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**Date** Today at 5:07 PM

<https://www.finra.org/filing-reporting/regulatory-filing-systems/rule-4530-reporting-requirements/faq>

Colin Powell said it best, " Chicken parm you taste so good "...

#### **Rule 4530 Frequently Asked Questions**

FINRA Rule 4530 (Reporting Requirements) requires firms to report to FINRA specified events, such as a settlement against a firm in excess of \$25,000, and quarterly statistical and summary information regarding written customer complaints. The specified events and customer complaint information must be electronically reported to FINRA via the FINRA Gateway. The rule also requires firms to file with FINRA copies of specified criminal actions, civil complaints and arbitration claims, which firms may file with FINRA via mail or email or online via the FINRA Gateway.

The following frequently asked questions (FAQ) provide guidance on FINRA Rule 4530. The FAQ include questions that were published in Regulatory Notice 11-32, as well as new questions. This guidance speaks *solely* to member firms reporting and filing obligations pursuant to

FINRA Rule 4530, and not to other applicable reporting requirements, including under Forms BD

(Uniform Application for Broker-Dealer Registration), U4 (Uniform Application for Securities Industry Registration or Transfer) and U5 (Uniform Termination Notice for Securities Industry Registration). FINRA, however, notes that a firm is not required to report pursuant to Rule 4530: (1) an event otherwise required to be reported under FINRA Rule 4530(a)(1) if the firm reports the event on the Form U4, consistent with the requirements of that form and affirmatively indicates that the data reported on the Form U4 be applied to satisfy its corresponding FINRA Rule 4530(a)(1) reporting obligation; and (2) an event otherwise required to be reported under FINRA Rules 4530(a) or (b) if the firm reports the event on the Form U5, consistent with the requirements of that form.<sup>1</sup>

## Section 1: Internal Conclusions of Violations

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| 1.1 | Are member firms required to report internal conclusions of all rule violations under FINRA Rule 4530(b)?  |
| 1.2 | If a member firm recently becomes aware of a potential violation of the securities laws by the firm or an associated person and is gathering the available facts to determine whether it, or the associated person, violated such laws and whether the violation meets the reporting threshold of FINRA Rule 4530.01 is the firm required to report the matter within 30 calendar days after it first became aware of the potential violation? |
| 1.3 | FINRA Rule 4530.01 requires a member firm to report, among other things, violations that have widespread or potential widespread impact to the markets. Is the term "markets" referring only to the securities markets?  |

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| 1.4 | FINRA Rule 4530.01 requires a member firm to report, among other things, if it concludes that an associated person has engaged in multiple instances of any violative conduct. What does the phrase "multiple instances of any violative conduct" mean?   |
| 1.5 | FINRA Rule 4530(b) requires a member firm to report to FINRA within 30 calendar days after the firm has concluded, or reasonably should have concluded, that an enumerated violation has occurred. For purposes of the "reasonably should have concluded" requirement, how will FINRA determine whether a firm's conclusions are correct?   |
| 1.6 | With respect to the reporting of internal conclusions of violations under FINRA Rule 4530(b), what should member firms' procedures address?   |
| 1.7 | Are member firms eligible to receive credit for extraordinary cooperation for matters that are required to be reported pursuant to FINRA Rule 4530(b)?  |
| 1.8 | A member firm recently received an examination report from FINRA staff that identified several instances of potential violative conduct by the firm. After further review by the firm and prior to any other action by FINRA, the firm concluded on its own that the exceptions identified in the report violated the securities laws and that the violations meet the reporting threshold under FINRA Rule 4530.01. What are the member firm's reporting obligations under FINRA Rule 4530(b)? |

## Section 2: Customer Complaints

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| 2.1 | Are text messages and tweets received from member firm customers complaining about |
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	the member firm or its associated persons subject to reporting under FINRA Rule 4530?
2.2	<p>A banking affiliate recently forwarded a copy of a written complaint from a banking customer to a member firm. The complaint alleges that a bank employee made misrepresentations to the customer in connection with a banking transaction. The bank employee, Registered Representative A, is also a registered representative of the member firm. After further inquiry, the member firm establishes that the banking customer is also a customer of the firm. However, another registered representative, Registered Representative B, sold securities to the customer and is the representative of record. Does the member firm have to report the complaint under FINRA Rule 4530 as to the bank employee, Registered Representative A?</p>
2.3	<p>Same as Question 2.2, but Registered Representative B had recommended some securities to the banking customer, and the banking customer decided not to purchase them. Does the member firm have to report the complaint under FINRA Rule 4530 as to the bank employee, Registered Representative A?</p>
2.4	<p>A member firm's registered representative is also an insurance agent working for an affiliated insurance company. The member firm recently found out through its affiliate that the registered representative is the subject of a written complaint from an insurance customer alleging that the representative did not adequately disclose the surrender charge in connection with the sale of a fixed annuity. After further inquiry, the member firm also found out that the representative had</p>

	recommended some securities to the insurance customer when he sold the fixed annuity, but the individual decided not to purchase any securities. Does the member firm have to report the complaint under FINRA Rule 4530?
2.5	In Question 2.4 above, what if the person complaining about the fixed annuity was someone to whom the member firm had sold securities? Would the complaint then be subject to reporting under FINRA Rule 4530?
2.6	A registered representative who is also a mortgage broker recently obtained a home loan for a person to whom the representative had sold securities through a member firm. The mortgage is financed and serviced by an unaffiliated bank. The member firm recently received an email from the person complaining about the bank that services his mortgage account. Is the member firm required to report the complaint under FINRA Rule 4530?
2.7	In Question 2.6 above, what if the person was complaining that the registered representative made some misleading statements during the loan process? Would it then be subject to reporting under FINRA Rule 4530?
2.8	A customer recently submitted a written complaint to FINRA alleging that a member firm sold him unsuitable securities. FINRA forwarded a copy of the complaint to the firm. Is the firm required to report the complaint pursuant to FINRA Rule 4530(d) for purposes of quarterly customer complaint reporting?
2.9	A third party has just informed a member firm that the firm is the subject of a written customer complaint alleging theft of funds. The firm does not have a copy of the written complaint. Is the firm required to report this

information for purposes of FINRA Rules 4530(a)(1)(B) and 4530(d) before it reviews the complaint?

2.10 A member firm intends to use a third-party service provider to conduct a customer satisfaction survey. The survey will ask existing customers to rate the member firm's services on a scale. The survey will also allow customers to provide comments. The third-party service provider will give the firm a copy of the ratings and comments. Would either the ratings or comments resulting from such a survey be considered a written customer complaint for purposes of FINRA Rule 4530?

2.11 A few days ago, a member firm received a written customer complaint alleging that the firm engaged in securities fraud. Later that same day, the customer withdrew the complaint. Does the firm have an obligation to report the complaint for purposes of FINRA Rule 4530(d)?

2.12 A member firm received a written customer complaint alleging unauthorized trading. After investigating it, the firm conclusively determined that the basis for the complaint was a margin sell out. On the FINRA Gateway application, should the firm report this complaint under Problem Code 02 (Unauthorized Trading), or Problem Code 54 (Margin Problems)?

2.13 A member firm received a written customer complaint subject to quarterly reporting under FINRA Rule 4530(d). Is the firm required to wait until the end of the quarter to report it?

2.14 For purposes of FINRA Rule 4530(d), is a member firm required to report that it has not received any customer complaints during the applicable quarter?

- 2.15 When reporting quarterly statistical and summary information regarding written customer complaints, when should Problem Code 23-Poor Performance be used versus Problem Code 12-Poor Recommendation/Poor Advice or Problem Code 4-Suitability?
- 2.16 A member firm received a written customer complaint alleging that there was an unauthorized charge on a debit card. The debit card is issued by a third-party bank and linked to the customer's cash management account. The complaint does not allege that the member firm or an associated person of the member firm made the unauthorized charge. The customer is a person with whom the member firm has engaged in securities activities. Does the member firm have an obligation to report the complaint pursuant to FINRA Rule 4530(a)(1)(B)? **New**
- 2.17 In Question 2.16 above, does the member firm have an obligation to report the written customer complaint pursuant to FINRA Rule 4530(d)? **New**

## Section 3: Settlements

- 3.1 A member firm and an associated person were named as defendants in a securities-related private civil litigation initiated by a customer relating to excessive fees. The firm filed a copy of the civil complaint with FINRA in accordance with FINRA Rule 4530(f). The matter is now being settled as part of a single settlement. The firm is agreeing to pay \$20,000 to the plaintiff in return for the release of the claim against it. The associated person is agreeing to pay \$10,000 to the plaintiff in return for the release of the claim

	<p>against him. The firm and the associated person are subject to individual liability. Does the firm have to report this settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or associated person?</p>
3.2	<p>Same facts as in Question 3.1, but the firm is agreeing to pay \$20,000 to the plaintiff in return for the release of the claims against both the firm and the associated person. The parties are subject to individual liability. The associated person is not liable for any portion of the \$20,000. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G) either as to the firm or associated person?</p>
3.3	<p>Same facts as in Question 3.1, but the associated person has not agreed to settle, and the member firm is agreeing to pay \$20,000 to the plaintiff in return for the release of the claim against the firm. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or associated person?</p>
3.4	<p>Same facts as in Question 3.1, but the claim against the associated person was withdrawn by the plaintiff prior to settlement, and the member firm is agreeing to pay \$20,000 to the plaintiff in return for the release of the remaining claim against the firm. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or associated person?</p>
3.5	<p>A member firm was named as a defendant in a securities-related private civil litigation initiated by a customer involving unsuitable recommendations. The firm filed a copy of the civil complaint with FINRA in accordance with FINRA Rule 4530(f). The civil complaint does not name any associated persons, but it</p>



alleges that an associated person was the cause of the claim against the firm. The firm is now agreeing to settle the matter and pay \$20,000 to the plaintiff in return for the release of the claim against the firm and any future claims against the associated person. The associated person is not liable for any portion of the \$20,000. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or associated person?

