

---

**Study and Recommendations on Improved  
Investor Access to Registration Information  
About Investment Advisers and Broker-Dealers**

---

**As Required by Section 919B of the  
Dodd-Frank Wall Street Reform  
and  
Consumer Protection Act**



**This is a Study by the Staff of the Office of Investor Education and Advocacy  
of the U.S. Securities and Exchange Commission. The Commission has  
expressed no view regarding the analysis, findings, or conclusions contained  
herein.**

---

**January 2011**

## I. Introduction

### A. *The Congressional Mandate*

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act” or “Act”) was signed into law on July 21, 2010.<sup>1</sup> Section 919B of the Act directs the Securities and Exchange Commission (the “Commission” or “SEC”) to complete a study, including recommendations, of ways to improve the access of investors to registration information about registered and previously registered investment advisers, associated persons of investment advisers,<sup>2</sup> brokers and dealers and their associated persons,<sup>3</sup> and to identify additional information that should be made publicly available. The Act specifies that the study include an analysis of the advantages and disadvantages of further centralizing access to registration information, and identify data pertinent to investors and the method and format for displaying and publishing the data to enhance the information’s accessibility and utility to investors. The Act requires the Commission to complete the study within six months after the date of enactment of the Act (*i.e.*, by January 21, 2011), and to implement any recommendations within eighteen months after completion of the study.

---

<sup>1</sup> Pub. L. No. 111-203, 124 Stat. 1376 (2010).

<sup>2</sup> Section 202(a)(17) of the Investment Advisers Act of 1940 [15 U.S.C. 80b-2(a)(17)] defines “person associated with an investment adviser” in relevant part as “any partner, officer, or director of such investment adviser (or any person performing similar functions), or any person directly or indirectly controlling or controlled by such investment adviser, including any employee of such investment adviser . . . .”

<sup>3</sup> Section 3(a)(18) of the Securities Exchange Act of 1934 [15 U.S.C. 78c(a)(18)] defines “person associated with a broker or dealer” in relevant part as “any partner, officer, director, or branch manager of such broker or dealer (or any person occupying a similar status or performing similar functions), any person directly or indirectly controlling, controlled by, or under common control with such broker or dealer, or any employee of such broker or dealer . . . .”

## ***B. Organization of the Study***

The Commission's Office of Investor Education and Advocacy ("OIEA") prepared the study in consultation with the Division of Investment Management, the Division of Trading and Markets, the Division of Risk, Strategy, and Financial Innovation, and the Office of the General Counsel (collectively, the "Staff").<sup>4</sup> OIEA also sought input from the Financial Industry Regulatory Authority, Inc. ("FINRA"), an industry self-regulatory organization ("SRO"), and the North American Securities Administrators Association ("NASAA").<sup>5</sup> The study does not necessarily reflect the views of the Commission or the individual Commissioners. The study was approved for release by the Commission.<sup>6</sup>

The study is organized into eight sections. Following this introductory section, Section II provides an executive summary of the study. Section III contains an overview of the registration information the Staff believes is important to investors, as well as a brief introduction to the primary sources of publicly available registration information. Section IV discusses broker-dealer registration and disclosure, including a history of the Central Registration Depository

---

<sup>4</sup> The Staff reviewed, among other things, prior Commission releases, comment letters pertaining to other relevant Commission regulatory actions, and empirical data obtained from FINRA and NASAA. The Commission has provided the opportunity for the public to comment generally on regulatory initiatives to be undertaken in response to the Dodd-Frank Act. *See* request for public comments on SEC regulatory initiatives under the Dodd-Frank Act at <http://www.sec.gov/spotlight/regreformcomments.shtml>. There were no public comments submitted regarding the Section 919B study. While the Staff did not speak directly with individual investors in connection with this study, the Staff recommends (as described in greater detail in Section VII) investor testing or other means of soliciting investor input related to registration information as part of the Commission study of the financial literacy of investors required by Section 917 of the Dodd-Frank Act.

<sup>5</sup> NASAA is a voluntary association whose membership consists of sixty-seven state, provincial, and territorial securities administrators in the fifty U.S. states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

<sup>6</sup> The Chairman of the Commission did not participate.

(“CRD”) and BrokerCheck.<sup>7</sup> Section IV also discusses the registration information available through BrokerCheck, as well as the format and usage of BrokerCheck. Section V discusses investment adviser registration and disclosure, including a history of the Investment Adviser Registration Depository (“IARD”) and Investment Adviser Public Disclosure (“IAPD”), the public disclosure arm of IARD.<sup>8</sup> Section V also discusses the type of registration information available through IAPD, as well as IAPD format and usage. Section VI compares the nature of information available in BrokerCheck and IAPD.

Section VII proposes several recommendations. For the near-term, *i.e.*, within the eighteen-month implementation period, the Staff makes the following recommendations: (1) unify search returns for BrokerCheck and IAPD to help investors more easily obtain the data they need to make informed decisions regarding financial services providers; (2) add a search by ZIP code or other indicator of location to BrokerCheck and IAPD to increase the utility of the existing databases; and (3) enhance BrokerCheck and IAPD by adding educational content to make the data currently available more useful to investors.

The Staff also recommends that, subsequent to the eighteen-month implementation period, Commission staff and FINRA continue to analyze, including through investor testing, the

---

<sup>7</sup> BrokerCheck is the online application, developed by FINRA, through which the public may obtain information regarding current and former FINRA member firms, and current and former associated persons of FINRA member firms. The Central Registration Depository (CRD<sup>®</sup>) is the securities industry online registration and licensing database developed by FINRA in consultation with the states. Information in CRD is obtained through forms that broker-dealers, registered representatives, and regulators complete as part of the securities industry registration and licensing process. The information made available through BrokerCheck is derived from CRD.

<sup>8</sup> The IARD database is comprised of information concerning all SEC-registered investment advisers, as well as most advisers that have registered or applied for registration with state regulators since 2001. IAPD provides online access to records for SEC and state-registered advisers, and was expanded in mid-2010 to include records for registered investment adviser representatives.

feasibility and advisability of expanding BrokerCheck to include information currently available in CRD, as well as the method and format of publishing that information; and that Commission staff continue to evaluate expanding IAPD content and the method and format of publishing that content, including through investor testing. Section VIII concludes the study.

## **II. Executive Summary**

This study responds to Section 919B of the Dodd-Frank Act, which mandates that the Commission study ways to improve the access of investors to registration information about investment advisers and broker-dealers, including analyzing the advantages and disadvantages of further centralizing access to registration information contained in CRD and IARD.

The Commission and its staff have long maintained that investors should examine relevant registration information before choosing a broker-dealer or investment adviser.<sup>9</sup> Information pertaining to a broker-dealer or investment adviser's federal or state registration, such as information about its associated persons, including licensing and other qualification data, disciplinary and employment history, contact information, and customer complaints, can help investors make better-educated decisions in selecting a broker-dealer or investment adviser, as well as better protect themselves against fraud.

Currently, a significant amount of registration data is publicly available, primarily through BrokerCheck (for broker-dealers and their associated persons who are registered) and

---

<sup>9</sup> See, e.g., Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234 n.5 (Aug. 12, 2010)] (adopting amendments to Form ADV) (stating that “the disclosure clients and prospective clients receive is critical to their ability to make an informed decision about whether to engage an adviser and, having engaged the adviser, to manage the relationship”); Investment Advisers Act Release No. 1897 (Sept. 12, 2000) [65 FR 57438, 57445 (Sept. 22, 2000)](adopting rules and rule amendments requiring electronic filing by investment advisers) (stating that the amendments were “necessary” to, among other things, “develop a database of information about advisers that is easily accessible to investors”).

IAPD (for investment advisers and their associated persons). Additionally, both the Commission and state securities regulators require investment advisers to deliver to advisory clients brochures and brochure supplements regarding employees, including investment adviser representatives, who provide advisory services.<sup>10</sup> State securities regulators also act as an important source of registration information about broker-dealers, certain investment advisers, and their associated persons. This study provides the background and history of both BrokerCheck and IAPD and describes the data publicly available on each system.

While the current process enables investors to obtain registration information about a broker-dealer or investment adviser, improvements could be made within the statutorily-mandated eighteen-month period that would further promote investors' interests. In that context, the Staff makes a number of recommendations. First, the Staff, pursuant to Section 919B, considered the advantages and disadvantages of further centralizing the two systems. The primary advantage would be to provide investors access to relevant data through one request, regardless of whether they seek data about a broker-dealer or an investment adviser. The Staff believes that a unified public disclosure database would be optimal to achieve this goal. However, the practical difficulties involved – including Section 919B's eighteen-month

---

<sup>10</sup> See Investment Advisers Act Release No. 3129 (Dec. 28, 2010) [76 FR 255, 256 (Jan. 4, 2011)] (extending compliance dates for delivery of certain brochure supplements). Generally, all investment advisers registered with the Commission as of December 31, 2010, and having a fiscal year ending on December 31, 2010 through April 30, 2011, have until July 31, 2011 to begin delivering brochure supplements to new and prospective clients, and until September 30, 2011 to deliver brochure supplements to existing clients. *Id.* Brochure supplement delivery deadlines remain unchanged for existing registered investment advisers with fiscal years ending after April 30, 2011. *Id.* Newly-registered investment advisers filing their applications for registration from January 1, 2011 through April 30, 2011 generally have until May 1, 2011 to begin delivering brochure supplements to new and prospective clients, and until July 1, 2011 to deliver brochure supplements to existing clients. *Id.* Brochure supplement delivery deadlines for investment advisers filing registration applications with the Commission after April 30, 2011 remain unchanged. *Id.*

timeframe for implementation – militate toward a near-term recommendation that would involve less structural change. As a result, the study recommends unifying search returns for BrokerCheck and IAPD while continuing to maintain the separate databases. This would allow investors to find registration information on both broker-dealers and investment advisers, regardless of whether investors are using BrokerCheck or IAPD.

