



LAW ALERT

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RMF
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Last Call For Expungement: FINRA's Rule Increasing the Cost and Burden of Obtaining Expungement Goes into Effect on Sept. 14, 2020

Beginning September 14, 2020, the Financial Industry Regulatory Authority (FINRA) is discontinuing a cost-effective option for obtaining expungement (removal) of negative information from the records of members and associated persons.

On July 20, 2020, FINRA amended its rules (effective September 14, 2020) to require steeper minimum fees and a more onerous process for members and associated persons requesting expungement (removal) of customer dispute information from the Central Registration Depository (CRD). Customer complaints contained on a broker's CRD are posted to BrokerCheck and available to the general public. Clients and customers will review BrokerCheck information when making decisions on hiring or continuing with a broker.

Under FINRA's current fee structure, FINRA assesses fees to parties based on the claim amount. For associated persons requesting expungement in proceedings requesting a small monetary claim (less than \$1,000), the filing fee is \$50. The claimant will be required to pay additional (but nominal) administrative fees and hearings costs as the case moves toward conclusion. The current process also affords a streamlined process with only one arbitrator and the option of a telephone hearing. The new process, which goes into effect on September 14, 2020, will require a panel of three arbitrators (with specialized credentials), an in-person (or video conference) hearing, and thousands of dollars in filing fees. [1]

Those looking to take advantage of the cheaper and more streamlined process to expunge frivolous or erroneous [2] customer complaints from the CRD, must file prior to September 14, 2020.

RMF has an experienced group of attorneys dedicated to assisting members and associated persons in connection with securities disputes, regulatory issues, and expungement requests. We are available to assist with all aspects of securities disputes and the expungement process.

[1] For standalone expungement proceedings, FINRA will assess member firms a \$3,750 minimum process fee and a \$1,900 member surcharge, for a total minimum fee of \$5,650.

[2] Pursuant to FINRA Rule 2080, a customer complaint may be subject to expungement where: (A) the claim, allegation or information is factually impossible or clearly erroneous; (B) the registered person was not involved in the alleged investment-related sales practice violation, forgery, theft, misappropriation or conversion of funds; or (C) the claim, allegation or information is false.

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