3.6 A customer has made an oral claim for damages against a member firm and an associated person alleging best execution violations. The firm has agreed to pay \$20,000 to the customer in return for the release of the claim against it and the associated person. The associated person is not liable for any portion of the \$20,000. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or an associated person?

3.7 Several customers have made oral claims for damages against a member firm involving the sale of a security. The firm has agreed to pay \$20,000 to each of the customers in return for the release of each of the claims against it. No associated persons are involved in the claims and their dispositions. Does the firm have to report the settlements under FINRA Rule 4530(a)(1)(G)?

3.8 A member firm was named as a defendant in a private civil litigation initiated by a customer related to a financial transaction. The suit does not involve a securities, commodities or financial insurance product. The firm is agreeing to settle the matter and pay \$30,000 to the customer in return for the release of the claim against it. Does the firm have to report

the settlement under FINRA Rule 4530(a)(1)(G)?

3.9 A member firm and several associated persons were named as defendants in a securities-related private civil litigation initiated by a customer. The firm filed a copy of the civil complaint with FINRA in accordance with FINRA Rule 4530(f). The firm's insurance carrier is now settling the matter and paying a \$100,000 lump sum to the plaintiff in return for the release of the claim against the firm and associated persons. The defendants are subject to joint and several liability. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G)?

3.10 A member firm was named as a defendant in a securities-related private civil litigation initiated by a customer. The firm filed a copy of the civil complaint with FINRA in accordance with FINRA Rule 4530(f). The firm is now agreeing to settle the matter and pay \$20,000 to the customer in return for the release of the claim against it. The firm is also forgiving a \$10,000 debit balance in the customer's account related to the customer's claim. The settlement and release agreement does not refer to the \$10,000 debit balance that will be forgiven. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G)?

3.11 Same as Question 3.10, but instead of forgiving a \$10,000 debit balance in the customer's account, the member firm is providing the customer \$10,000 worth of free trades for a year. The settlement and release agreement does not refer to the free trades. Does the firm have to report the settlement

under FINRA Rule 4530(a)(1)(G)?

3.12 During a routine annual branch inspection, a member firm's registered representative informed the firm that he was sued a few days ago by one of his insurance customers in connection with the sale of a term life insurance policy and that the insurance company settled the matter immediately on his behalf for \$20,000. The lawsuit alleged common law fraud. Is the member firm required to report the settlement under FINRA Rule 4530?

## Section 4: Statutory Disqualifications

4.1 Our firm engages in principal and counterparty transactions involving broker-dealers that are subject to a "statutory disqualification." These transactions do not involve the sale of a financial instrument to the public. Are we required to report such transactions under FINRA Rule 4530(a)(1)(H)?

4.2 Our firm is regularly involved in securities offerings with firms that are subject to a "statutory disqualification" but that have not been approved (or otherwise permitted pursuant to FINRA rules and the federal securities laws) to continue in membership. For purposes of reporting these events electronically via the Regulatory Filings Application on the FINRA Gateway, can we report the information in the aggregate?

## Section 5: Disciplinary Actions Taken by a Firm Against an Associated Person

5.1 A member firm is reducing its operations and

5.1 A member firm is reducing its operations and as a result has terminated several associated persons based on its business needs. Is the firm required to report these terminations under FINRA Rule 4530(a)(2)?

## Section 6: Former Associated Persons

6.1 A member firm finds out that a registered representative has been indicted, while in the employ of the member firm, on a misdemeanor charge involving the sale of a stock at his previous employer, Firm A. For purposes of FINRA Rule 4530(a)(1)(E), does the member firm have an obligation to report the indictment or does Firm A have to report it?

6.2 A member firm receives a customer complaint regarding a former registered representative alleging that the representative churned the customer's account. Is the member firm required to report the complaint under FINRA Rule 4530?

6.3 A member firm is in the process of internally investigating a registered representative's involvement in violative conduct when the representative terminates her association with the firm. Following her departure, the member firm reaches an internal conclusion that the former representative violated several securities laws that had a significant monetary result for customers. Is the member firm required to report the conclusion under FINRA Rule 4530 since it reached the conclusion after the representative left the member firm?

## Section 7: FINRA Findings and Actions

7.1 For purposes of reporting under FINRA Rules 4530(a)(1)(A), (C) and (D), are member firms required to report FINRA actions?

7.2 For purposes of reporting under FINRA Rules 4530(a)(1)(A), (C) and (D), are member firms required to report actions handled by FINRA for another SRO pursuant to a Regulatory Services Agreement (RSA)?

## Section 8: Filing Requirements

8.1 A member firm was named as a defendant in a securities-related private civil litigation alleging \$30,000 in damages. The disposition of the claim is pending. What are the firm's obligations under FINRA Rule 4530?

### Section 1: Internal Conclusions of Violations

#### **1.1 Are member firms required to report internal conclusions of all rule violations under FINRA Rule 4530(b)?**

No. FINRA Rule 4530(b) states that each member firm shall promptly report to FINRA, but in any event not later than 30 calendar days, after the firm has concluded or reasonably should have concluded that an associated person of the firm or the firm itself has violated any securities-, insurance-, commodities-, financial- or investment related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body or self-regulatory organization (SRO).

Further, for purposes of FINRA Rule 4530(b), only those violations that meet the reporting

threshold under FINRA Rule 4530.01 are required to be reported. With respect to violations by a firm, FINRA Rule 4530.01 requires the firm to report only conduct that has widespread or potential widespread impact to the firm, its customers or the markets, or conduct that arises from a material failure of the firm's systems, policies or practices involving numerous customers, multiple errors or significant dollar amounts. Regarding violations by an associated

person, FINRA Rule 4530.01 requires a firm to report only conduct that has widespread or potential widespread impact to the firm, its customers or the markets; conduct that has a significant monetary result on a member firm(s), customer(s) or market(s); or multiple instances of any violative conduct. For instance, if a firm concludes that a violation has occurred and that it has widespread or potential widespread impact to the markets, the firm is required to report that violation.

**1.2 If a member firm recently becomes aware of a potential violation of the securities laws by the firm or an associated person and is gathering the available facts to determine whether it, or the associated person, violated such laws and whether the violation meets the reporting threshold of FINRA Rule 4530.01 is the firm required to report the matter within 30 calendar days after it first became aware of the potential violation?**

No. As noted in Answer 1.1, FINRA Rule 4530(b) states that each member firm shall promptly report to FINRA, but in any event not later than 30 calendar days, after the firm has *concluded* or *reasonably should have concluded* that an associated person of the firm or the firm itself has violated any

securities-, insurance-, commodities-, financial- or investment- related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body or SRO. Further, for purposes of FINRA Rule 4530(b), only those violations that meet the reporting threshold under FINRA Rule 4530.01 are required to be reported.

FINRA will apply a "reasonable person"

standard to determine whether a violation should have been reported. If a reasonable person, considering the available facts, would have concluded that a violation meeting the reporting thresholds occurred, then the matter would be reportable. If a reasonable person, considering the available facts, would not have concluded that a violation occurred or would have been unable to conclude whether a violation occurred, then the matter would not be reportable.

In the example above, because the firm is still in the process of gathering the available facts, it is not in a position to conclude, or reasonably conclude, whether a reportable violation occurred. In this regard, it should be noted that a firm cannot intentionally or negligently delay the fact-finding stage and must make reports at the earliest reasonable date.

**1.3 FINRA Rule 4530.01 requires a member firm to report, among other things, violations that have widespread or potential widespread impact to the markets. Is the term "markets" referring only to the securities markets?**

No. The term "markets" should be read in the context of the enumerated violations under FINRA Rule 4530(b), which requires a member firm to report violations of any

securities-, insurance-, commodities-, financial- or investment-related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body or SRO. Accordingly, the term "markets" in FINRA Rule 4530.01 refers to any organized market relating to any securities, insurance,

commodities, financial or investment product.