Second, the study includes two additional recommendations pertaining to increasing the usefulness of the systems to investors. The Staff recommends that BrokerCheck and IAPD search functions be expanded to permit searches for broker-dealers, investment advisers, registered representatives, and investment adviser representatives, based on ZIP code or other indicator of location. This feature would offer a valuable tool for investors who are beginning a search for a broker-dealer, investment adviser, or registered person, but who have limited online access to registration data organized by location. The Staff further recommends that BrokerCheck and IAPD be enhanced by adding educational content, such as links and definitional material, perhaps, embedded in alternate text tags (*e.g.*, “bubbles,” “pop-ups,” or other kinds of “hover” text) that would appear automatically whenever a user’s electronic cursor hovers over certain text or items on the BrokerCheck and IAPD Web pages. These functions would provide definitions or other explanatory content to help a user better understand the significance of a particular technical term or reference. Both Forms BD and ADV contain a glossary of terms that could be used to populate the hover text.

The Staff also recommends that, subsequent to the eighteen-month implementation period, Commission staff and FINRA continue to analyze, including through investor testing, the feasibility and advisability of expanding BrokerCheck to include information currently available

in CRD, as well as the method and format of publishing that information; and that Commission staff continue to evaluate expanding IAPD content and the method and format of publishing that content, including through investor testing. Potential modifications could include adding summary data for advisory firms on IAPD, hyperlinks between CRD numbers and SEC file numbers containing information related to a particular CRD number, and additional links to content available elsewhere on BrokerCheck or IAPD.

### **III. Background: Registration Information Pertinent to Investors and an Overview of Sources of Publicly-Available Data**

#### ***A. Registration Information Pertinent to Investors***

Because selecting a broker-dealer or investment adviser is one of the most important decisions that investors face, information to help them make this choice should be easy to find, easy to use, and easy to understand. The Commission recognizes that “[i]nvestors are entrusting registered representatives with their savings and should have sufficient pertinent information available to enable them to select a registered representative with whose background they are comfortable.”<sup>11</sup> Accordingly, the Commission has recommended that the investing public use all available sources of information to conduct thorough searches of any associated person’s activities.<sup>12</sup>

OIEA encourages investors to evaluate thoroughly the background of any broker-dealer or investment adviser that they use or plan to engage. Significant aspects of OIEA’s investor

---

<sup>11</sup> Exchange Act Release No. 59916 (May 13, 2009) [74 FR 23750, 23754 (May 20, 2009)] (approving rule change relating to changes to Forms U4, U5, and FINRA Rule 8312 (SR-FINRA-2009-008)).

<sup>12</sup> See, e.g., Exchange Act Release No. 61002 (Nov. 13, 2009) [74 FR 61193 (Nov. 23, 2009)] (approving rule change relating to BrokerCheck disclosure (SR-FINRA-2009-050)); Exchange Act Release No. 55127 (January 18, 2007) [72 FR 03455 (January 25, 2007)] (approving SR-NASD-2003-168).



education and outreach program are based on the premise that investors can better avoid fraud and potential investment losses if they gather pertinent data before engaging a broker-dealer or investment adviser.<sup>13</sup> The information that the Commission believes is important for investors to consider in their decision-making is described in a series of OIEA publications, including *Invest Wisely: Advice from Your Securities Regulators*,<sup>14</sup> *Ask Questions*,<sup>15</sup> and *Protect Your Money: Check Out Brokers and Investment Advisers*.<sup>16</sup> These educational and outreach materials, that can be requested directly from financial firms or from federal or state regulators, describe various types of information that investors should consider, including:

- the registration status of the firm and its representatives with state or federal regulators;
- basic information about the firm and its representatives, including the primary place of business, formal business address, and contact information;
- a listing and description of the licenses held by the financial services provider, such as a series 7, 65, or 66, and the dates of passage of those examinations by registered representatives;
- descriptions of the credentials of investment advisers and financial planners;

---

<sup>13</sup> See <http://www.sec.gov/investor/pubs/askquestions.htm>. A recent national study of the financial capability of American adults sponsored by the FINRA Investor Education Foundation found that only 15% of respondents who have used a financial services provider in the last five years claimed to have checked the background, registration, or license of a financial services provider. See *Financial Capability in the United States*, at 46 (FINRA Investor Education Foundation, Dec. 1, 2009). As this statistic indicates, continued education is warranted to help investors better understand the importance of conducting a thorough review of available information on financial services providers by using BrokerCheck and/or IAPD.

<sup>14</sup> See <http://www.sec.gov/investor/pubs/inws.htm>

<sup>15</sup> See <http://www.sec.gov/investor/pubs/askquestions.htm>

<sup>16</sup> See <http://www.sec.gov/investor/brokers.htm>

- the educational background of registered persons;
- recent employment history of registered persons, particularly details about tenure with financial firms with a focus on the frequency of job changes or changes in the names of firms they represent;
- the disciplinary record of the firm and the registered person;
- a description of current and historic arbitrations, complaints, or litigation by clients against a firm or registered person;
- Form ADV for registered investment advisers;
- a description of the scope and type of investment services offered by the broker-dealer or investment adviser;
- a description of fees and compensation arrangements describing the manner and the nature of the work for which broker-dealers, investment advisers, and their associated persons are compensated; and
- for broker-dealers, a description of whether the broker-dealer and its clearing firm are members of the Securities Investor Protection Corporation.

***B. Access to BrokerCheck and IAPD***

BrokerCheck and IAPD are Web-based disclosure systems that provide investors with access to the information described above. These databases help investors to investigate and evaluate broker-dealers, registered representatives, investment advisers, and investment adviser representatives. The Commission has stated that it “recognizes that the public’s ability to access information” through BrokerCheck, “whether to inquire about a registered person or formerly associated person, may serve to protect investors, the integrity of the marketplace, and the public interest.”<sup>17</sup> Similarly, the Commission has noted that IAPD “allows the public to access the

---

<sup>17</sup> See Exchange Act Release No. 62476 (July 8, 2010) [75 FR 41254 (July 15, 2010)] (approving amendments to FINRA’s BrokerCheck disclosure rule (SR-FINRA-2010-012)).

most recent Form ADV filing made by an investment adviser,”<sup>18</sup> that a “client may use this disclosure [on Form ADV] to select his or her own adviser and evaluate the adviser’s business practices and conflicts on an ongoing basis,” and that “the disclosure clients and prospective clients receive is critical to their ability to make an informed decision about whether to engage an adviser and, having engaged the adviser, to manage that relationship.”<sup>19</sup>

Both BrokerCheck and IAPD can be accessed from the Commission’s Web page at <http://www.sec.gov/investor/brokers.htm>. In addition, investors can access BrokerCheck at <http://brokercheck.finra.org>, through FINRA’s main Web page at <http://www.finra.org>, and through FINRA’s investor education foundation Web site at <http://www.finrafoundation.org/resources/tools/index.htm>. Investors can access IAPD at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Further, the OIEA-maintained investor education Web site, [www.Investor.gov](http://www.Investor.gov), provides links to both BrokerCheck and IAPD, and several OIEA investor education publications and outreach materials reference those Web sites as well.

***C. Overview of Sources of Publicly-Available Data Regarding Broker-Dealers, Investment Advisers, and their Associated Persons***

There is no single source of registration information regarding U.S. broker-dealers, investment advisers, and their associated persons. This reflects the fact that broker-dealers and investment advisers are regulated under two different regulatory regimes, with oversight shared among federal and state securities regulators and FINRA. The Commission has regulatory

---

<sup>18</sup> Investment Advisers Act Release No. 3110 n.123 (Nov. 19, 2010) [75 FR 77052, 77062 n.123 (Dec. 10, 2010)] (proposing rules implementing amendments to the Advisers Act).

<sup>19</sup> Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234, 49234 (Aug. 12, 2010)] (adopting rule amendments to Form ADV).

authority over broker-dealers, investment advisers that are required to register with the Commission, and their associated persons.<sup>20</sup> Broker-dealers register with the Commission and the states in which they do business, and must also become members of an SRO, which, in most cases, is FINRA. A broker-dealer's registered representatives ("registered representatives") do not register with the Commission, but with the states in which they do business and with FINRA.

The Commission regulates large advisory firms exclusively, while smaller advisory firms are overseen by the states in which they do business.<sup>21</sup> The dividing line between larger and smaller advisory firms is based on the amount of assets managed by the investment adviser and currently stands at \$25 million.<sup>22</sup> Pursuant to an amendment to the Advisers Act and a Commission rule proposal, beginning July 21, 2011, investment advisers with assets under management ("AUM") of over \$100 million must register with the Commission, while investment advisers with less than \$100 million in AUM register only with the states.<sup>23</sup>

Investment adviser representatives, like registered representatives, do not register with the Commission. Investment adviser representatives register only with the states. There is no SRO for investment advisers or investment adviser representatives. Advisory firms and their

---

<sup>20</sup> See Study on Investment Advisers and Broker-Dealers, as required by Section 913 of the Dodd-Frank Act ("Section 913 Study") at 137, available at <http://www.sec.gov/news/studies/2011/913studyfinal.pdf> (discussing the disclosure requirements of Form ADV and Form BD).

