

FINRA[®]

Investor Complaint Program

What to Do When Problems Arise

FINRA & Investor Education

FINRA, the Financial Industry Regulatory Authority, is a not-for-profit organization dedicated to investor protection and market integrity. We regulate one critical part of the securities industry—brokerage firms doing business with the public in the United States. All told, FINRA oversees more than 3,400 brokerage firms and approximately 617,000 registered securities representatives.

FINRA believes that investor education is often the best investor protection. We are committed to being the preeminent source of objective information for individual investors. Through our website, publications and investor outreach, we provide the comprehensive information, tools and resources investors need to make effective use of all that the securities industry offers.

www.finra.org/investors

What to Do When Problems Arise

Most business in the securities industry is conducted fairly, efficiently and in a manner that satisfies everyone involved. But problems can arise.

When should you complain?

If you believe that you have been treated unfairly by a brokerage firm or one of its brokers, FINRA wants to know about it immediately. Often, violations of our rules and the federal securities laws come to light through the receipt and investigation of investor complaints.

The fact that your investment has decreased in value or that you may have lost money does not necessarily mean that your firm or broker has engaged in misconduct. Investments in most securities involve risks. Further, there is no guarantee that investments will always be profitable, and there is no fund to compensate investors for losses they may have suffered as a result of a particular investment.

What recourse do investors have if they feel they have been treated unfairly?

FINRA investigates complaints against brokerage firms and their employees. We are empowered to take disciplinary actions against brokers and their firms. Sanctions may include fines, suspensions, a bar from the securities industry or other appropriate sanctions. We also may refer complaints to the Securities and Exchange Commission (SEC), other federal or state enforcement agencies or another private securities regulator for further action or possible criminal prosecution.

What if an investor is seeking damages?

If your purpose in filing a complaint is to recover money or securities, we suggest that you also consider arbitration, mediation or the courts. You may want to contact an attorney that specializes in resolving securities complaints to advise you.

Later in this brochure, we'll provide you with information about FINRA's Arbitration and Mediation Programs.

What if an investor wants to speak with someone at FINRA before filing a complaint?

Seniors who have questions or concerns about their investment accounts may call the FINRA Securities Helpline for Seniors® at 844-57-HELPS (844-574-3577).

Filing a Complaint

If you believe that a sales person, brokerage firm or other industry professional has treated you unfairly...

Contact the Firm First

1. Immediately question your broker about any transaction that you do not understand or did not authorize with your broker.
2. If you are not satisfied with your broker's response, contact the firm's branch manager or compliance department. If you lost money or there was an unauthorized trade made in your account, you should complain in writing. Retain copies of your letter and of all other related correspondence with the brokerage firm.
3. If you are still not satisfied with the firm's response, you can send a complaint to FINRA.

How to Submit a Complaint to FINRA

Investors and persons acting on behalf of investors who feel they have been subjected to improper business practices involving their broker or brokerage firm may file a complaint with FINRA. Through the Investor Complaint Program, investors and others can immediately alert us to any potentially fraudulent or suspicious activities by brokerage firms or brokers. If a determination is made to initiate an investigation, a FINRA examiner may contact you to obtain further information or documentation about your complaint.

- ▶ Submit a complaint online through our Investor Complaint Program:
www.finra.org/complaint
- ▶ FINRA prefers to receive complaints via the online complaint form. However, if necessary, you may mail your complaint to:
FINRA Investor Complaint Program
9509 Key West Avenue
Rockville, MD 20850-3329
Fax: (866) 397-3290

Your complaint should contain the following information:

- ▶ the name of the brokerage firm and the individuals at the firm with whom you dealt;
- ▶ the name of the security or securities that are the subject of your complaint, or a detailed description of the practice or behavior that is the subject of your complaint;
- ▶ the date or dates of the problem activity or transaction;
- ▶ a detailed description of the events and circumstances surrounding the activity that is the subject of your complaint; and

- ▶ your complete address and a phone number or email address where you can be reached.

When sending a letter, please include copies of sales confirmations, monthly statements for the relevant time period and all relevant correspondence with the firm.

Understand Our Limitations

FINRA has jurisdiction over virtually all brokerage firms and their employees and associated persons. If you have a problem with an investment adviser, transfer agent, mutual fund or public company, you may want to file a complaint with the SEC or your state securities regulator. (See page 14 for contact information for the SEC and state securities regulators.)