**1.4 FINRA Rule 4530.01 requires a member firm to report, among other things, if it concludes that an associated person has engaged in multiple instances of any violative conduct.**

**What does the phrase "multiple instances of any violative conduct" mean?**

It generally means multiple instances of the same violative conduct by an associated person that are not administrative or operational in nature. Among other things, such violations may evidence a pattern of behavior on the part of the associated person. Member firms also are required to report multiple instances of different violative conduct by an associated person where such violations are significant in nature or result in significant customer harm. In addition, member firms should note that certain disciplinary actions taken by firms against associated persons, such as when an associated person is fined by a member firm in excess of \$2,500, must be reported under FINRA Rule 4530(a)(2), rather than as an internal conclusion of violation under FINRA Rule 4530(b).

**1.5 FINRA Rule 4530(b) requires a member firm to report to FINRA within 30 calendar days after the firm has concluded, or reasonably should have concluded, that an enumerated violation has occurred. For purposes of the "reasonably**



**should have concluded" requirement, how will FINRA determine whether a firm's conclusions are correct?**

As noted in Answer 1.2, FINRA will apply a "reasonable person" standard to determine whether a violation should have been reported. If a reasonable person, considering the available facts, would have concluded that a violation occurred, then the matter would be reportable. If a reasonable person, considering the available facts, would not have concluded that a violation occurred or would have been unable to conclude whether a violation occurred, then the matter would not be reportable. Further, FINRA Rule 4530(b) is not intended to hinder a member firm's ability to carry out effective supervision of its associated persons and address issues with appropriate remediation. Consequently, FINRA recognizes that a member firm may take remedial steps with respect to its associated persons where the firm nevertheless reasonably does not determine a violation has occurred. It is also the case that a member firm's determination not to take remedial action in respect of certain conduct is not by itself a basis for asserting a reasonable conclusion that a violation has not occurred, and, where a reasonable person would have determined that a violation has occurred, the firm would potentially be in violation of both FINRA Rule 4530(b) and the firm's duty to reasonably supervise its associated persons.

**1.6 With respect to the reporting of internal conclusions of violations under FINRA Rule 4530(b), what should member firms' procedures address?**

Member firms should review existing

procedures and develop any necessary enhancements and review processes to address the requirements of FINRA Rule

4530(b). Some firms may find that their existing procedures are adequate. At a minimum, firms' procedures should:

1. clearly identify the person(s) responsible for determining whether a violation has occurred and whether it is of a nature that requires reporting under FINRA Rule 4530(b), as well as the level of seniority of such person(s) (*e.g.*, General Counsel, Chief Compliance Officer or a senior staff committee);
2. provide a protocol for escalating violations, and potential violations, to such person(s); and
3. provide a protocol regarding the reporting of internal conclusions of violations subject to FINRA Rule 4530(b) to FINRA within 30 calendar days after the firm has concluded, or reasonably should have concluded, that an enumerated violation has occurred.

### **1.7 Are member firms eligible to receive credit for extraordinary cooperation for matters that are required to be reported pursuant to FINRA Rule 4530(b)?**

Depending on the facts and circumstances and on a case-by-case basis, FINRA will consider credit for self-reporting of violations that are required to be reported pursuant to the new rule. However, the type of self-reporting contemplated as extraordinary and deserving of credit would have to go

significantly beyond the requirements of the

rule.<sup>2</sup> For credit for self-reporting, it would, at a minimum, have to include a detailed account of the discovered conduct and an offer to explain in complete detail all aspects of the conduct and provide relevant documents and witnesses.<sup>3</sup> Furthermore, additional factors to be considered in evaluating credit for cooperation include, but are not limited to: (1) extraordinary steps to correct deficient procedures and systems; (2) extraordinary remediation to customers; and (3) other substantial assistance to FINRA investigations.<sup>4</sup>

**1.8 A member firm recently received an examination report from FINRA staff that identified several instances of potential violative conduct by the firm. After further review by the firm and prior to any other action by FINRA, the firm concluded on its own that the exceptions identified in the report violated the securities laws and that the violations meet the reporting threshold under FINRA Rule 4530.01. What are the member firm's reporting obligations under FINRA Rule 4530(b)?**

FINRA staff has access to potential violative conduct specifically identified by other FINRA staff in an examination report similar to the staff's access to FINRA actions in the context of FINRA Rules 4530(a)(1)(A), (C) and (D). Therefore, for purposes of FINRA Rule 4530(b), a member firm is not required to report an internal conclusion of violative conduct where the firm's conclusion is not materially different from the exceptions identified by FINRA staff in an examination report, including with respect to scope, severity or occurrences. However, a firm would be required to report an internal

would be required to report an internal conclusion of violative conduct where the firm's conclusion is materially different from the exceptions identified by FINRA staff in an examination report and the violation(s) meets the reporting threshold under FINRA Rule 4530.01. For instance, in the example above, a member firm would be required to report an internal conclusion of violative conduct that meets the reporting threshold under FINRA Rule 4530.01 where the conduct is materially more severe than that identified in the report. In addition, FINRA reminds member firms of their obligations to supervise their types of businesses and associated persons' activities as required under FINRA Rule 3110 and to self-report violative conduct as required under FINRA Rule 4530(b), irrespective of any anticipated or potential FINRA examination.

## Section 2: Customer Complaints

### **2.1 Are text messages and tweets received from member firm customers complaining about the member firm or its associated persons subject to reporting under FINRA Rule 4530?**

Yes. FINRA Rule 4530(a)(1)(B) requires that a member firm report within 30 calendar days after the firm knows or should have known<sup>5</sup> that it or an associated person is the subject of any written customer complaint alleging theft or misappropriation of funds or securities or forgery. FINRA Rule 4530(d) requires that a member firm also report quarterly statistical and summary information regarding written customer complaints that have been received. Received text messages and tweets are in a written format

messages and tweets are in a written format. Thus, a member firm must report text messages and tweets received from firm customers expressing complaints about the firm or its associated persons consistent with the requirements of FINRA Rules 4530(a)(1)(B) and 4530(d). For example, if a firm customer sends a tweet to the firm alleging that an associated person sold him unsuitable securities, the firm must report it pursuant to FINRA Rule 4530(d).

**2.2 A banking affiliate recently forwarded a copy of a written complaint from a banking customer to a member firm. The complaint alleges that a bank employee made misrepresentations to the customer in connection with a banking transaction. The bank employee, Registered Representative A, is also a registered representative of the member firm. After further inquiry, the member firm establishes that the banking customer is also a customer of the firm. However, another registered representative, Registered Representative B, sold securities to the customer and is the representative of record. Does the member firm have to report the complaint under FINRA Rule 4530 as to the bank employee, Registered Representative A?**

Yes. For purposes of FINRA Rule 4530(d), a person with whom a member firm *has engaged in securities activities* is considered a customer of the firm, and the firm is required to report any written grievance by such person involving the firm or an associated person.<sup>6</sup> Here, for purposes of FINRA Rule 4530(d), the complainant is considered a customer of the firm, and there is a written grievance involving a representative of the firm. Thus, the firm has an obligation to report it under FINRA Rule

an obligation to report it under FINRA Rule 4530(d).

**2.3 Same as Question 2.2, but Registered Representative B had recommended some securities to the banking customer, and the banking customer decided not to purchase them. Does the member firm have to report the complaint under FINRA Rule 4530 as to the bank employee, Registered Representative A?**

No. For purposes of FINRA Rule 4530(d), a person with whom a member firm *has sought to engage in securities activities* is considered a customer of the firm. However, the firm is only required to report any *securities-related* written grievance by such person involving the firm or an associated person under FINRA Rule 4530(d).<sup>7</sup> Here, for purposes of FINRA Rule 4530(d), the complainant is considered a customer of the firm, and there is a written grievance involving a representative of the firm, but it is not securities-related as the matter involves a banking transaction.

**2.4 A member firm's registered representative is also an insurance agent working for an affiliated insurance company. The member firm recently found out through its affiliate that the registered representative is the subject of a written complaint from an insurance customer alleging that the representative did not adequately disclose the surrender charge in connection with the sale of a fixed annuity. After further inquiry, the member firm also found out that the representative had recommended some securities to the insurance customer when he sold the fixed annuity, but the individual decided not to purchase any securities. Does the member firm have to report the complaint under FINRA Rule 4530?**

No. As noted in Answer 2.3, for purposes of

NO. AS NOTED IN ANSWER 2.3, FOR PURPOSES OF FINRA RULES 4530(a)(1)(B) AND 4530(d), A PERSON WITH WHOM A MEMBER FIRM HAS SOUGHT TO ENGAGE IN SECURITIES ACTIVITIES IS CONSIDERED A CUSTOMER OF THE FIRM. HOWEVER, THE FIRM IS ONLY REQUIRED TO REPORT ANY SECURITIES-RELATED WRITTEN GRIEVANCE BY SUCH PERSON UNDER FINRA RULE 4530(d) AND ANY WRITTEN COMPLAINTS ALLEGING THEFT OR MISAPPROPRIATION OF FUNDS OR SECURITIES, OR FORGERY INVOLVING THE FIRM OR AN ASSOCIATED PERSON UNDER FINRA RULES 4530(a)(1)(B) AND 4530(d). HERE, FOR PURPOSES OF FINRA RULES 4530(a)(1)(B) AND 4530(d), THE COMPLAINANT IS CONSIDERED A CUSTOMER AND THERE IS A WRITTEN GRIEVANCE INVOLVING THE REPRESENTATIVE, BUT IT IS NOT SECURITIES-RELATED AS THE MATTER INVOLVES A FIXED ANNUITY INSURANCE PRODUCT, AND IT DOES NOT ALLEGE THEFT OR MISAPPROPRIATION OF FUNDS OR SECURITIES OR FORGERY.