<sup>21</sup> See the National Securities Market Improvement Act of 1996, Pub. L. No. 104-290, 110 Stat. 3438 (1996).

<sup>22</sup> See Advisers Act Section 203A(a)(1)(A) [15 U.S.C. 80b-3a(a)(1)(A)].

<sup>23</sup> See Investment Advisers Act Release No. 3110 (Nov. 19, 2010) [75 FR 77052 (Dec. 10, 2010)] (proposing rules implementing amendments to the Advisers Act).

representatives may, however, be dually registered as broker-dealers and investment advisers or as registered representatives and investment adviser representatives. Fewer than 20% of registered broker-dealers were also registered as an investment adviser in 2010,<sup>24</sup> and approximately 5% of SEC-registered advisory firms were registered as broker-dealers.<sup>25</sup> However, the approximately 611 firms dually registered with the Commission generally constitute very large firms in terms of assets and number of employees.<sup>26</sup> As a result, most investment adviser representatives also are registered representatives. Of the approximately 275,675 investment adviser representatives identified in IAPD in October 2010, approximately 87.5% were registered as both investment adviser representatives and registered representatives, either for the same firm or multiple firms.<sup>27</sup>

Reflecting the differences in regulatory regimes, broker-dealers, investment advisers, and registered representatives and investment adviser representatives register using two separate systems. CRD, which is operated by FINRA, is the repository of registration and disciplinary information regarding broker-dealers and registered representatives. Electronic public access to certain CRD data is available through FINRA's BrokerCheck Web site. FINRA maintains control over the data in those systems, as well as the design, functionality, and output of the BrokerCheck Web site.

---

<sup>24</sup> See Letter from FINRA (Nov. 3, 2010) (File No. 4-606) (regarding obligations of brokers, dealers, and investment advisers).

<sup>25</sup> Based on data obtained from IARD on Nov. 8, 2010.

<sup>26</sup> *Id.*

<sup>27</sup> Based on data obtained from FINRA on Nov. 3, 2010.

IARD, which is owned by the Commission and operated by FINRA, is the repository of registration and disciplinary information about investment advisers and investment adviser representatives. Electronic public access to the information filed through IARD is available on the IAPD Web site. FINRA operates IARD and IAPD under contract with the Commission.

States use CRD to register broker-dealers and registered representatives doing business in their state; and states register the investment advisers and investment adviser representatives they oversee, as required by state law, typically through IARD.<sup>28</sup> States generally do not post broker-dealer or investment adviser registration records on their Web sites, but many provide links to BrokerCheck and IAPD, and provide investors with copies of CRD records and IARD records upon request, on paper or electronically.<sup>29</sup>

#### **IV. Broker-Dealer Registration and Disclosure**

##### ***A. History of CRD and BrokerCheck***

Generally, brokers, who are engaged in the business of buying and selling securities for their customers' accounts, and dealers, who are engaged in the business of buying and selling securities for their own account, are regulated under the Securities Exchange Act of 1934 (the "Exchange Act").<sup>30</sup> Congress amended the Exchange Act in 1938 to allow for private sector oversight of brokers and dealers, commonly referred to as self-regulation, which led to the

---

<sup>28</sup> Note, however, that Wyoming does not have a statutory requirement for investment adviser registration.

<sup>29</sup> For example, Oregon provides online access to information on investment advisers registered in the state. See the Oregon Division of Finance and Corporate Securities Web site at <http://www4.cbs.state.or.us/ex/dfcs/dfcslic/adviser/>.

<sup>30</sup> See Exchange Act Sections (3)(a)(4)(A) and (3)(a)(5)(A) [15 U.S.C. 78c(a)(4)(A) and 78c (a)(5)(A)].

creation of the National Association of Securities Dealers (“NASD”), now known as FINRA.<sup>31</sup> FINRA developed the CRD database in conjunction with NASAA to centralize registration for the broker-dealer industry.<sup>32</sup> When implemented in 1981, CRD consolidated a multi-state, paper-based registration process into a single, nationwide filing process and computer system.<sup>33</sup> Information in CRD is obtained through forms (the “Uniform Forms”) that registered representatives, broker-dealers, and regulators complete as part of the securities industry registration and licensing process. Six different Uniform Forms are used to file information with CRD: (i) Form U4 (Uniform Application for Securities Industry Registration or Transfer); (ii) Form U5 (Uniform Termination Notice for Securities Industry Registration); (iii) Form U6 (Uniform Disciplinary Action Reporting Form); (iv) Form BD (Uniform Application for Broker-Dealer Registration), a Commission form; (v) Form BDW (Uniform Request for Broker-Dealer Withdrawal), also a Commission form; and (vi) Form BR (Uniform Branch Office Registration Form).<sup>34</sup>

---

<sup>31</sup> On July 26, 2007, the Commission approved a proposed rule change by NASD to amend its Certificate of Incorporation to reflect its name change to FINRA, in connection with the consolidation of its member firm regulatory functions with NYSE Regulation, Inc. *See* Exchange Act Rel. No. 56145 (Jul. 26, 2007) [72 FR 42190 (Aug. 1, 2007)]. For purposes of this study, the acronym “FINRA” will be used throughout except to refer to NASD rules and notices that FINRA continues to use.

<sup>32</sup> *See* NASAA’s Web site at [http://www.nasaa.org/industry\\_\\_regulatory\\_resources/CRD\\_\\_IARD/](http://www.nasaa.org/industry__regulatory_resources/CRD__IARD/). NASAA also includes hyperlinks to BrokerCheck and IAPD on its investor education Web page. *See* NASAA’s investor education Web page at [http://www.nasaa.org/investor\\_education/11080.cfm](http://www.nasaa.org/investor_education/11080.cfm).

<sup>33</sup> *See id.*

<sup>34</sup> Information on the Uniform Forms is available at <http://www.finra.org/industry/compliance/registration/crd/filingguidance/p005235>.

In 1988, FINRA established the Public Disclosure Program, the predecessor of BrokerCheck, to provide the public with information on the professional background, business practices, and conduct of FINRA members and their associated persons.<sup>35</sup> In 1998, Internet access to registration data became available when FINRA began to provide public access to members' registration information and their associated persons' employment history through its Web site.<sup>36</sup> In 1999, FINRA introduced "Web CRD," which allowed the electronic filing of registration forms through its Web site.<sup>37</sup> By 2002, more than 95% of the public inquiries to the Public Disclosure Program were received through the Internet.<sup>38</sup> In response to this demand, FINRA proposed establishing a central electronic gateway to information about broker-dealers, which led to the creation of BrokerCheck, whose primary purpose is to help investors make informed choices about the individuals and firms with which they may wish to do business.<sup>39</sup> In 2006, Congress required FINRA to establish and maintain a system for collecting and maintaining registration information and a readily accessible electronic process to receive and

---

<sup>35</sup> See Exchange Act Release No. 25604 (April 20, 1988) [53 FR 14878 (April 26, 1988)] (Notice of Filing and Immediate Effectiveness of File No. SR-NASD-88-14).

<sup>36</sup> See Exchange Act Release No. 61927 (Apr. 16, 2010) [75 FR 21064 (Apr. 22, 2010)] (proposing amendments to FINRA's BrokerCheck disclosure rule (SR-FINRA-2010-012)).

<sup>37</sup> See FINRA's Web site at [www.finra.org/Industry/Compliance/Registration/CRD/index.htm](http://www.finra.org/Industry/Compliance/Registration/CRD/index.htm).

<sup>38</sup> See NASD Notice to Members 02-74 (Nov. 2002) (requesting comment on Public Information Review Initiative).

<sup>39</sup> See Exchange Act Release No. 60462 (August 7, 2009) [74 FR 41470 (August 17, 2009)] (FINRA's proposed rule change to its BrokerCheck disclosure rule (SR-FINRA-2009-050)).



respond to inquiries about registration information, as well as adopt rules governing such inquiries and the type and scope of information to be provided in response.<sup>40</sup>

### ***B. Data Available on BrokerCheck***

BrokerCheck provides public access to certain CRD registration data about broker-dealers and registered representatives.<sup>41</sup> The information on BrokerCheck regarding registered representatives is derived from the information on the Uniform Forms, including Forms BD, BDW, U4, U5, U6, and BR. Information on formerly registered representatives is available for ten years after de-registration, and permanently for registered representatives who were the subject of a final regulatory action.<sup>42</sup>

FINRA Rule 8312 governs the information that FINRA releases to the public regarding broker-dealers and registered representatives and requires them to keep their registration data

---

<sup>40</sup> See Military Personnel Financial Service Protection Act, Pub. L. No. 109-290, 120 Stat. 1317 (2006).

<sup>41</sup> In October 2010, the BrokerCheck database covered approximately 637,347 registered representatives and approximately 4,698 registered broker-dealer firms (based on data obtained from FINRA on Oct. 8, 2010). Of the firms, approximately 842, or approximately 18.4%, also were registered as investment advisers with the Commission or a state (based on data obtained from FINRA on Nov. 3, 2010). There were approximately 12,440 formerly-registered broker-dealers in the database in October 2010 (based on data obtained from FINRA on Oct. 8, 2010). In October 2010, BrokerCheck displayed records for approximately 182,582 former registered representatives, with approximately 32,000 of the records, or approximately 17.5%, permanently available (based on data obtained from FINRA on Oct. 8, 2010). In 2009, more than 20 million searches were conducted through BrokerCheck.