Prohibited Conduct

Certain types of conduct in the securities industry are prohibited, including the following:

1. Recommending to a retail customer a securities transaction, investment strategy or type of account that is not in the best interest of that customer, given the customer's age, financial situation, investment objective, risk tolerance, liquidity needs and investment experience. Investment in a particular type of security may not be in the best interest of the retail customer, or the amount or frequency of transactions may be excessive and therefore not be in the best interest for a given retail customer.
2. Purchasing or selling securities in a customer's account without first contacting the customer and receiving the customer's authorization to make the sale or purchase, unless the broker has received from the customer written discretionary authority to effect transactions in the account or the broker was given discretion as to price and time.
3. Switching a customer from one mutual fund to another when there is no legitimate investment purpose for the switch.
4. Misrepresenting or failing to disclose material facts concerning an investment. Examples of information that may be considered material and that should be accurately presented to customers include: the risks of investing in a particular security; the charges or fees involved; company financial information; and technical or analytical information, such as bond ratings.

5. Removing funds or securities from a customer's account without the customer's prior authorization.
6. Charging a customer excessive markups, markdowns, or commissions on the purchase or sale of securities.
7. Guaranteeing customers that they will not lose money on a particular securities transaction, making specific price predictions or agreeing to share in any losses in the customer's account.
8. Private securities transactions between a broker and a customer that may violate FINRA rules, particularly where the transactions are done without the knowledge and permission of the sales representative's firm.
9. "Trading ahead," which involves placing an order for the firm's account before entering a customer's limit order, without having a valid exception.
10. Failure by a market maker to display a customer limit order in its published quotes, without a valid exception.
11. Failing to use reasonable diligence to see that a customer's order is executed at the best possible price, given prevailing market conditions.
12. Purchasing or selling a security while in possession of material, non-public information about an issuer.
13. Using manipulative, deceptive or other fraudulent methods to effect transaction in, or induce the purchase or sale of, a security.

Complaint Investigations

Investigating complaints from investors is a significant function of FINRA. Following receipt of a complaint, FINRA staff normally begin the investigation by requesting information and documents from the brokerage firm and its employees to verify information and obtain additional facts. FINRA does not open investigations for all investor complaints. However, Conduct Rules require brokerage firms, their brokers and employees to cooperate fully with these investigations.

FINRA, however, does not have general subpoena power and cannot compel cooperation of non-industry personnel, such as issuers of securities or their executives.

Without your cooperation, we may be unable to take disciplinary action against a brokerage firm or its employees. A complaint, by itself, without supporting evidence may not be sufficient to prove a rule violation. That's why it is important that you be willing to speak with FINRA staff, provide documentation or supply a sworn statement of facts supporting your complaint. It is also important that you be willing to testify at a FINRA disciplinary hearing if one is conducted. The fact that you entered into a confidentiality agreement to settle a problem with a brokerage firm or its employees does not prevent you from speaking with FINRA staff or otherwise cooperating in a FINRA investigation or disciplinary hearing.

If too much time has elapsed between a broker's conduct and your complaint to FINRA, the investigation may be hindered. In some circumstances, it may be unrealistic to try to begin an investigation.

FINRA may close an investigation without taking disciplinary action against a brokerage firm or its employees. This can result from many factors unrelated to the merits of a complaint, such as jurisdictional limitations or the existence of an ongoing or completed enforcement action by another law enforcement or regulatory agency. FINRA considers that a determination not to take action against a brokerage firm or its employees has no evidentiary weight in an arbitration, mediation or other proceeding. As such, FINRA considers it inconsistent with its rules for a brokerage firm or its employees to attempt to introduce such a determination into evidence in any of those proceedings.

Cooperation with Other Regulators

Certain types of complaints may be referred to another securities regulator. For instance, problems concerning commodities or futures contracts would generally be referred to the Commodity Futures Trading Commission or the National Futures Association. FINRA may refer complaints to the Securities and Exchange Commission or other federal or state enforcement agencies for further administrative action, or possible criminal prosecution.

Recovery of Losses

Because the focus of a FINRA investigation is regulatory in nature, and is designed to determine compliance with industry rules and regulations, you are encouraged to consider other means if you are seeking to recover money or securities. Understand that FINRA staff is investigating your complaint from a regulatory perspective and with the protection of all investors in mind.