**2.5 In Question 2.4 above, what if the person complaining about the fixed annuity was someone to whom the member firm had sold securities? Would the complaint then be subject to reporting under FINRA Rule 4530?**

Yes. As noted in Answer 2.2, if a firm has engaged in securities activities with a person, the firm is required to report any written grievance by such person involving the firm or an associated person under

FINRA Rule 4530(d).

**2.6 A registered representative who is also a mortgage broker recently obtained a home loan for a person to whom the representative had sold securities through a member firm. The mortgage is financed and serviced by an unaffiliated bank. The member firm recently received an email from the person complaining about the bank that services his mortgage**

about the bank that services his mortgage account. Is the member firm required to report the complaint under FINRA Rule 4530?

No. As noted in Answer 2.2, if a firm has engaged in securities activities with a person, the firm is required to report any written grievance by such person involving the firm or an associated person. Here, because the complaint does not involve the firm or registered representative, the firm does not have to report it under FINRA Rule 4530. However, the firm may want to inform the bank of the complaint so that the bank can address it.

**2.7 In Question 2.6 above, what if the person was complaining that the registered representative made some misleading statements during the loan process? Would it then be subject to reporting under FINRA Rule 4530?**

Yes. It would be subject to reporting under FINRA Rule 4530(d) since it would be a written grievance from a customer of the firm involving an associated person.

**2.8 A customer recently submitted a written complaint to FINRA alleging that a member firm sold him unsuitable securities. FINRA forwarded a copy of the complaint to the firm. Is the firm required to report the complaint pursuant to FINRA Rule 4530(d) for purposes of quarterly customer complaint reporting?**

Yes. The firm is required to report the complaint notwithstanding the fact that FINRA forwarded the complaint to the firm. Moreover, the answer would be the same if another regulator, such as the SEC, were to forward a copy of a written customer complaint to the firm. As stated in Regulatory Notice 11-10 (March 2011), firms are obligated to electronically report specified



obligated to electronically report specified events and quarterly customer complaint information required under FINRA Rule 4530 via the FINRA Gateway. FINRA staff uses the FINRA Gateway as a centralized source for the receipt and analysis of this information.

**2.9 A third party has just informed a member firm that the firm is the subject of a written customer complaint alleging theft of funds. The firm does not have a copy of the written complaint. Is the firm required to report this information for purposes of FINRA Rules 4530(a)(1)(B) and 4530(d) before it reviews the complaint?**

No. However, under such circumstances, FINRA expects member firms to request a copy of any written customer complaints and, upon reviewing them, determine whether they are required to be reported under FINRA Rules 4530(a)(1)(B) or 4530(d).

**2.10 A member firm intends to use a third-party service provider to conduct a customer satisfaction survey. The survey will ask existing customers to rate the member firm's services on a scale. The survey will also allow customers to provide comments. The third-party service provider will give the firm a copy of the ratings and comments. Would either the ratings or comments resulting from such a survey be considered a written customer complaint for purposes of FINRA Rule 4530?**

In general, ratings of a member firm's services resulting from a survey would not be considered written customer complaints for purposes of FINRA Rule 4530. However, with respect to written comments in customer surveys, member firms have an obligation to review them and determine whether any of them amount to a reportable complaint for purposes of FINRA Rules 4530(a)(1)(B) or

purposes of FINRA Rules 4530(a)(1)(B) or 4530(d). For instance, if a customer's comments include an allegation that an associated person engaged in theft of funds, the firm is required to report it under FINRA Rules 4530(a)(1)(B) and 4530(d).

In addition, to the extent that a member firm cannot identify the customer prior to the reporting deadline, the firm should report the complaint under Problem Code 29 (Third Party/Anonymous) on the FINRA Gateway application.

**2.11 A few days ago, a member firm received a written customer complaint alleging that the firm engaged in securities fraud. Later that same day, the customer withdrew the complaint. Does the firm have an obligation to report the complaint for purposes of FINRA Rule 4530(d)?**

Yes. A written customer complaint subject to FINRA Rules 4530(a)(1)(B) or 4530(d) must be reported within the prescribed timeframe, regardless of whether the customer subsequently withdraws it.

**2.12 A member firm received a written customer complaint alleging unauthorized trading. After investigating it, the firm conclusively determined that the basis for the complaint was a margin sell out. On the FINRA Gateway application, should the firm report this complaint under Problem Code 02 (Unauthorized Trading), or Problem Code 54 (Margin Problems)?**

The reporting obligation under FINRA Rules 4530(a)(1)(B) and 4530(d) is based on the alleged activity in the complaint. Therefore, the problem code must be based on the alleged activity in the complaint. There are *only* two exceptions. For purposes of FINRA Rule 4530(d), if a firm conclusively

FINRA Rule 4530(d), if a firm conclusively determines that an allegation of unauthorized trading in a complaint is actually a margin sell out, the firm should report the complaint under Problem Code 54 (Margin Problems).<sup>8</sup> In addition, if a firm conclusively determines that an allegation of unauthorized trading in a complaint is actually an account liquidation based on the requirements of the USA PATRIOT Act, the firm should report the complaint under Problem Code 64 (PATRIOT Act Liquidation).

**2.13 A member firm received a written customer complaint subject to quarterly reporting under FINRA Rule 4530(d). Is the firm required to wait until the end of the quarter to report it?**

No. For purposes of FINRA Rule 4530(d), member firms may report statistical and summary information regarding a written customer complaint at any point after receiving it, but by no later than the 15<sup>th</sup> calendar day of the month following the end of the calendar quarter in which the complaint was received.

**2.14 For purposes of FINRA Rule 4530(d), is a member firm required to report that it has not received any customer complaints during the applicable quarter?**

No. Member firms are not required to report that they have not received a written customer complaint during the applicable quarter.

**2.15 When reporting quarterly statistical and summary information regarding written customer complaints, when should Problem Code 23-Poor Performance be used versus Problem Code 12-Poor Recommendation/Poor Advice or Problem Code 4-Suitability?**

Member firms should use Problem Code 23-

Member firms should use Problem Code 20-Poor Performance when reporting a written customer complaint that makes allegations concerning the poor performance of the customer's account, but does not allege specific sales practice violations, does not attribute damages to a research analyst recommendation, and is not otherwise reportable under Problem Codes 20-Research, 21-Product Origination/Investment Banking, or 22-Trading.<sup>9</sup> For example, Problem Code 23-Poor Performance is not the appropriate code for complaints about whether a recommended investment or investment strategy was suitable for the customer. Problem Code 23-Poor Performance also is not the appropriate code for complaints about specific recommendations, specific advice, or the failure to provide specific recommendations or specific advice.

Member firms should use Problem Code 12-Poor Recommendation/Poor Advice when reporting a written customer complaint alleging that a recommendation to purchase, sell, exchange, or hold a security constituted poor advice, but does not link the alleged poor quality of the recommendation or advice to the customer's investment profile or raise other suitability-related concerns. In addition, member firms should use Problem Code 12 when reporting a written customer complaint alleging poor advice based on the absence of a recommendation.

Problem Code 4-Suitability should be used when reporting a written customer complaint alleging that a recommended transaction or recommended investment strategy involving a security or securities was not suitable. This includes complaints concerning the three

includes complaints concerning the three main suitability obligations: (i) “reasonable basis suitability” (requiring that a member or associated person have a reasonable basis to believe, based on reasonable diligence, that the recommendation is suitable for at least *some* customers); (ii) “customer-specific suitability” (requiring that a member or associated person have a reasonable basis to believe that the recommendation is suitable for the customer based on that customer’s investment profile); or (iii) “quantitative suitability” (requiring that a member or associated person who has actual or de facto control over a customer account have a reasonable basis for believing that a series of recommended transactions, even if suitable when viewed in isolation, are not excessive and unsuitable

for the customer when taken together in light of the customer’s investment profile).

The appropriate Problem Code is to be selected based on what the customer alleged in the written complaint, not on an assessment of additional information known to the firm or the firm’s disposition of the complaint. In addition, when a customer makes multiple allegations in a written complaint, the firm is to report the most egregious Problem Code.

The following four scenarios, involving written customer complaints, illustrate applications of these three Problem Codes:

Scenario A: The customer wrote, *“I am so unhappy with my account’s total return over the past two years! My investment return has been approximately 7% while the S&P has increased 20%. This is unacceptable.”*

When reporting this written customer complaint pursuant to FINRA Rule 4530(d)

complaint pursuant to FINRA Rule 4530(d), the member firm should use Problem Code 23-Poor Performance.