<sup>42</sup> A registered representative is subject to a final regulatory action if, among other things, he or she was: convicted of or pled guilty or no contest to certain crimes; subject to a civil injunction involving investment-related activity; found in a civil court to have been involved in a violation of investment-related statutes or regulations, or named as a respondent or defendant in an investment-related, consumer initiated arbitration or civil lawsuit that alleged he or she committed a sales practice violation and resulted in an award or civil judgment against him or her. See Exchange Act Release No. 62476 (July 8, 2010) [75 FR 41254 (July 15, 2010)] (approving amendments to FINRA's BrokerCheck disclosure rule (SR-FINRA-2010-012)).

accurate and up-to-date.<sup>43</sup> The rule has been revised several times in the past decade to increase the amount and type of information available to the public on BrokerCheck. For example, FINRA amended the rule in 2000 to continue to provide records about former registered representatives for two years after their association with a member firm had been terminated.<sup>44</sup> In 2007, the Commission approved FINRA's amendment to Rule 8312 to provide for disclosure of examinations passed by registered representatives. FINRA also amended Rule 8312 to expand disclosure of arbitration awards to include those awards that historically were not reported because they fell below a specified dollar amount.<sup>45</sup> These rule amendments established a threshold for publicly disclosing "historic" customer complaints at least two years old that either remained unresolved or settled for less than a specified dollar amount.<sup>46</sup>

In 2009, the Commission approved FINRA's amendment to Rule 8312 to make available permanently in BrokerCheck information about former registered representatives who were the subject of a final regulatory action, such as an action brought by a federal, state, or foreign

---

<sup>43</sup> Broker-dealers must update CRD no later than thirty days after they learn that an update is required and in some instances, within ten days. *See* NYSE Rule 351(b) and NASD Rule 3070(b).

<sup>44</sup> *See* Exchange Act Release No. 42402 (Feb. 7, 2000) [65 FR 7582 (Feb. 15, 2000)] (approving amendments to NASD's Public Disclosure Program (SR-NASD-99-45)).

<sup>45</sup> *See* Exchange Act Release No. 55127 (Jan. 18, 2007) [72 FR 3455 (Jan. 25, 2007)] (approving rule change relating to BrokerCheck disclosure (SR-NASD-2003-168)).

<sup>46</sup> Historic complaints are customer complaints that were reported on a uniform registration form that are more than two years old and that have not been settled or adjudicated and customer complaints, arbitrations, or litigations that have been settled for an amount less than the specified dollar amount (identified on the customer complaint question) and are therefore no longer reportable on a uniform registration form. *See* Exchange Act Release No. 62476 (July 8, 2010) [75 FR 41254 (July 15, 2010)] (approving amendments relating to BrokerCheck disclosure (SR-FINRA-2010-012)).

financial regulatory authority, or an SRO.<sup>47</sup> Effective November 2010, the Commission approved FINRA's amendment to Rule 8312 to make BrokerCheck reports on former registered representatives publicly available for ten years after association with a member firm.<sup>48</sup> Previously, BrokerCheck reports on former registered representatives were made publicly available for only two years following their exit from the industry.<sup>49</sup>

Also in 2010, the Commission approved FINRA's amendment to Rule 8312 to expand the information regarding former registered representatives that is available permanently on BrokerCheck.<sup>50</sup> Prior to these amendments, criminal convictions and civil injunctions in connection with investment-related activities were disclosed for a two-year period following the termination of a registered representative's association with a member firm. Following the 2010 amendments, that information is disclosed permanently.<sup>51</sup> The 2010 amendments also made

---

<sup>47</sup> See Exchange Act Release No. 61002 (Nov. 13, 2009) [74 FR 61193 (Nov. 23, 2009)] (approving rule change relating to BrokerCheck disclosure (SR-FINRA-2009-050)).

<sup>48</sup> In approving the FINRA rule filing, the Commission stated that it "will help members of the public to protect themselves from unscrupulous people." See Exchange Act Release No. 62476 (July 8, 2010) [75 FR 41254, 41257 (July 15, 2010)] (approving amendments relating to BrokerCheck disclosure (SR-FINRA-2010-012)). In approving the proposed rule change, the Commission stated that "such information is relevant to investors and members of the public who wish to educate themselves with respect to the professional history of a formerly associated person. Formerly associated persons, although no longer in the securities industry in a registered capacity, may work in other investment-related industries, such as financial planning," or "may seek to attain other positions of trust with potential investors. Disclosure of such person's record, while he was in the securities industry via BrokerCheck should help members of the public decide whether to rely on his advice or expertise or do business with him." *Id.*

<sup>49</sup> See Exchange Act Release No. 61002 (Nov. 13, 2009) [74 FR 61193 (Nov. 23, 2009)] (approving rule change relating to BrokerCheck disclosure (SR-FINRA-2009-050)).

<sup>50</sup> See *supra* note 48.

<sup>51</sup> Exchange Act Release No. 62476 (July 8, 2010) [75 FR 41254 (July 15, 2010)].

“historic” customer complaints publicly available through BrokerCheck in every case. Prior to those amendments, historic complaints were made publicly available through BrokerCheck only where: (i) they became historic complaints on or after March 19, 2007; (ii) the most recent historic complaint was less than ten years old; and (iii) the registered representative had a total of three or more disclosable regulatory actions, currently reported customer complaints, arbitrations, or litigations.<sup>52</sup>

Pursuant to the current version of FINRA Rule 8312, BrokerCheck provides the following information (subject to certain exceptions for personal and other information as set forth in the rule)<sup>53</sup> with respect to current and former members, current associated persons, and persons associated with a member in the preceding ten years:

- any information reported on the most recently filed Form U4, Form U5, Form U6, Form BD, and Form BDW;
- currently approved registrations;
- summary information about certain arbitration awards against a member involving a securities or commodities dispute with a public customer;
- the most recently submitted comment, if any, provided to FINRA by the person who is covered by BrokerCheck, in the form and in accordance with the procedures established by FINRA, for inclusion with the information provided through BrokerCheck (only comments that relate to the information provided through BrokerCheck are included);
- information as to qualification examinations passed by the person and date passed (FINRA does not release information regarding examination scores or failed examinations);
- in response to telephonic inquiries via the BrokerCheck toll-free telephone listing, whether a particular member is subject to the provisions of NASD Rule 3010(b)(2) (FINRA’s taping rule);

---

<sup>52</sup> Exchange Act Release No. 62476 (July 8, 2010) [75 FR 41254 (July 15, 2010)].

<sup>53</sup> See FINRA Rule 8312(d).

- historic complaints (*i.e.*, the information last reported on Uniform Forms relating to customer complaints that are more than two years old and that have not been settled or adjudicated, and customer complaints, arbitrations or litigations that have been settled for an amount less than \$10,000 prior to May 18, 2009 or an amount less than \$15,000 on or after May 18, 2009 and are no longer reported on a Uniform Form), provided that any such matter became a Historic Complaint on or after August 16, 1999; and
- the name and succession history for current or former members.<sup>54</sup>

In addition, BrokerCheck provides the following information (subject to certain exceptions for personal and other information as set forth in the rule)<sup>55</sup> with respect to persons who were formerly associated with a member, but who have not been associated with a member within the preceding ten years, and (A) were ever the subject of a final regulatory action as defined in Form U4 that has been reported to CRD on a Uniform Form; or (B) were registered with FINRA on or after August 16, 1999, and any of the following applies, as reported to CRD on a Uniform Form: (i) was convicted of or pled guilty or *nolo contendere* to a crime; (ii) was the subject of a civil injunction in connection with investment-related activity or a civil court finding of involvement in a violation of any investment-related statute or regulation; or (iii) was named as a respondent or defendant in an investment-related, consumer-initiated arbitration or civil litigation which alleged that the person was involved in a sales practice violation and which resulted in an arbitration award or civil judgment against the person:

- information regarding the event(s) enumerated above or as reported on a Uniform Form;
- administrative information, including employment history and registration history derived from information reported on a Uniform Form;

---

<sup>54</sup> See FINRA Rule 8312(b).

<sup>55</sup> See FINRA Rule 8312(d).

- the most recently submitted comment, if any, provided to FINRA by the person who is covered by BrokerCheck, in the form and in accordance with the procedures established by FINRA, for inclusion with the information provided through BrokerCheck (only comments that relate to the information provided through BrokerCheck are included); and
- information as to qualifications examinations passed by the person and date passed (FINRA does not release information regarding examination scores or failed examinations).<sup>56</sup>

Not all information in CRD is disclosed to the public through BrokerCheck. The following CRD information is not made publicly available on BrokerCheck:

- Reasons and Comments Related to Termination. In situations where a broker-dealer terminates a registered representative, BrokerCheck reports exclude the reason for the termination and any comments from the former registered representative regarding the termination, although this information is reported on Form U5. FINRA also excludes from BrokerCheck, generally, information on Form U4 for registered representatives who have terminated registration more than ten years ago.<sup>57</sup>
- Formerly Reportable Information. Certain information that was, but is no longer required to be, reported through the registration and licensing process is not disclosed through BrokerCheck. This information includes, for example, judgments and liens originally reported as outstanding that have been satisfied and bankruptcy proceedings filed more than ten years ago.
- Examination Details. Scores on industry qualification examinations, and failed examinations, are also excluded from BrokerCheck reports, although BrokerCheck displays industry examinations that a registered representative has passed.<sup>58</sup>
- Previous Filings. BrokerCheck provides only the most recent filings by broker-dealers and their associated persons; it does not provide access to previous filings.
- Discretionary Disclosure. FINRA, on a case-by-case basis, reserves the right to

---

<sup>56</sup> See FINRA Rule 8312(c).

