as specified by FINRA, the documents required by paragraph (f); provided, however, that the filings shall be accompanied by summary information regarding the documents in such detail as specified by FINRA.

[(g)] (h) Members shall not be required to comply separately with paragraph (f) in the event that any of the documents required by paragraph (f) have been the subject of a request by FINRA's Registration and Disclosure staff, provided that the member produces those requested documents to the Registration and Disclosure staff not later than 30 days after receipt of such request. This paragraph does not supersede any FINRA rule or policy that requires production of documents specified in paragraph (f) sooner than 30 days after receipt of a request by the Registration and Disclosure staff.

• • • Supplementary Material: -----

.01 through .09 No Change.

.10 Findings and Actions by FINRA. For purposes of paragraphs (a)(1)(A), (C) and (D) of this Rule only, members are not required to report findings and actions by FINRA.

Attachment B

Data Fields and Explanations of Selected Fields in Rule 4530(g) Online Form

All fields marked with * are mandatory

This ID number is for illustrative purposes only. The actual ID number will be an auto-generated number.

Rule 4530(g) Filings – Criminal Actions, Civil Litigations and Non-FINRA Arbitrations

| Filing ID: 123456 |

These fields will be prepopulated.

Firm Information:

Firm Name:

Firm CRD:

Contact Person Information: *

Name:

Telephone:

Email:

Party Information:*

Complainant/Plaintiff:

- ☐ Member Firm
- ☐ Non-Member Firm/Entity
- ☐ Associated Person
- ☐ Other Person

Respondent/Defendant:

- ☐ Member Firm
- ☐ Non-Member Firm/Entity
- ☐ Associated Person
- ☐ Other Person

Member firms will be prompted to provide additional information depending on the selected checkbox.

***For instance,** if they select Member Firm, they will be prompted to provide the firm's name and CRD number. The form also allows firms to enter additional complainants/plaintiffs and respondents/defendants.*

Matter Information:

Type: *

- ▶ Civil-Class Action
- ▶ Civil-Other
- ▶ Criminal
- ▶ Non-FINRA Arbitration

Member firms will have to select one of the following from a drop-down menu.

Court/Arbitration Case #:

Venue:

Allegation Activity Dates

From: *

To: *

☐ Exact

☐ Explanation

If member firms select the Explanation radio button, they will be prompted to explain the activity dates.

Litigation Filing Date: *

Problem Code: *

Member firms will be able to select the appropriate Problem Code. The Problem Codes will be the same as those used to report quarterly statistical and summary information regarding written customer complaints.

Alleged Compensatory Damages? *

☐ Yes

☐ No

Product Code *

If member firms select the Yes radio button, they will be prompted to indicate the amount.

Filings: Please attach filing here. *

Attached Documents:

Additional Information:

Member firms will be able to select the appropriate Product Code. The Product Codes will be the same as those used to report quarterly statistical and summary information regarding written customer complaints. The form also allows firms to enter additional products.