Scenario B: The customer wrote, *"I am so unhappy with my account's total return over the past two years! My investment return has been approximately 7% while the S&P has increased 20%. The investments you recommended for me were all losers."* When reporting this written customer complaint pursuant to FINRA Rule 4530(d), the member firm should use Problem Code 12-Poor Recommendation/Poor Advice.

Scenario C: The customer wrote, *"I am so unhappy with my account's total return over the past two years! My investment return has been approximately 7% while the S&P has increased 20%. You should have recommended that I sell my investments that have turned out to be losers and purchase better investments."* When reporting this written customer complaint pursuant to FINRA Rule 4530(d), the member firm should use Problem Code 12-Poor Recommendation/Poor Advice.

Scenario D: The customer wrote, *"I am so unhappy with my account's total return over the past two years! My investment return has been approximately 7% while the S&P has increased 20%. The investments you recommended for me were all losers. As you know, I am of the age that I can retire, and I am going to depend on the income from this account and cannot lose any principal. Yet, the REIT has dropped 30% in value this year alone. I do not believe the REIT investment matches my stated investment objectives. You should have known and not advised me to include that REIT in my portfolio."* When reporting this written customer complaint

reporting this written customer complaint pursuant to FINRA Rule 4530(d), the member firm should use Problem Code 4-Suitability.

**2.16 A member firm received a written customer complaint alleging that there was an unauthorized charge on a debit card. The debit card is issued by a third-party bank and linked to the customer's cash management account. The complaint does not allege that the member firm or an associated person of the member firm made the unauthorized charge. The customer is a person with whom the member firm has engaged in securities activities. Does the member firm have an obligation to report the complaint pursuant to FINRA Rule 4530(a)**

**(1)(B)?**

No. FINRA Rule 4530(a)(1)(B) requires a member firm to report when the member firm or an associated person of the member firm "is the subject of" any written customer complaint involving allegations of theft or misappropriation of funds or securities or of forgery. Here, because the complaint does not allege that the member firm or an associated person of the member firm made the unauthorized charge, the member firm does not have to report the complaint under FINRA Rule 4530(a)(1)(B). However, the member firm may want to inform the third-party bank of the complaint so the bank can address it.

**2.17 In Question 2.16 above, does the member firm have an obligation to report the written customer complaint pursuant to FINRA Rule 4530(d)?**

Yes. For purposes of FINRA Rule 4530(d), a person with whom the member firm has engaged in securities activities is considered a customer of the member firm, and the firm must report "any written grievance by such

must report "any written grievance by such person *involving* the member or a person associated with the member."<sup>10</sup> Here, for purposes of Rule 4530(d), the complainant is considered a customer of the member firm, and there is a written grievance involving the member firm because the complaint involves a debit card linked to the customer's cash management account. Thus, the member firm has an obligation to report the complaint under FINRA Rule 4530(d).

## Section 3: Settlements

**3.1 A member firm and an associated person were named as defendants in a securities-related private civil litigation initiated by a customer relating to excessive fees. The firm filed a copy of the civil complaint with FINRA in accordance with FINRA Rule 4530(f). The matter is now being settled as part of a single settlement. The firm is agreeing to pay \$20,000 to the plaintiff in return for the release of the claim against it. The associated person is agreeing to pay \$10,000 to the plaintiff in return for the release of the claim against him. The firm and the associated person are subject to individual liability. Does the firm have to report this settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or associated person?**

FINRA Rule 4530(a)(1)(G) requires that a member firm submit a report if, among other things, it or an associated person is a defendant in any securities-related private civil litigation or arbitration that is disposed of by judgment, award or settlement for the following dollar thresholds: (1) above \$15,000 for an associated person; or (2) above \$25,000 for a firm. As stated in FINRA Rule 4530.06, if the defendants are subject



Rule 4530, if the defendants are subject to “joint and several” liability, each defendant is separately liable for the aggregate amount owed to the plaintiff. For instance, if a firm and an associated person are “jointly and severally” liable to a plaintiff for \$30,000 through a settlement, both the firm and the associated person have a reporting obligation under FINRA Rule 4530(a)(1)(G), because they are each liable for the total amount (\$30,000) owed to the plaintiff and

the dollar amount is above the thresholds for reporting as to each party.

In contrast, where the defendants are individually liable, each defendant is liable for its respective compensation to the plaintiff(s) in connection with the legal disposition of the claim against that defendant. The final disposition documents (*e.g.*, final judgment, arbitration award or settlement and release agreement) generally set forth the obligations assumed by each party in connection with the legal disposition of the claim(s) against that party. However, in determining the total compensation amount, a member firm should also consider any respective compensation by the parties to the plaintiff(s) that is in connection with the legal disposition of the claim(s) against the parties, but is not expressly specified in the final disposition documents.

In the example above, the respective compensation amounts do not, in and of themselves, trigger reporting under FINRA Rule 4530 as to either the firm or the associated person, because the parties are subject to individual liability for the respective amounts and the dollar amounts are below the thresholds for reporting as to each party.

each party.

**3.2 Same facts as in Question 3.1, but the firm is agreeing to pay \$20,000 to the plaintiff in return for the release of the claims against both the firm and the associated person. The parties are subject to individual liability. The associated person is not liable for any portion of the \$20,000. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G)**

**either as to the firm or associated person?**

No. The firm is liable for \$20,000, which is an amount that does not trigger reporting as to the firm because it is below the threshold for reporting for a member firm. Further, the associated person is not liable for any amount in this scenario.

**3.3 Same facts as in Question 3.1, but the associated person has not agreed to settle, and the member firm is agreeing to pay \$20,000 to the plaintiff in return for the release of the claim against the firm. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or associated person?**

The \$20,000 compensation amount does not trigger reporting as to the firm because it is below the threshold for reporting for a member firm. Further, because there is no resolution of the claim against the associated person, there is no reporting obligation as to the associated person yet. However, upon the resolution of the claim against the associated person, the firm has to determine whether it has a reporting obligation as to the associated person.

**3.4 Same facts as in Question 3.1, but the claim against the associated person was withdrawn by the plaintiff prior to settlement, and the member firm is agreeing to pay \$20,000 to the plaintiff in return for the release of the remaining claim against the firm. Does the firm**

**Remaining claim against the firm: Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or associated person?**

Because the claim against the associated person was withdrawn, the associated person is no longer part of the litigation and

not subject to reporting for that claim.

Moreover, the firm's compensation amount of \$20,000 does not trigger reporting as to the firm.

**3.5 A member firm was named as a defendant in a securities-related private civil litigation initiated by a customer involving unsuitable recommendations. The firm filed a copy of the civil complaint with FINRA in accordance with FINRA Rule 4530(f). The civil complaint does not name any associated persons, but it alleges that an associated person was the cause of the claim against the firm. The firm is now agreeing to settle the matter and pay \$20,000 to the plaintiff in return for the release of the claim against the firm and any future claims against the associated person. The associated person is not liable for any portion of the \$20,000. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or associated person?**

No. The \$20,000 compensation amount does not trigger reporting as to the firm because it is below the threshold for reporting for a member firm. FINRA Rule 4530(a)(1)(G) requires that a member firm submit a report if, among other things, it or an associated person is the *subject of* any claim for damages by a customer, broker or dealer that relates to the provision of financial services or relates to a financial transaction that is disposed of by judgment, award or settlement for the following dollar thresholds:

settlement for the following dollar thresholds:

(1) above \$15,000 for an associated person; or (2) above \$25,000 for a firm. In this example, while the civil complaint alleges that an associated person was the cause of

a claim that relates to the provision of financial services or relates to a financial transaction, the associated person is not liable for compensating the plaintiff in connection with the disposition of the claim.

**3.6 A customer has made an oral claim for damages against a member firm and an associated person alleging best execution violations. The firm has agreed to pay \$20,000 to the customer in return for the release of the claim against it and the associated person. The associated person is not liable for any portion of the \$20,000. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G), either as to the firm or an associated person?**

No. As discussed in Answer 3.5, FINRA Rule 4530(a)(1)(G) requires that a member firm submit a report if it or an associated person is the *subject of* any claim for damages by a customer, broker or dealer that relates to the provision of financial services or relates to a financial transaction that is disposed of by judgment, award or settlement for the following dollar thresholds: (1) above \$15,000 for an associated person; or (2) above \$25,000 for a firm. In this example, the firm and the associated person are the *subject of* a claim for damages that relates to the provision of financial services or relates to a financial transaction. However, the \$20,000 compensation amount does not trigger reporting as to the firm because it is below the threshold for reporting for a member firm. Further, the associated person is not liable for compensating the plaintiff in

is not liable for compensating the claimant in connection with the disposition of the claim.

### **3.7 Several customers have made oral claims**

**for damages against a member firm involving the sale of a security. The firm has agreed to pay \$20,000 to each of the customers in return for the release of each of the claims against it. No associated persons are involved in the claims and their dispositions. Does the firm have to report the settlements under FINRA Rule 4530(a)(1)(G)?**

No. As discussed in Answer 3.5, FINRA Rule 4530(a)(1)(G) requires that a member firm submit a report if, among other things, it or an associated person is the *subject of* any claim for damages by a customer, broker or dealer that relates to the provision of financial services or relates to a financial transaction that is disposed of by judgment, award or settlement for the following dollar thresholds: (1) above \$15,000 for an associated person; or (2) above \$25,000 for a firm. In this example, while the firm is the *subject of* claims for damages by customers that relate to the provision of financial services or relate to a financial transaction, the settlements are not reportable because each claim is being settled below the dollar threshold for reporting for a firm.