<sup>57</sup> See FINRA Rule 8312(b)(1).

<sup>58</sup> FINRA has stated that it excludes such information because the passing grade varies from examination to examination and can change over time, and that examination scores are not designed to predict an individual's job performance or compliance record. *Id.*

exclude information that contains confidential customer information, offensive or potentially defamatory language or information that raises significant identity theft or privacy concerns that are not outweighed by investor protection concerns. Also, in certain limited circumstances, FINRA's policy allows for information to be expunged from CRD, most often pursuant to a court order.

- Personal Information. FINRA does not include Social Security numbers, home addresses, or physical descriptions in BrokerCheck reports.
- Certain Criminal Charges. Criminal charges that did not result in convictions and certain other actions that did not lead to an award or finding against the registered representative, for whatever reason, are not disclosed through BrokerCheck.

### ***C. BrokerCheck Format and Usage***

BrokerCheck's format allows users to search by name or registration number for a registered representative or broker-dealer. Results are displayed in a one-page summary; more detailed information is available as well. An investor who accesses BrokerCheck seeking information about a broker-dealer would be presented with the following information in the heading for the summary report: the name of the firm; its registration number or numbers; the address of its main office; its mailing address; and its business telephone number. An investor who accesses BrokerCheck for information on an individual registered representative would be presented with the following information in the heading for the summary report: the name of the individual; the individual's registration number; the name and address of the firm with which the individual is currently employed and registered; and the length of time the individual has been registered with that firm.

In 1999, a year after FINRA began making records available on its Web site, FINRA received more than one million inquiries, and by 2002, it was fielding more than two million

inquiries a year.<sup>59</sup> Usage has increased since BrokerCheck was deployed in March 2007. More than 20 million searches were conducted on the BrokerCheck Web site in 2009, with approximately 18.5 million summary records viewed and approximately 3.8 million requests for detailed reports on a registered representative or a broker-dealer.<sup>60</sup> However, FINRA is unable to determine the number of unique visitors to BrokerCheck because BrokerCheck does not use persistent “cookies” – small data files that would allow it to recognize repeat visitors. FINRA is further unable to identify the percentage of visitors to the BrokerCheck Web site that are individual investors, regulators, or brokerage industry members.<sup>61</sup>

## V. Investment Adviser Registration and Disclosure

### A. *History of IARD and IAPD*

Investment advisers receive compensation for providing advice to others about investing in securities.<sup>62</sup> Investment advisers use Form ADV under the Investment Advisers Act of 1940 (“Advisers Act”) to apply for registration with the Commission or with state securities authorities.<sup>63</sup> The Commission adopted Form ADV in 1954 and has amended the form several times since then.<sup>64</sup> For example, in 1985, the Commission, together with NASAA, developed a

---

<sup>59</sup> Based on data obtained from FINRA on Nov. 3, 2010.

<sup>60</sup> Based on data obtained from FINRA on Oct. 8, 2010.

<sup>61</sup> Although the BrokerCheck Web site includes a link to a voluntary survey that visitors may access to provide demographic data to FINRA for its internal use, it is unclear whether, and how many, visitors to the BrokerCheck Web site actually access and respond to the survey.

<sup>62</sup> See Advisers Act Section 202(a)(11) [15 U.S.C. 80b-2(a)(11)].

<sup>63</sup> See Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234 n.5 (Aug. 12, 2010)] (adopting rule amendments to Form ADV).

<sup>64</sup> See Investment Advisers Act Release No. 73 (June 25, 1954).



new version of Form ADV – the “Uniform Application for Investment Adviser Registration” – to serve as the investment adviser registration form for all jurisdictions requiring registration.<sup>65</sup>

This uniform Form ADV is the basis of the form that investment advisers use today.<sup>66</sup>

Amendments to Form ADV in 1979 promulgated the so-called “brochure rule” that currently requires certain investment advisers subject to registration with the Commission under the Advisers Act to furnish clients and prospective clients with a written document – the brochure – and one or more brochure supplements, containing the information required by Part 2 of Form ADV.<sup>67</sup> The brochure rule requires investment advisers to deliver the brochure directly to clients and prospective clients before or at the time of entering into an investment advisory contract, and each year thereafter to provide clients with either (i) a copy of the current (updated) brochure, or (ii) a summary of material changes to the brochure that includes an offer to provide a copy of the current brochure.<sup>68</sup> The Commission recently changed the presentation requirements of the brochure from a check-the-box type format to a narrative format designed to provide investors with clearly written, meaningful, current disclosure of the business practices, conflicts of interest, and background of the investment adviser.<sup>69</sup>

---

<sup>65</sup> See Investment Advisers Act Release No. 991 (Oct. 15, 1985) [50 FR 42903 (Oct. 23, 1985)]. The uniform Form ADV became effective on January 1, 1986.

<sup>66</sup> *Id.*

<sup>67</sup> See Investment Advisers Act Release No. 664 (Jan. 30, 1979) [44 FR 7370 (Feb. 7, 1979)]. See also Rule 204-3(a) under the Advisers Act [17 CFR 275.204-3(a)].

<sup>68</sup> See Rule 204-3 under the Advisers Act [17 CFR 275.204-3].

<sup>69</sup> See Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234 n.5 (Aug. 12, 2010)] (adopting rule amendments to Form ADV).

Currently, investment advisers subject to registration under the Advisers Act are required to file Form ADV (including the Part 2A brochure – but not the Part 2B brochure supplement)<sup>70</sup> electronically through IARD. Prior to 1996, most investment advisers were required to register with the Commission as well as with each state in which they did business, using paper-based forms. The National Securities Market Improvement Act of 1996 (“NSMIA”) eliminated this system of dual registration and consolidated oversight.<sup>71</sup> In most cases, NSMIA mandated that oversight of larger advisory firms be left exclusively to the Commission, with smaller firms to be overseen by the states in which they do business.<sup>72</sup> Under NSMIA, the dividing line was based on the amount of assets managed by the adviser, and was set at \$25 million.<sup>73</sup> Under the Dodd-Frank Act, that threshold will rise to \$100 million on July 21, 2011.<sup>74</sup>

NSMIA also authorized the Commission to establish an electronic filing system for investment advisers, to require advisers to pay the costs associated with the system, and to

---

<sup>70</sup> As discussed in greater detail in Section V.B below, the brochure supplement describes the educational background, business experience, and disciplinary history (if any) of specified individuals providing advisory services to a particular client.

<sup>71</sup> Pub. L. No. 104-290, 110 Stat. 3438 (1996). NSMIA is codified in relevant part as Section 203A of the Advisers Act [15 U.S.C. 80b-3a].

<sup>72</sup> The Commission and the states retained general antifraud enforcement authority over the advisers that were not registered with them.

<sup>73</sup> Advisers Act Section 203A(a)(1)(A) [15 U.S.C. 80b-3a(a)(1)(A)].

<sup>74</sup> See Section 410 of the Dodd-Frank Act; Advisers Act Section 203A [15 U.S.C. 80b-3]; Investment Advisers Act Release No. 3110 (Nov. 19, 2010) [75 FR 77052 (Dec. 10, 2010)] (proposing rules implementing amendments to the Advisers Act to effectuate certain provisions of the Dodd-Frank Act, including requiring, among other things, hedge funds and other private funds to register with the Commission).

provide investors with a readily accessible database of information about investment advisers.<sup>75</sup> Under this authority, the Commission adopted a rule in 2000 requiring advisers to register electronically by filing through IARD, starting in 2001.<sup>76</sup> The Commission contracted with FINRA to operate IARD, citing its technical expertise in running Web CRD.<sup>77</sup> FINRA continues to operate IARD under contract with the Commission. The Commission, in consultation with the state securities authorities with respect to Uniform Forms, retains decision-making authority with respect to expanding IARD and the information that is collected by this system. The Commission recently has adopted a significant revision to the core information collection documents for investment advisers,<sup>78</sup> and is preparing to implement additional changes to the investment adviser registration regime pursuant to the Dodd-Frank Act.<sup>79</sup>

IAPD has been in operation since 2001 for investment advisory firms. IAPD displays records for SEC- and state-registered advisers, and was expanded in mid-2010 to include

---

<sup>75</sup> Pub. L. No. 104-290, 110 Stat. 3438 (1996). *See also* Investment Advisers Act Release No. 1897 (Sept. 12, 2000) [65 FR 57438 (Sept. 22, 2000)] (adopting rules and rule amendments requiring electronic filing by investment advisers).

<sup>76</sup> Investment Advisers Act Release No. 1897 (Sept. 12, 2000) [65 FR 57438, 57445 (Sept. 22, 2000)](adopting rules and rule amendments requiring electronic filing by investment advisers) (stating that the amendments were “necessary” to, among other things, “develop a database of information about advisers that is easily accessible to investors”).

<sup>77</sup> *See* IARD Web site at <http://www.iard.com/WhatIsIARD.asp>.

<sup>78</sup> *See* Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234 (Aug. 12, 2010)] (adopting rule amendments to Form ADV).

