



Financial Industry Regulatory Authority

# Investor Complaint Program

What to Do When Problems Arise

## FINRA and Investor Education

FINRA, the Financial Industry Regulatory Authority, is an independent, not-for-profit organization with a public mission: to protect America's investors by making sure the securities industry operates fairly and honestly. We do that by writing and enforcing rules governing the activities of nearly 4,800 brokerage firms with approximately 643,000 brokers; examining firms for compliance with those rules; fostering market transparency; and, educating investors.

Our independent regulation plays a critical role in America's financial system—by enforcing high ethical standards, bringing the necessary resources and expertise to regulation and enhancing investor safeguards and market integrity—all at no cost to taxpayers.

FINRA's commitment to protect investors extends beyond strong enforcement. We believe that investor education is often the best form of investor protection. To that end, we provide free, unbiased education resources and tools to help investors evaluate investment products and professionals, and better understand the markets and the principles of investing.

## **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.

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

Through our Complaint Program, 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.

### **About the Complaint Program**

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.

### File a Complaint

FINRA maintains an Investor Complaint Center on its Web site. Through the Investor Complaint Center ([www.finra.org/complaint](http://www.finra.org/complaint)), investors and others can immediately alert us to any potentially fraudulent or suspicious activities by brokerage firms or brokers.

### How to Submit a Complaint

- ◆ Complete an online form through our Investor Complaint Center: [www.finra.org/complaint](http://www.finra.org/complaint)
- ◆ Download and complete the complaint form or send a detailed letter to:

FINRA Investor Complaint Center  
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 12 for contact information for the SEC and state securities regulators.)

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.

## Prohibited Conduct

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

- 1) Recommending the purchase or sale of a security that is unsuitable given an investor's age, financial situation, investment objective and investment experience. Investment in a particular type of security may be unsuitable, or the amount or frequency of transactions may be excessive and therefore unsuitable for a given investor.
- 2) Purchasing or selling securities when the investor did not specifically authorize the sale or purchase, unless the broker has received from the investor written discretionary authority to effect transactions in the account or the broker was given discretion as to price and time.
- 3) Switching an investor from one mutual fund to another when there is no legitimate investment purpose underlying 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 investors 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 an investor's account without the investor's prior authorization.

- 6) Charging excessive markups, markdowns or commissions on the purchase or sale of securities.
- 7) Guaranteeing investors that they will not lose money on a particular securities transaction, making specific price predictions or agreeing to share in any losses in an investor's account.
- 8) Private securities transactions between a broker and an investor, particularly where such transactions are done without the knowledge and permission of the broker's firm.
- 9) Failing to use reasonable diligence to see that an investor's order is executed at the best possible price, given prevailing market conditions.
- 10) Purchasing or selling a security while in possession of material, non-public information regarding an issuer.

## Complaint Investigations

Investigating complaints from investors is a significant function of FINRA. Following receipt of a complaint, FINRA staff normally will 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 private securities regulator, such as the Chicago Board Options Exchange. Similarly, 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. It is very important for you to 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 securities industry's largest forum for resolution of investors' claims with nearly 70 hearing locations, including at least one in each of the 50 states, Puerto Rico and London. This forum handles virtually all securities arbitration claims filed involving customers of brokerage firms and disputes between brokerage firms and their employees. FINRA also offers a Mediation Program, which was developed as an extension of FINRA's Arbitration Program. Any type of dispute, claim or controversy arising out of your business dealings with a brokerage firm may be resolved in arbitration or 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 review by a court only on a very limited basis.

Before initiating an arbitration or court litigation, consider mediation—a natural first step in dispute resolution. Parties also may agree to mediation at any point during the arbitration process. Mediation is an informal, voluntary approach in which a mediator facilitates negotiations between parties, helping them to find their own mutually acceptable resolution. 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 and mediators are carefully selected from a broad cross-section of people with extensive business or professional experience.

For more information about FINRA's arbitration or mediation programs, please visit [www.finra.org/ArbitrationMediation](http://www.finra.org/ArbitrationMediation). Instructions and forms are available online, or you can fill out the attached card.

## **FINRA Investor Information**

1735 K Street, NW  
Washington, DC 20006-1506

Phone: (202) 728-6964

Web site: [www.finra.org/investor](http://www.finra.org/investor)

## **FINRA Investor Complaint Center**

9509 Key West Avenue  
Rockville, MD 20850-3329

Phone: (240) 386-HELP (4357)

Fax: (866) 397-3290

Web site: [www.finra.org/complaint](http://www.finra.org/complaint)

## **FINRA Dispute Resolution**

One Liberty Plaza  
165 Broadway, 27th Floor  
New York, NY 10006-1404

Phone: (212) 858-4400

Fax: (212) 858-4429

Web site: [www.finra.org/ArbitrationMediation](http://www.finra.org/ArbitrationMediation)

## **Securities and Exchange Commission Complaint Center**

SEC Complaint Center  
100 F Street, NE  
Washington, DC 20549-0213

Fax: (202) 772-9295

Web site: [www.sec.gov](http://www.sec.gov)

## **State Securities Regulators**

You can find contact information for your state regulator on our Web site, [www.finra.org](http://www.finra.org).

## **Thank You for Your Cooperation**

We appreciate your willingness to take the time and effort to assist FINRA and other regulators in collecting the necessary evidence to enforce securities rules and regulations, which helps us to protect investors. FINRA and other regulatory agencies are far more effective with your cooperation and assistance. As we stated in the beginning of this booklet, most business in the securities industry is conducted fairly, efficiently and in a manner that satisfies everyone involved. But problems do arise and with the help of investors like yourself, FINRA has been successful in disciplining many brokers and firms that have violated securities rules and regulations.

## For More Information

To receive more information about FINRA's Arbitration and Mediation Programs, please fill out and mail this postage-paid card.

Please send information about  
(you may check more than one box):

Arbitration

Mediation

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Name

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Street Address

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City

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State

ZIP

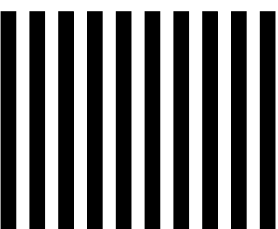
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Email

Your privacy is important to us. FINRA does not sell lists or share your information with any other organization or third party.



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**Investor protection. Market integrity.**

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