**3.8 A member firm was named as a defendant in a private civil litigation initiated by a customer related to a financial transaction. The suit does not involve a securities, commodities or financial insurance product. The firm is agreeing to settle the matter and pay \$30,000 to the customer in return for the release of the claim against it. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G)?**

Yes. As discussed in Answer 3.5, FINRA Rule

4530(a)(1)(G) requires that a member firm submit a report if it is the *subject of* any claim for damages by a customer, broker or dealer that relates to the provision of financial services or relates to a financial transaction that is disposed of by judgment, award or settlement for more than \$25,000. In this example, the firm is the subject of a claim for damages by a customer related to a financial transaction for which the firm is compensating the customer more than \$25,000 in connection with the disposition of the claim.

**3.9 A member firm and several associated persons were named as defendants in a securities-related private civil litigation initiated by a customer. The firm filed a copy of the civil complaint with FINRA in accordance with FINRA Rule 4530(f). The firm's insurance carrier is now settling the matter and paying a \$100,000 lump sum to the plaintiff in return for the release of the claim against the firm and associated persons. The defendants are subject to joint and several liability. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G)?**

Yes. In the example above, each party is presumed to be settling for \$100,000, notwithstanding that the insurance carrier is making the payment.

**3.10 A member firm was named as a defendant in a securities-related private civil litigation initiated by a customer. The firm filed a copy of the civil complaint with FINRA in accordance with FINRA Rule 4530(f). The firm is now agreeing to settle the matter and pay \$20,000 to the customer in return for the release of the claim against it. The firm is also forgiving a**

**\$10,000 debit balance in the customer's account related to the customer's claim. The settlement and release agreement does not refer to the \$10,000 debit balance that will be forgiven. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G)?**

Yes. As noted in Answer 3.1, in determining the total compensation amount, the firm should also consider any compensation by the member firm to the plaintiff(s) that is in connection with the legal disposition of the claim(s), but is not expressly specified in the final disposition documents. In this example, the total compensation amount by the firm to the customer is in fact \$30,000, which is above the \$25,000 threshold for reporting for a member firm.

**3.11 Same as Question 3.10, but instead of forgiving a \$10,000 debit balance in the customer's account, the member firm is providing the customer \$10,000 worth of free trades for a year. The settlement and release agreement does not refer to the free trades. Does the firm have to report the settlement under FINRA Rule 4530(a)(1)(G)?**

Same answer as Answer 3.10.

**3.12 During a routine annual branch inspection, a member firm's registered representative informed the firm that he was sued a few days ago by one of his insurance customers in connection with the sale of a term life insurance policy and that the insurance company settled the matter immediately on his behalf for \$20,000. The lawsuit alleged common law fraud. Is the member firm required to report the settlement under FINRA Rule 4530?**

Yes. FINRA Rule 4530(a)(1)(G) requires a member firm to report, among other things, if an associated person is a defendant in any

financial-related insurance civil litigation that has been settled for an amount exceeding \$15,000. The term "financial-related" means related to the provision of financial services.<sup>11</sup> The term excludes certain insurance products, such as traditional auto and health insurance.

However, its scope is not limited to insurance products that are securities. A term life insurance policy would be considered "financial-related."

## Section 4: Statutory Disqualifications

### **4.1. Our firm engages in principal and counterparty transactions involving broker-dealers that are subject to a "statutory disqualification." These transactions do not involve the sale of a financial instrument to the public. Are we required to report such transactions under FINRA Rule 4530(a)(1)(H)?**

No. FINRA Rule 4530(a)(1)(H) requires a firm to report whenever the firm itself or an associated person of the firm is subject to a "statutory disqualification." In addition, the rule requires a firm to report whenever the firm or an associated person is involved in the sale of any financial instrument, the provision of any investment advice or the financing of any such activities with any person that is subject to a "statutory disqualification." The rule provides an exception for dealings with a firm or an associated person that is subject to "statutory disqualification" but that has been approved (or is otherwise permitted pursuant to FINRA rules and the federal securities laws) to be a member firm or to be associated with a member firm.



In the context of FINRA Rule 4530(a)(1)(H), the requirement that a firm report whenever it is involved in the sale of any financial instrument with any person that is subject to a "statutory disqualification" refers to transactions where the firm together with the person subject to a "statutory disqualification" are involved in the sale of a financial instrument to the public, such as a retail or institutional customer. This is because the involvement of the person subject to a "statutory disqualification" could create a heightened risk to the public. Moreover, this would include transactions where the firm knows or has reason to know that the financial instrument will be sold to the public, such as where a firm participates in a selling syndicate or selling group with firms that are subject to a "statutory disqualification."

**4.2. Our firm is regularly involved in securities offerings with firms that are subject to a "statutory disqualification" but that have not been approved (or otherwise permitted pursuant to FINRA rules and the federal securities laws) to continue in membership. For purposes of reporting these events electronically via the Regulatory Filings Application on the FINRA Gateway, can we report the information in the aggregate?**

Yes. For purposes of FINRA Rule 4530(a)(1)(H), a firm may submit a single report via the

Regulatory Filings Application that includes aggregate information regarding the firms that are subject to reporting for a particular reporting period. The reporting firm should list the names of the other firms in the "Details for Disclosure Event" field.

## Section 5: Disciplinary Actions Taken by a Firm Against an Associated Person

**5.1 A member firm is reducing its operations and as a result has terminated several associated persons based on its business needs. Is the firm required to report these terminations under FINRA Rule 4530(a)(2)?**

No. FINRA Rule 4530(a)(2) requires that a firm report any “disciplinary” action taken by the firm against an associated person involving a suspension or termination, the withholding of compensation or of any other remuneration above \$2,500, the imposition of fines above \$2,500, or any other disciplinary action that would have a significant limitation on the associated person’s activities. The termination of an associated person for business reasons would not, in and of itself, be considered a disciplinary action.

## Section 6: Former Associated Persons<sup>12</sup>

**6.1 A member firm finds out that a registered representative has been indicted, while in the employ of the member firm, on a misdemeanor charge involving the sale of a stock at his previous employer, Firm A. For purposes of FINRA Rule 4530(a)(1)(E), does the member firm have an obligation to report the indictment or does Firm A have to report it?**

In general, the member firm with which the person is associated at the time an event occurs and becomes subject to reporting is responsible for reporting it to FINRA.

Consequently, in this example, the employing member firm is responsible for reporting the indictment when it becomes aware of the

matter.<sup>13</sup> Moreover, under FINRA Rule 4530.07, member firms should report an event that is required to be reported under the rule relating to a former associated person if the event involves conduct that occurred while the individual was associated with the firm and the firm becomes aware of the event. Here, because the indictment involves the sale of stock by the registered representative at Firm A (his prior employer), Firm A also should report the indictment if Firm A becomes aware of the action.

**6.2 A member firm receives a customer complaint regarding a former registered representative alleging that the representative churned the customer's account. Is the member firm required to report the complaint under FINRA Rule 4530?**

Yes. Under FINRA Rule 4530.07, where a member firm receives or becomes aware of a customer complaint under FINRA Rules 4530(a)(1)(B) or 4530(d) involving a former associated person and the underlying conduct occurred while the individual was associated with the firm, the firm is expected to report the customer complaint.

**6.3 A member firm is in the process of internally investigating a registered representative's involvement in violative conduct when the representative terminates her association with the firm. Following her departure, the member firm reaches an internal conclusion that the former representative violated several securities laws that had a significant monetary result for customers. Is the member firm required to report the conclusion under FINRA Rule 4530 since it reached the conclusion after the representative left the member firm?**

Yes. Notwithstanding that a firm reaches a conclusion of violation regarding an individual after he or she leaves the firm, the firm remains obligated to report that internal conclusion of violation if it meets the reporting thresholds in FINRA Rule 4530(b).

## Section 7: FINRA Findings and Actions

### **7.1 For purposes of reporting under FINRA Rules 4530(a)(1)(A), (C) and (D), are member firms required to report FINRA actions?**

No. FINRA Rule 4530(a)(1)(A) requires the reporting of external findings against a firm or an associated person. FINRA Rules 4530(a)(1)(C) and (D) generally require firms to report regulatory actions against them or their associated persons. FINRA staff has access to FINRA actions, therefore, for purposes of FINRA Rules 4530(a)(1)(A), (C) and (D) only, member firms are not required to report findings and actions by FINRA.<sup>14</sup>

### **7.2 For purposes of reporting under FINRA Rules 4530(a)(1)(A), (C) and (D), are member firms required to report actions handled by FINRA for another SRO pursuant to a Regulatory Services Agreement (RSA)?**

No. FINRA staff has access to such actions similar to the staff's access to FINRA actions, thus, for purposes of FINRA Rules 4530(a)(1)(A), (C) and (D) only, member firms are not required to report actions handled by FINRA for another SRO pursuant to an RSA.