<sup>79</sup> *See* Investment Advisers Act Release No. 3110 (Nov. 19, 2010) [75 FR 77052 (Dec. 10, 2010)] (proposing rules implementing amendments to the Advisers Act to effectuate certain provisions of the Dodd-Frank Act, including requiring, among other things, managers of hedge funds and other private funds to register with the Commission).

investment adviser representatives.<sup>80</sup> IAPD also contains information on formerly registered advisers and investment adviser representatives. In November 2010, the system was modified to retain information about advisory firms and investment adviser representatives that de-registered in the past ten years, mirroring changes, approved a few months earlier, to BrokerCheck for former registered representatives.<sup>81</sup> Previously, IAPD displayed data on advisory firms for two years after their de-registration.

In the second half of 2010, there were approximately 11,889 SEC-registered investment advisers and approximately 14,688 state registered investment advisers on IAPD.<sup>82</sup> The Staff anticipates that approximately 4,100 SEC-registered advisers will shift to state oversight once the Dodd-Frank Act's higher threshold for SEC oversight of advisers takes effect on July 21, 2011. A Dodd-Frank Act requirement for registration of certain private investment fund managers is expected to add approximately 750 SEC-registered advisers, for a net reduction of approximately 3,350 SEC-registered advisers.

---

<sup>80</sup> See Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234 (Aug. 12, 2010)] (adopting amendments to Form ADV).

<sup>81</sup> *Id.*

<sup>82</sup> Based on data obtained from IARD on Nov. 8, 2010. SEC registration data are as of Nov. 1, 2010. State registration data are as of July 1, 2010.

## ***B. Data Available on IARD and IAPD***

Although IARD was modeled on CRD,<sup>83</sup> the systems differ in design to accommodate the fact that advisory firms register using different forms than broker-dealers. The investment adviser forms that are on IAPD are Form ADV and Form ADV-E.<sup>84</sup> Investment adviser representative information on IAPD is summarized from various state sources, including:

- Forms U4, U5, and U6;
- current registration status and effective date of investment adviser representative registrations from IARD and /or CRD;
- investment adviser representative comments submitted to FINRA regarding information in IAPD;
- any applicable qualification examinations passed by investment adviser representatives; and
- certain designations (*e.g.*, Certified Financial Planner, Certified Financial Analyst) reported to FINRA by the applicable designating authority.

Investment advisers register with the Commission by filing the two-part Form ADV, and withdraw from registration by filing a Form ADV-W. Regulators use Part 1 of Form ADV to process registrations and manage regulatory and examination programs.<sup>85</sup> Part 2A of Form ADV, known as the “brochure,” is intended for advisory clients and also provides information

---

<sup>83</sup> See Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234 (Aug. 12, 2010)] (adopting amendments to Form ADV).

<sup>84</sup> Form ADV-E is the form that is required to be completed by investment advisers that have custody of client funds or securities and that are subject to an annual surprise examination.

<sup>85</sup> See Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234 (Aug. 12, 2010)] (adopting amendments to Form ADV).

used by the Commission’s examination program.<sup>86</sup> Part 2B requires investment advisers to provide clients and prospective clients with a “brochure supplement” describing the educational background, business experience, and disciplinary history (if any) of specified individuals providing advisory services to a particular client.<sup>87</sup>

Investment advisers must update Part 1 of their Form ADV at least annually, within ninety days of their fiscal year end, or more often as needed to report certain disciplinary actions or specified changes to the adviser’s services or contact information.<sup>88</sup> Part 1 of Form ADV uses a check-the-box, multiple-choice, question-and-answer format to describe the adviser’s business. It provides details on persons who own and control the advisory firm, including whether the firm or any of its current personnel has been disciplined in the past ten years in any criminal, civil, or regulatory actions, or in foreign or military courts.<sup>89</sup> In 2000, the Commission substantially amended Part 1 of the form to accommodate electronic filing,<sup>90</sup> and divided it into two sections, with the first to be completed by all investment advisers and the second by state registered advisers.<sup>91</sup>

For advisory firms, the IAPD report generally displays the firm’s completed Form ADV. Nearly all of the information collected on Form ADV with respect to investment advisers is

---

<sup>86</sup> *Id.*

<sup>87</sup> *Id.*

<sup>88</sup> *Id.*

<sup>89</sup> Investment Advisers Act Release No. 1897 (Sept. 12, 2000) [65 FR 57438, 57445 (Sept. 22, 2000)].

<sup>90</sup> *Id.*

<sup>91</sup> *Id.*

made publicly available through IAPD.<sup>92</sup> The first item on Form ADV includes certain identifying information, including, for example: the full legal name of the firm; its registration number; its address; the days and times of normal business operations; whether it has a Web address; and whether it is registered with any foreign regulatory authority. The second item on the form covers the firm's U.S. registrations and notice filings. Item 3 on the form covers how the firm is organized and when its fiscal year ends. Item 4 covers whether the firm is a successor to a previously registered investment adviser. Item 5 contains information about the adviser's business, such as the number of employees and clients, the types of clients, the amount of assets the firm manages, and compensation agreements.

Item 6 covers other business activities of the adviser, including broker-dealer operations. Item 7 covers financial industry affiliations, such as with another investment adviser or broker-dealer. Item 8 covers the firm's participation or interest in client transactions. Item 9 covers how the firm handles custody of customers' cash or securities. Item 10 identifies who controls the adviser. Item 11 covers the adviser's regulatory and disciplinary history. Item 12 applies if the firm qualifies as a small business. Investors may click through each item to get to the next item of the form or may navigate to specific items of the form through a menu located on each page; there is no summary of the information.

Part 2A of Form ADV (the "brochure") requires some of the same information contained in Part 1, in a narrative format, as well as information on business practices, fees, and conflicts of interest that the investment adviser may have with clients. As discussed, the Commission

---

<sup>92</sup> Two categories of information filed with IARD but excluded from IAPD are historical filings and withdrawal forms. An investment adviser's registration status, however, does reflect withdrawal form filings. In addition, certain personally identifiable information such as Social Security numbers and private residence addresses of investment adviser representatives are not available on IAPD.

requires investment advisers to deliver the brochure directly to clients and prospective clients before or at the time of entering into an investment advisory contract, and each year thereafter to provide clients with either a copy of the current (updated) brochure, or a summary of material changes to the brochure that includes an offer to provide a copy of the current brochure.<sup>93</sup> Because material changes are required to be communicated to investors, they need not access IAPD solely to apprise themselves of such developments.

Under 2010 amendments to Form ADV and related rules, most SEC-registered advisers are required to have a Part 2A brochure filed electronically by April 1, 2011.<sup>94</sup> The brochures, which will use a standardized format to “facilitate investors’ comparison of multiple advisers,” will be available in IAPD as PDF documents.<sup>95</sup> Brochures already are posted on IAPD for advisers that file them electronically on a voluntary basis.

The 2010 amendments also required changes to the content of brochures themselves, specifying eighteen items that must be presented in a plain English, narrative format.<sup>96</sup> They are:

- Item 1. Cover Page
- Item 2. Material Changes
- Item 3. Table of Contents
- Item 4. Advisory Business
- Item 5. Fees and Compensation

---

<sup>93</sup> See Rule 204-3 under the Advisers Act [17 CFR 275.204-3].

<sup>94</sup> See Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234 (Aug. 12, 2010)] (adopting amendments to Form ADV).

<sup>95</sup> *Id.*

<sup>96</sup> *Id.*



- Item 6. Performance-Based Fees and Side-by-Side Management
- Item 7. Types of Clients
- Item 8. Methods of Analysis, Investment Strategies and Risk of Loss
- Item 9. Disciplinary Information
- Item 10. Other Financial Industry Activities and Affiliations
- Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading
- Item 12. Brokerage Practices
- Item 13. Review of Accounts
- Item 14. Client Referrals and Other Compensation
- Item 15. Custody
- Item 16. Investment Discretion
- Item 17. Voting Client Securities
- Item 18. Financial Information

The Commission's 2010 rule amendments require investment advisers to provide clients with a Part 2B brochure supplement detailing the educational background, business experience, and disciplinary history (if any) of specified individuals providing advisory services to a particular client.<sup>97</sup> Investment advisers registered with the Commission are not required to file Part 2B brochure supplements electronically through IARD, and the brochure supplements are not available on IAPD unless voluntarily filed through IARD.

---

<sup>97</sup> *Id.*

### *C. IAPD Format and Usage*

Just as BrokerCheck allows users to search for a broker-dealer or a registered representative, IAPD permits users to search for an advisory firm or an investment adviser representative by name or registration number. Advisory firm searches display complete registration data on Part 1 of the firm's Form ADV and the brochure or brochures the adviser has filed. In contrast, IAPD reports on investment adviser representatives use the same format as BrokerCheck, providing a summary and a more detailed report. A link to BrokerCheck is provided on the IAPD Web site for dually registered investment adviser representatives, whose records are contained in both databases.

The summary page on IAPD for investment adviser representatives contains the same categories of information that appear on BrokerCheck for registered representatives – current employer, qualifications, registration and employment history, and disclosure events – presented in a slightly different format. The IAPD summary shows if the investment adviser representative also is registered as a registered representative, and links to BrokerCheck.

In the second quarter of 2010, there were approximately 188,572 visits to IAPD. For 2009, visits totaled approximately 1.31 million. This was an increase from approximately 1.16 million in 2008.<sup>98</sup> The Commission is unable to identify the number of unique visitors to IAPD, or the type of visitor, because IAPD does not place “cookies” on the computers of those using IAPD.<sup>99</sup>

---

<sup>98</sup> Based on data obtained from FINRA on July 28, 2010.