There can be no assurances that any action taken by FINRA will result in a payment or return of funds or securities to you even where formal disciplinary actions are taken and sanctions imposed. Relying on the outcome of FINRA's investigation may close other avenues of redress if you wait too long to proceed.

FINRA staff cannot provide legal advice to you in connection with your complaint. Therefore, you may want to consult with an attorney if you are considering filing an arbitration, mediation or a private civil action.

Also, check to see if your new account agreement contains an agreement to arbitrate. If so, your access to the courts may be limited.

Caution! Be aware that certain state and federal laws limit the time you may have for filing a lawsuit or arbitration claim.

Dispute Resolution Offers Alternatives to Courts

FINRA operates the largest securities dispute resolution forum in the United States and has extensive experience in providing a fair, efficient and effective venue to administer securities-related disputes. The forum includes many convenient features, such as: maintaining 69 hearing locations—including one in each state and Puerto Rico; an investor-friendly Discovery Guide; limitations on motions to dismiss before an investor presents their case; a transparent and participatory rule making process with SEC oversight; and hardship fee waivers for parties that demonstrate financial hardship.

The resolution of disputes is accomplished through two non-judicial proceedings: arbitration and mediation.

Arbitration and Mediation

Arbitration is a dispute resolution mechanism that determines liability and whether parties are entitled to recover damages. In arbitration, an impartial person or panel hears all sides of the issues as presented by the parties, studies the evidence and then decides how the matter should be resolved. Arbitration is final and binding, subject to court review in very limited instances.

Mediation is an informal, voluntary approach in which a mediator facilitates negotiations between parties, helping them to find their own mutually acceptable resolution. Parties can agree to mediate a claim at any time before or during the arbitration process. What distinguishes

mediation from other forms of dispute resolution is that the mediator does not impose the solution, but rather helps make it possible for the parties to craft and accept the solution themselves, swiftly and inexpensively.

Generally, dispute resolution methods such as mediation and arbitration are faster and less expensive than a state or federal lawsuit. They are also less formal than a court trial. In arbitration cases brought by investors, whether through settlements, decisions by arbitrators or stipulated awards, investors receive some compensation more than 70 percent of the time. In mediation, the overall settlement rate exceeds 80 percent.

FINRA arbitrators are dedicated individuals serving the investing public and the securities industry by resolving securities-related disputes. FINRA arbitrators and mediators represent a diverse cross-section of individuals with extensive business or professional experience. They are neutral, well-qualified and essential to maintaining a fair, impartial and efficient dispute resolution forum.

For more information about FINRA's arbitration or mediation programs, please visit www.finra.org/arbitration-mediation.

FINRA Investor Complaint Program

9509 Key West Avenue
Rockville, MD 20850-3329

Phone: (240) 386-HELP (4357)

Fax: (866) 397-3290

Website: www.finra.org/complaint

FINRA Securities Helpline for Seniors®

Phone: 844-57-HELPS (844-574-3577)

Website: www.finra.org/seniorhelpline

FINRA Dispute Resolution Services

Brookfield Place
200 Liberty Street
New York, NY 10281

Phone: (212) 858-4200

Website: www.finra.org/arbitration-mediation

Securities and Exchange Commission Tips, Complaints and Referrals (TCR)

100 F Street, NE
Washington, DC 20549-5631

Fax: (202) 772-9235

Website: www.sec.gov/tcr

State Securities Regulators

Find contact information for your state securities regulator on the North American Securities Administrators Association (NASAA) website.

Website: www.nasaa.org.

FINRA Investor Information

Invest smarter and safer using the investor-focused tools, Investor Insights and other resources on FINRA's website.

Website: www.finra.org/investors

Thank You for Your Cooperation

We appreciate your taking the time and effort to assist FINRA and other regulators in collecting the necessary evidence to enforce securities rules and regulations, and ultimately, protect investors. Regulators are far more effective with your cooperation and assistance. Every investor in America relies on fair financial markets.

While most business in the securities industry is conducted fairly, efficiently and in a manner that satisfies everyone involved, problems do arise. With the help of investors like yourself, FINRA can further protect investors and safeguard market integrity in a manner that facilitates vibrant capital markets.

FINRA®

Investor protection. Market integrity.

1735 K Street, NW
Washington, DC 20006-1506
www.finra.org

© 2021 FINRA. All rights reserved.
FINRA and other trademarks of
the Financial Industry Regulatory
Authority, Inc. may not be used
without permission.

21_0089.1-09/21