## Section 8: Filing Requirements

### **8.1 A member firm was named as a defendant in a securities-related private civil litigation alleging \$30,000 in damages. The disposition of**

**the claim is pending. What are the firm's obligations under FINRA Rule 4530?**

FINRA Rule 4530(f) requires that a member firm promptly file with FINRA, among other things, copies of any complaint in which the member firm is named as a defendant in any securities-related private civil litigation.

FINRA Rule 4530(g) provides an exception from this requirement 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.

FINRA Rule 4530(a)(1)(G) requires that a member firm submit a report if, among other things, it is a defendant in any securities-related private civil litigation that is disposed of by judgment, award or settlement for more than \$25,000. Such dispositions must be reported within 30 calendar days after the member firm knows or should have known of them.

Moreover, firms should note that civil litigation and arbitration matters involving firms or associated persons should not be treated as customer complaints for purposes of FINRA Rules 4530(a)(1)(B) and (d), but instead as civil litigation and arbitration matters under FINRA Rules 4530(a)(1)(G) and (f).

Accordingly, in the example above, the firm must file a copy of the civil complaint pursuant to FINRA Rule 4530(f). The firm does not have an obligation to report the matter under FINRA Rule 4530(a)(1)(G) because the disposition is pending.

Member firms have the option of filing the copies required under FINRA Rule 4530(f)

via one of the following methods:

- Online for electronic copies at: [FINRA Gateway](#);<sup>15</sup>
- Email for electronic copies at: [4530filing@finra.org](mailto:4530filing@finra.org)

Mail for hard copies, or electronic copies on disks, to:

FINRA

ATTN: Rule 4530 (f)

9509 Key West Avenue

Rockville, MD 20850-3329

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1. See FINRA Rule 4530(e). The Forms U4 and U5 exceptions do not extend to the reporting of quarterly statistical and summary complaint information under FINRA Rule 4530(d).

2. See Regulatory Notice 08-70 (November 2008) (FINRA Provides Guidance Regarding Credit for Extraordinary Cooperation).

3. See note 2 above.

4. See note 2 above.

5. The purpose of the "should have known" standard is to ensure that member firms do not intentionally avoid becoming aware of a reportable event.

6. See FINRA Rule 4530.08. It should also be noted that for purposes of FINRA Rule 4530(a)(1)(B) a person with whom a member firm *has engaged in securities activities* is considered a customer of the firm, and the firm is required to report any written complaints alleging theft or misappropriation of funds or securities, or forgery involving the firm or an associated person under that rule.

7. See note 6 above. It should also be noted that for purposes of FINRA Rule 4530(a)(1)(B) a person with whom a member firm *has sought to engage in securities activities* is considered a customer of

the firm, and the firm is required to report any written complaints alleging theft or misappropriation of funds or securities, or forgery involving the firm or an associated person under that rule.

8. This guidance is consistent with NYSE *Information Memorandum* 03-38 (September 2003).

9. For a list and descriptions of all Problem Codes, see 4530 Product and Problem Codes.

10. See FINRA Rule 4530.08 (emphasis added).

11. See FINRA Rule 4530.09.

12. Firms should note that Form U5 requires them to disclose specified events regarding former associated persons, including certain criminal matters, customer complaints and internal reviews. See also Regulatory Notice 10-39 (September 2010) (Obligation to Provide Timely, Complete and Accurate Information on Form U5). Moreover, as noted above, a firm is not required to

report an event otherwise required to be reported under FINRA Rules 4530(a) or (b) if the firm discloses the event on Form U5, consistent with the requirements of that form. See FINRA Rule 4530(e). Consequently, if a member firm discloses the matters described in Questions 5.1, 5.2 and 5.3 on Form U5, that member firm is relieved of the obligation to report the matters under FINRA Rules 4530(a) or (b).

13. The employing member firm would also have to promptly file with FINRA copies of the indictment pursuant to FINRA Rule 4530(f).

14. See FINRA Rule 4530.10.

15. Firms that choose to file their documents online using the FINRA Gateway will be required to provide limited summary information regarding the documents, such as the name and telephone number of the contact person and the name of the complainant or plaintiff.

----- Original Message -----

On Thursday, June 9th, 2022 at 3:57 PM, BD

<[bondstrt@protonmail.com](mailto:bondstrt@protonmail.com)> wrote:

my apologies, I forgot to include key media in the prior email.

----- Original Message -----

On Thursday, June 9th, 2022 at 3:54 PM, BD

<[bondstrt@protonmail.com](mailto:bondstrt@protonmail.com)> wrote:

Attached are supplements for convenience and full transparency - I love the idea of double-height ceiling for Penn Station, looks Regal - seriously...

DRP not required by the Directors of State Farm VP Management Corp.?

- Attached are communications between 3/31/2021 and as of

current - for avoidance to an accuracy related penalty as attested by the Directors of the former CIK 93715 ( which has ceased to exist ) - in their current filer as the same CRD MEMBERS under the auspice of FINRA in filer CIK [1516523](#) have under CERT 63.18 failed to disclose any "legal proceeding", or "claims" after having participated in the letter of credit annexed in NYSCEF matter 153974/2020 - and that there is "NOTHING TO BE CONCERNED ABOUT"

Hence, it is important to keep those Directors in check, and more specifically the 9 executive links AFTER they don't update anything.

- The TIPS I filed earlier as well, for convenience are held "somewhere" in the 311-REPOSITORY, no address required there either as forward guidance.

FILED, however was a complaint FOR 111 REAR SULLIVAN STREET, where I filed a " NO CERTIFICATE OF OCCUPANCY COMPLAINT " as a document uploaded the prior filed NO CERTIFICATE OF OCCUPANCY that I annexed in the matter and on the 4th of August in 2020

- I am certain the supervisor then and now have had an issue with the internet, as they were "unable to gain access to the building" to check on the "unlawful use of property" and "NO CERTIFICATE OF OCCUPANCY" complaint I filed with the Department of Buildings then, continues to report "unlawful" gross income to the NYC Finance Register for them to evaluate and automatically propagate a "MARKET VALUE" using the "base cap rate" - which is the "ordinary rate an investor would expect on real property"



---- as promulgated therein the receipts and by NYC Department of Finance in the Public Record, were more likely than not also issued to their investors and used to obtain a letter of credit as well, from State Farm in May of 2020, annexed in the matter as referenced hereunder.

#### CAPACITY.:

Thank you for reviewing the attached emails and for convenience, I have included some other authorities on the matter in the CC for precision and good measure - to my understanding are the experts THENCE, FIRST on measurement.

see also: Attached Email on 3/31/2021 with material documents therein attached as well.

<https://www.finra.org/filing-reporting/regulatory-filing-systems/rule-4530-reporting-requirements/faq>

EXAMPLE for FULL TRANSPARENCY ON THE MATTER...

FINRA RULE 4530. QUESTIONS ABOUT THE DRP REQUIREMENT

dial.: NYSCEF 1-539-742-0200

edelivery@morganstanley //

OIS@nycourts.gov

#509720 : OPEN INCIDENT STAMPED FEBRUARY

4TH, 2022

153974/2020 or 158143/2020

//

MAKES NO DIFFERENCE.

#GOBULLDOGS.

----- Original Message -----

On Thursday, June 9th, 2022 at 3:49 PM, BD

<[bondstrt@protonmail.com](mailto:bondstrt@protonmail.com)> wrote:

GOOOOO *bulldogs!*

Also was "reviewed" by the NYSCEF center for the deaf and blind.

#### CAPACITY.:

Thank you for reviewing the attached emails and for convenience, I have included some other authorities on the matter in the CC for precision and good measure - to my understanding are the experts THENCE, FIRST on

measurement.

see also: Attached Email on 3/31/2021 with material documents therein attached as well.

<https://www.finra.org/filing-reporting/regulatory-filing-systems/rule-4530-reporting-requirements/faq>

EXAMPLE for FULL TRANSPARENCY ON THE MATTER...  
FINRA RULE 4530. QUESTIONS ABOUT THE DRP REQUIREMENT  
dial.: NYSCEF 1-539-742-0200

edelivery@morganstanley //  
OIS@nycourts.gov

#509720 : OPEN INCIDENT STAMPED FEBRUARY  
4TH, 2022  
153974/2020 or 158143/2020  
//

MAKES NO DIFFERENCE.

**Attached are supplements for CAPACITY, "MAG" to "edelivery@morganstanley.com" email and they must have got upset... hence attached and in the BCC for full transparency and fair market competition, inclusive of the helpcenter Incident Number 509720 and ASC fair Value Measurement problems.**

DRP not required by the Directors of State Farm VP Management Corp.?

- Attached are communications between 3/31/2021 and as of current - for avoidance to an accuracy related penalty as attested by the Directors of the former CIK 93715 ( which has ceased to exist ) - in their current filer as the same CRD MEMBERS under the auspice of FINRA in filer CIK [1516523](#) have under CERT 63.18 failed to disclose any "legal proceeding", or "claims" after having participated in the letter of credit annexed in NYSCEF matter 153974/2020 - and that there is "NOTHING TO BE CONCERNED ABOUT"

Hence, it is important to keep those Directors in check, and more specifically the 9 executive links AFTER they don't update anything.