<sup>99</sup> See IARD Web site at <http://www.iard.com>.

## **VI. Comparative Nature of Information Disclosed in BrokerCheck and IAPD**

There are conceptual and operational differences in the way that information is made publicly available to investors regarding broker-dealers and investment advisers and their associated persons, depending on whether data about the broker-dealer, registered representative, investment adviser, or investment adviser representative are contained in BrokerCheck, in IAPD, or both.<sup>100</sup> For example, BrokerCheck information generally is derived from data obtained through Forms – BD, BDW, U4, U5, U6, and BR – that broker-dealers, registered representatives, and regulators complete as part of the securities industry registration and licensing process and currently file through CRD. This generally includes information about current and former members, current registered representatives, and persons who were associated with a member in the preceding ten years, and information about persons who were formerly associated with a member, but who have not been associated with a member within the preceding ten years, but who nevertheless meet certain criteria.<sup>101</sup> FINRA is not required to make publicly available through BrokerCheck all CRD information submitted by broker-dealers and registered representatives.

IAPD essentially reproduces all of the information contained in the Form ADV and filed through IARD. This broad disclosure regime includes, among other things, narrative brochures that address the adviser's business and conflicts of interest, details about the persons who own

---

<sup>100</sup> The Staff recognizes that additional investor education and promotion of BrokerCheck and IAPD may be required to encourage investors to use those two systems. Further investigation into investor usage of BrokerCheck and IAPD is anticipated in connection with the Commission's study pursuant to Section 917 of the Dodd-Frank Act, regarding financial literacy among investors. *See also* Section 913 Study.

<sup>101</sup> *See supra* Section IV.B.

and control the advisory firm, including whether the firm or any of its current personnel has been disciplined in the past ten years in any criminal, civil, or regulatory actions, or in foreign or military courts as well as pending disciplinary events.<sup>102</sup> Investment advisers are required to deliver the brochure and any brochure supplements directly to their clients and prospective clients before or at the time of entering into an investment advisory contract, and annually thereafter to provide clients with either a copy of the current (updated) brochure, or a summary of material changes to the brochure that includes an offer to provide a copy of the current brochure.<sup>103</sup> Moreover, because material changes to the brochure are required to be communicated to existing and prospective advisory clients, those persons need not access IAPD to learn of such changes. The Staff has attempted to take into account the nature of these two disclosure regimes in formulating its recommendations.

---

<sup>102</sup> Note that BrokerCheck and IAPD “may disclose slightly different information regarding [h]istoric [c]omplaints of those financial services professionals that are dually registered as brokers and investment advisers.” Exchange Act Release No. 61927 n.20 (Apr. 16, 2010) [75 FR 21064 (Apr. 22, 2010)] (proposing amendments to FINRA’s BrokerCheck disclosure rule and discussing IAPD-I, the database that provides public registration and licensing information about natural persons who are registered as investment advisers with the states (SR-FINRA-2010-012)). For dually registered firms and representatives, the BrokerCheck report shows that information about the firm or the individual is available through IAPD, and the IAPD report shows that information about the firm or individual is available through BrokerCheck. In either case, the report includes a link to the other database. Historic customer complaints for investment adviser representatives that are made publicly available on IAPD date back to March 18, 2002, which is the date that IARD began accepting filings for investment adviser representative registration. *See* Exchange Act Release No. 61927 n.20 (Apr. 16, 2010) [75 FR 21064 (Apr. 22, 2010)]. BrokerCheck makes publicly available historic complaints, including those archived after the implementation of Web CRD on August 16, 1999.

<sup>103</sup> *See* Rule 204-3 under the Advisers Act [17 CFR 275.204-3].

## **VII. Recommendations**

The Staff makes the following recommendations. In the near-term, *i.e.*, in the eighteen-month implementation period, the Staff recommends: (1) unifying BrokerCheck and IAPD search results; (2) adding a ZIP code search or other indicator of location function to BrokerCheck and IAPD; and (3) adding educational content to BrokerCheck and IAPD. The Staff also recommends that, subsequent to the eighteen-month implementation period, Commission staff and FINRA continue to analyze, including through investor testing, the feasibility and advisability of expanding BrokerCheck to include information currently available in CRD, as well as the method and format of publishing that information; and that Commission staff continue to evaluate expanding IAPD content and the method and format of publishing that content, including through investor testing.

### ***A. Near-Term Recommendations***

The near-term recommendations, as described in greater detail below, involve unifying BrokerCheck and IAPD search results, adding a ZIP code search or other indicator of location function to BrokerCheck and IAPD, and adding educational content to BrokerCheck and IAPD.

#### **1. Further Centralizing Access to CRD and IARD Through Use of a Unified Search Function**

As noted earlier, the primary advantage of centralized access to registration information is that all of the data in the two systems would be in one place, making it easier for investors to obtain useful data. As described above, the current disclosure system comprises two distinct registration databases, requiring investors to know which database to search: BrokerCheck or

IAPD.<sup>104</sup> For investors who do not know whether their financial services provider is registered as a broker-dealer or an investment adviser, knowing where to conduct a background search may be problematic.<sup>105</sup> Moreover, not all financial services providers are required to register, including some service providers in the mortgage brokerage, banking, futures trading, or insurance industries. Some are exempt from registration or operate outside the Commission's oversight. Centralizing access would make it more likely that investors could find data about a financial services provider who at any time was registered as a registered representative or investment adviser representative, whether or not they knew the provider's registration status.

For the reasons above, a single system for searching for data on broker-dealers, investment advisers, and their associated persons may yield benefits in the long-term. However, given the time constraints imposed by the Dodd-Frank Act, maintaining the current separate databases, but unifying the search results, seems more feasible in the near-term. This approach would maintain the current CRD and IARD databases and the current BrokerCheck and IAPD Web sites, but each system would be modified to search the other's database and to return results from both.<sup>106</sup>

---

<sup>104</sup> This has led some to call for "a unified database that could track individuals," including those who are dually registered. See Angela A. Hung *et al.*, *Investor and Industry Perspectives on Investment Advisers and Broker-Dealers*, at 79 (RAND Institute for Civil Justice 2008) (the "RAND Report").

<sup>105</sup> The RAND Report found investors typically fail to distinguish between broker-dealers and investment advisers along the lines defined by federal regulations.

<sup>106</sup> As discussed, currently, for dually registered firms and representatives, the BrokerCheck report shows that information about the firm or the individual is available through IAPD, and the IAPD report shows that information about the firm or individual is available through BrokerCheck. In either case, the report includes a link to the other database.

There are several benefits to investors from unifying search results from the BrokerCheck and IAPD systems. It would eliminate the possibility that an investor would search for records about a broker-dealer or investment adviser, but fail to locate them because the investor chose the wrong database to search. It would also make the search process more efficient by eliminating the need to search two separate databases. Further, there would be no need to develop or promote a new Web site, making this approach less costly than the second option described below. Finally, the current level of usability would be maintained.

The Staff also considered two other approaches: (i) collapsing the two systems into a single public database; and (ii) creating an additional third Web site that would serve as a search portal for the systems. In the near-term, given the eighteen-month implementation period and other considerations discussed below, the Staff instead recommends maintaining the current separate databases but unifying the search results.

*Collapsing the two systems.* For the reasons above, a single system for searching for data about financial services providers may have long-term benefits. Creating a single public disclosure database by merging BrokerCheck and IAPD would facilitate investor access to data regarding financial services providers registered with the Commission. The advantage of this approach, as with our recommendation of a unified search function, is that it could make it easier for investors to access information because all of the information would be housed in a single database with a single point of access.

However, this approach presents significant issues that could be difficult to resolve expeditiously. Those issues include determining the potential costs and benefits of merging the two databases, the impact of such a merger on database ownership and the need for agreement

among FINRA, NASAA, and the Commission, and the effect of a merger on the usability of a combined system. In addition, this option could entail potentially significant costs to re-engineer and redesign the sites and to market the new database.

*Creating a third Web site portal.* Another approach would be to maintain BrokerCheck and IAPD in their current forms, but create a new Web site that would provide a single public disclosure gateway to them. This portal would not require users to know whether they should use BrokerCheck or IAPD. The creation of a third, separate route to the existing databases might pose fewer issues than an outright merging of BrokerCheck and IAPD because each system would remain independent. However, developing a new Web site would take additional resources, further time to acclimate investors to the new Web site as a source of information (particularly given the widespread use of BrokerCheck), and there would be questions to resolve, such as who would own and maintain the new Web site.

