New FINRA Customer Arbitration Disclosures and RR Responsibilities Take Effect December 5

11/16/2011 Dana R. Dawe

New Predispute Customer Arbitration Disclosures

Broker-dealers using predispute arbitration agreements must give each client new disclosures under FINRA Rule 2268. The new disclosures reflect amendments to FINRA Rule 12904, requiring arbitrators to provide an explained decision to the parties in eligible cases if there is a unanimous request at least 20 days before the first hearing date. All predispute arbitration agreements entered into on or after December 5, 2011, must reflect this and other changes mandated by the new rule.

New FINRA Records Rule Requires Assigning RR Responsibilities

New FINRA Rule 4511 replaces NASD Rule 3110(a) and NYSE Rule 440 and adds some new requirements. Notably, among other things, the firm must explicitly designate the registered representative(s) responsible for each customer account (the "Responsible RR"), rather than assuming this is the representative who signed the customer's new account form. If representatives work in teams, then the firm must designate every Responsible RR on each account and detail the scope of their respective responsibilities. Firms must decide how to monitor and update these records when the Responsible RRs assignments change due to attrition, promotion, termination or other staffing changes. FINRA wants to avoid blame-shifting if a problem occurs. These changes will require new records and related procedures starting in less than three weeks.

For all the new requirements, see FINRA Regulatory Notice 11-19. If you have questions about regulatory changes affecting your firm or need help with them, please contact Dana Dawe, senior securities compliance consultant in the Broker Dealer and Investment Adviser Law and Regulation Group at Warner Norcross & Judd. Our team would be pleased to help you.