- The TIPS I filed earlier as well, for convenience are held "somewhere" in the 311-REPOSITORY, no address required there either as forward guidance.  
FILED, however was a complaint FOR [111 REAR SULLIVAN STREET](#), where I filed a " NO CERTIFICATE OF OCCUPANCY COMPLAINT " as a document uploaded the prior filed NO CERTIFICATE OF OCCUPANCY that I annexed in the matter and on the 4th of August in 2020

- I am certain the supervisor then and now have had an issue

I am certain the supervisor then and now have had an issue with the internet, as they were "unable to gain access to the building" to check on the "unlawful use of property" and "NO CERTIFICATE OF OCCUPANCY" complaint I filed with the Department of Buildings then, continues to report "unlawful" gross income to the NYC Finance Register for them to evaluate and automatically propagate a "MARKET VALUE" using the "base cap rate" - which is the "ordinary rate an investor would expect on real property"

---- as promulgated therein the receipts and by NYC Department of Finance in the Public Record, were more likely than not also issued to their investors and used to obtain a letter of credit as well, from State Farm in May of 2020, annexed in the matter as referenced hereunder.

----- Original Message -----

On Thursday, June 9th, 2022 at 3:39 PM, Governor.Hochul@exec.ny.gov  
Governor.Hochul@exec.ny.gov wrote:

This mailbox is not monitored. You may contact Governor Hochul using this link:

<http://www.governor.ny.gov/contact-iframe>

Remember to visit Governor Hochul on Facebook, where you can receive regular updates on the actions of the Governor.

<https://github.com/BSCPGROUPHOLDINGSLLC/ELSE-R-AND-DICKER/commit/35b3050f3e7858ddd8141fb86ebe43dceb017f6a?diff=unified>

----- Forwarded Message -----

**From:** B D2022 <ms60710444266@yahoo.com>

**To:** bo.dincer@yahoo.com <bo.dincer@yahoo.com>;  
ms60710444266@yahoo.com <ms60710444266@yahoo.com>;  
Yana Siegel <yana.siegel@wilsonelser.com>; WILLIAM BEHR  
<william.behr@wilsonelser.com>; Urvashi Sinha  
<urvashi.sinha@wilsonelser.com>; Thomas R. Manisero  
<thomas.manisero@wilsonelser.com>; Suzanne S. Swanson  
<suzanne.swanson@wilsonelser.com>; Stephen J. Barrett  
<stephen.barrett@wilsonelser.com>; Stacey L. Seltzer  
<stacey.seltzer@wilsonelser.com>; Sean Wagner  
<sean.wagner@wilsonelser.com>; Roger R. Gottilla  
<roger.gottilla@wilsonelser.com>; Ricki Roer  
<ricki.roer@wilsonelser.com>; Ricki Roer  
<ricki.roer@wilsonanddicker.com>;  
ricki.raared@wilsonsdickers.com  
<ricki.raared@wilsonsdickers.com>; "patricia.wik@wilsonelser.com"  
<patricia.wik@wilsonelser.com>; "meghan.rigney@wilsonelser.com"

<patricia.wik@wilsonelser.com>; megan.rigney@wilsonelser.com  
<megan.rigney@wilsonelser.com>; Lori Semlies  
<lori.semlies@wilsonelser.com>; Lois K. Ottombrino  
<lois.ottombrino@wilsonelser.com>; Lauren M. Zink  
<lauren.zink@wilsonelser.com>; Kathleen A. Mullins  
<kathleen.mullins@wilsonelser.com>;  
"judy.selmeci@wilsonelser.com" <judy.selmeci@wilsonelser.com>;  
Jennifer L. Sciales <jennifer.sciales@wilsonelser.com>; Jennifer M.  
Provost <jennifer.provost@wilsonelser.com>;  
"info@wilsonelser.com" <info@wilsonelser.com>;  
"hannah.king@wilsonelser.com" <hannah.king@wilsonelser.com>;  
"grace.song@wilsonelser.com" <grace.song@wilsonelser.com>;  
"erin.zecca@wilsonelser.com" <erin.zecca@wilsonelser.com>;  
"ellyn.wilder@wilsonelser.com" <ellyn.wilder@wilsonelser.com>;  
"elizabeth.scoditti@wilsonelser.com"  
<elizabeth.scoditti@wilsonelser.com>; Debra Tama  
<debra.tama@wilsonelser.com>; Daniel F. Flores  
<daniel.flores@wilsonelser.com>; "curt.schlom@wilsonelser.com"  
<curt.schlom@wilsonelser.com>; "craig.hunter@wilsonelser.com"  
<craig.hunter@wilsonelser.com>; "craig.brinker@wilsonelser.com"  
<craig.brinker@wilsonelser.com>; Corrine Shea  
<corrine.shea@wilsonelser.com>;  
"carole.nimaroff@wilsonelser.com"  
<carole.nimaroff@wilsonelser.com>; "aviva.stein@wilsonelser.com"  
<aviva.stein@wilsonelser.com>; Ashley V. Humphries  
<ashley.humphries@wilsonelser.com>; Angelique Sabia-Candero  
<angelique.sabia-candero@wilsonelser.com>;  
"angel.vitiello@wilsonelser.com" <angel.vitiello@wilsonelser.com>;  
Andrea Shiffman <andrea.shiffman@wilsonelser.com>; Amy  
Hanrahan <amy.hanrahan@wilsonelser.com>;  
"alex.kress@wilsonelser.com" <alex.kress@wilsonelser.com>;  
ALDEN 00066govtldx WILSON <alden.wilson@maine.gov>; Alan  
Rubin <alan.rubin@wilsonelser.com>  
**Sent:** Thursday, June 2, 2022, 02:22:13 AM GMT-5  
**Subject:** Re: 16537-714-487-492, OMISSIONS, OBSTRUCTION,  
FITNESS, ETC.

On 6/2/2022 2:18 AM, Bo Dincer wrote:

/S/ BO DINCER

On Thu, Jun 2, 2022 at 3:17 AM, B D2022  
<ms60710444266@yahoo.com> wrote:

state farm individuals FILED CRD

<https://github.com/BSCPGROUPHOLDINGSLLC/ELSER-AND-DICKER/commit/35b3050f3e7858ddd8141fb86ebe43dceb017f6a?diff=unified>

Very naughty, miss spottie

/S/ BO DINCER

On Thu, Dec 16, 2021 at 11:58 AM, Bo Dincer  
<bd2561@columbia.edu> wrote:

On Thu, Dec 16, 2021 at 11:40 AM Bo Dincer  
<bd2561@columbia.edu> wrote:  
590XXXX  
- EX POST.

----- Forwarded message -----

From: **BD** <bondstrt@protonmail.com>  
Date: Thu, Dec 16, 2021 at 11:31 AM  
Subject: Fax Status: ex post >> DELIVERED TO  
THE HONORABLE SHLOMO HAGGLER.  
To: [SLASKOWITZ@INGRAMLLP.COM](mailto:SLASKOWITZ@INGRAMLLP.COM)  
<SLASKOWITZ@ingramllp.com>  
Cc: [bd2561@columbia.edu](mailto:bd2561@columbia.edu)  
<bd2561@columbia.edu>

**Fax Status: Success!**

Your fax (ID: #30324821) to SHARI LASKOWITZ at  
[2129079681](tel:2129079681) has been delivered successfully at 11:26 AM  
Eastern Standard Time on December 16th, 2021.

12/16/21, 11:30 AM

Free Fax • Free Internet Faxing

**faxZERO<sup>®</sup>**.com  
*send a fax for free*

**Fax Status: Success!**

Your fax (ID: #30324821) to SHARI LASKOWITZ at  
[2129079681](tel:2129079681) has been delivered successfully at 11:26 AM  
Eastern Standard Time on December 16th, 2021.

The content of your fax included 1 page of coversheet with your text  
and 2 pages of attached documents.

Be sure to follow up with the recipient to make sure that the fax is  
received and is delivered to the right person in the office. Thank you for

regulate and is delivered to the right person in the office. Thank you for using FaxZero.com

----- Original Message -----

On Thursday, December 16th, 2021 at 11:28 AM,  
BD <[bondstrt@protonmail.com](mailto:bondstrt@protonmail.com)> wrote:

Fax (ID: #3388982) to Milton A. Tingling at 2124019146 has been  
delivered successfully at 9:39 AM Eastern Standard Time on December  
15th, 2021.



Fw 16537-714-487-492 OMISSIONS OBS...



Re Fax Status ex post ) DELIVERED TO T...



Re Fwd IF THESE ARRESTS ARE NOT C...



TRIED TO PULL A COMMUNITY BOARD ...



CLASS III HOLDINGs. MORTGAGE AMO...



CLASS III HOLDINGs. MORTGAGE AMO...



CLASS III HOLDINGs. MORTGAGE AMO...