## 2. Add Search by ZIP Code or Other Indicator of Location

BrokerCheck and IAPD are designed to search for an individual or firm by name or registration number, which is useful only to investors who already have a broker-dealer or investment adviser, or who wish to research a particular person or firm, for example, one that has “cold-called” or otherwise solicited, or been referred to, them.<sup>107</sup> The systems are not, however,

---

<sup>107</sup> According to one recent survey, most people searching for a financial services firm or a financial services provider rely on referrals from family members, friends, or professionals. See Angela A. Hung *et al.*, *Investor Knowledge and Experience with Investment Advisers and Broker-Dealers* (RAND Institute for Civil Justice 2010). The same survey found less than 10% of those surveyed use the Internet to find a financial services firm and less than one percent use the Internet to find a financial services provider. *Id.* at 42. While family members, friends, and professionals can serve as valuable sources of information, the Staff believes that investors should evaluate thoroughly the background of any financial services provider that they use or plan to engage.



as useful for more general research about financial services providers. For example, they do not easily permit investors to locate and compare nearby financial services providers because they lack a function that would allow investors to search for a broker-dealer or investment adviser by ZIP code or other indicator of location. A search by ZIP code function might be helpful to investors who are seeking to hire a financial services provider by identifying those financial services providers who are located close enough to visit in person, or to compare an individual they have hired already with others nearby providing similar services. The Internet is now commonly used as a research tool, with approximately 58% of adults conducting research online about the products and services they buy,<sup>108</sup> a level that rises to approximately 88% for those with a household income of \$75,000 or more.<sup>109</sup> However, the Internet is not commonly used to assist in the search for a financial services provider.<sup>110</sup>

Adding a search by ZIP code function to BrokerCheck and IAPD may raise concerns, however. One concern is that providing the names of financial firms or financial services providers on a regulatory site would be viewed by investors as an endorsement of the individuals or firms identified by the search. To help address this concern, a prominent disclaimer could be

---

<sup>108</sup> See Jim Jansen, *Online Product Research* (Pew Internet & American Life Project at 2) (Sept. 29, 2010) (documenting the percentage of Americans who have researched a product or service online).

<sup>109</sup> *Id.* at 4.

<sup>110</sup> One way of locating information on the Internet via a search engine is to use a “local qualifier” such as a ZIP code. For example, some major financial institutions provide ZIP code search tools on their proprietary Web sites to help direct clients and prospective clients to local offices or affiliated financial services providers. Some financial trade associations also offer connections by ZIP code to certain credentialed financial services providers that they represent. Another category of financial search tools is provided by commercial Web sites that offer to link investors to the type of qualified financial services provider they are seeking based on ZIP code. These various ZIP code search tools, however, generally do not appear to provide the depth of information and detailed disclosures contained in BrokerCheck or IAPD.

added to inform users that search results do not constitute an endorsement. A second concern is that a ZIP code search function could encourage third parties to extract data from BrokerCheck and IAPD for repackaging and sale. While the Staff does not necessarily oppose the widespread dissemination of registration information, some methods that third parties use to extract data, such as data-scraping,<sup>111</sup> can interfere with the efficient performance of the systems. Although data-scraping and other technology issues related to a search by ZIP code function pose challenges, these obstacles do not appear to be insurmountable because technologies and protocols currently exist that are widely used by commercial firms to prevent the unauthorized acquisition of information, proprietary or otherwise. Implementing a search by ZIP code function for BrokerCheck would require FINRA to make programming changes to BrokerCheck; adding this function to IAPD would require programming changes with Commission authorization.

### 3. Add Educational Content

The Staff recommends that the BrokerCheck and IAPD Web sites be modified to add online educational materials, including links and definitions of terms that may be unfamiliar to individual investors. The definitions could be displayed through a rollover, hyperlinks, or other technology. Currently, BrokerCheck and IAPD both contain glossaries with definitions of terms

---

<sup>111</sup> Data- or screen-scraping is the process of acquiring data displayed onscreen by capturing the displayed text, either manually with the “copy” command or via software. *See, e.g., Christopher Vidiksis, How to Buffer Your Way Out of a Scrape: Potential Abuse of the Cartoon Network v. Cablevision Decision*, 4 Brook. J. Corp. Fin. & Com. L. 139, 140 n.32 (Fall 2009) (describing variations of screen-scraping). Screen-scraping typically occurs when software developers and data aggregators employ the use of programs that rove the Internet and programmatically evaluate digitally displayed information in order to extract from it the specific information requested by a third party. *Id.* at 147. *See also* Julia Angwin and Steve Stecklow, ‘Scrapers’ Dig Deep for Data on Web, Wall St. J. (Oct. 12, 2010).

used on the sites. For example, the BrokerCheck glossary includes terms that frequently appear on BrokerCheck reports, such as “arbitration,” “branch office,” “clearing firm,” “judgment,” and “lien.” The defined terms also cover forms, including Form BD, Form BDW, Form U4, Form U5 and Form U6, providing explanations of each. The BrokerCheck glossary explains some, but not all, industry examinations, including supervisory examinations. Similarly, the glossary on IAPD covers terms commonly used in the advisory industry, such as “client,” “discretionary authority,” “performance-based fee,” and “wrap fee program.” The defined terms also cover terms used on the forms, such as “advisory affiliate,” “investment-related,” and “management persons.” Terms used by regulators, such as “notice filing,” and legal terms appear in the glossary as well.

The Staff recommends that both Web sites include additional glossary definitions and explanatory material, written in a succinct and accessible manner. Investor testing or other means of soliciting investor input could help determine the terms that investors find confusing and would like to have explained and defined.

***B. Intermediate-Term Recommendation – Continued Analysis of BrokerCheck and IAPD***

The Staff also recommends that, subsequent to the eighteen-month implementation period, Commission staff and FINRA continue to analyze, including through investor testing, the feasibility and advisability of expanding BrokerCheck to include information currently available in CRD, as well as the method and format of publishing that information; and that Commission staff continue to evaluate expanding IAPD content and the method and format of publishing that content, including through investor testing.

Access to information filed on CRD and IARD can help investors make better decisions about their selection or evaluation of broker-dealers and investment advisers, and the Staff believes that such information should be disclosed to the public. The Commission has long expressed the view that registration information about financial services providers is key to making sound investment decisions.<sup>112</sup> As described above, IAPD and BrokerCheck are systems that provide investors important data about the financial services providers on whom they will rely in helping to meet their investment goals. While the Commission has stated that BrokerCheck is “a valuable tool for an investor to use to get information about a firm or a registered person with whom the investor is considering doing business,” the Commission nonetheless has “urge[d] investors to check with each state where the firm has done business or where the sales person has been registered to obtain a complete picture of his or her disciplinary history.”<sup>113</sup> Moreover, the Commission previously has encouraged FINRA to consider increasing the amount of information available on BrokerCheck.<sup>114</sup>

---

<sup>112</sup> See, e.g., Investment Advisers Act Release No. 3060 (July 28, 2010) [75 FR 49234 n.5 (Aug. 12, 2010)] (adopting amendments to Form ADV) (stating that “the disclosure clients and prospective clients receive is critical to their ability to make an informed decision about whether to engage an adviser and, having engaged the adviser, to manage the relationship.”).

<sup>113</sup> Exchange Act Release No. 55127 (Jan. 18, 2007) [72 FR 3455, 3461 (Jan. 25, 2007)].

<sup>114</sup> Exchange Act Release No. 62476 (July 8, 2010) [75 FR 41254 (July 15, 2010)] (SR-FINRA-2010-012) (“The Commission urges FINRA to consider expanding the information as suggested by the commenters. This information is available from the individual states; however, it would be more accessible through BrokerCheck. The Commission urges the public to utilize all sources of information particularly, the databases of the state regulators, as well as legal search engines and records searches, in conducting a thorough search of any associated person’s activities.”). In addition, information about other actions that are not disclosed on BrokerCheck may be available through other public sources, such as online search engines, regulators’ Web sites, and fee-based services such as Lexis or Westlaw. *Id.*

As discussed, regulators currently collect more information on registration forms than is made publicly available on BrokerCheck. For example, BrokerCheck excludes information reported on Form U5 concerning the reason for a registered representative's termination and any comments from the former registered representative regarding that termination reported on Form U5. Also, as discussed, FINRA excludes from BrokerCheck, generally, information on Form U4 for registered representatives who have terminated registration more than ten years ago.<sup>115</sup> Historical filings are another type of content that may be of interest to investors. BrokerCheck and IAPD provide only the most recent filings by broker-dealers, investment advisers, and their associated persons; they do not provide access to previous filings. Expanding BrokerCheck and IAPD to include registration data from previously filed registration forms, or amendments to them, would permit investors to review a firm's filing history and the changes the firm has undergone over time. Investor input could help determine whether investors would find any of this additional information useful.<sup>116</sup>

Similarly, investor input could help determine whether to revise formatting on the BrokerCheck or IAPD Web sites. For example, focus group testing may be an effective way to evaluate the usefulness of summary disclosure compared to full presentation of original documents, such as Form ADV. Such testing could also help determine whether investors would prefer to have the option to view a summary page on IAPD for advisory firms, similar to the summary data available on BrokerCheck and for investment adviser representatives on IAPD.

---

<sup>115</sup> See FINRA Rule 8312(b)(1).

<sup>116</sup> The Staff is unaware of any formal information-gathering regarding investors' views of BrokerCheck or IAPD.

Another possible modification to the BrokerCheck and IAPD Web sites is to hyperlink CRD numbers and SEC file numbers to information relating to owners, officers and affiliates associated with those numbers. The addition of these hyperlinks could make other business activities of broker-dealer and investment advisers, and their owners and officers, more transparent to investors. In addition, providing hyperlinks to content now available in BrokerCheck, which investors may obtain by clicking on the separate filings, could also provide investors with helpful information.

### **VIII. Conclusion**

Individual investors need useful tools to help them make important decisions about hiring and retaining broker-dealers and investment advisers. While BrokerCheck and IAPD currently are very helpful to investors, the recommendations in this study are intended to make these systems more accessible and useful to investors. This study responds to the requirement of Section 919B of the Act, which mandates that the Commission analyze the advantages and disadvantages of further centralizing access to registration information contained in CRD and IARD, identify data pertinent to investors and the method and format for displaying and publishing the data to enhance their accessibility by, and utility to, investors. It also responds to the requirement to provide recommendations to improve investor access to registration information and to identify additional information that could be made publicly available.