

Baritz & Colman LLP Alert

Act Now to Expunge: Claims About to Get Much More Expensive

Effective September 14, 2020, FINRA will enact a rule change to increase – from \$125 to \$3,875 – the cost of CRD expungement claims.

Under *current* FINRA rules, the financial advisor is responsible for paying a \$25 filing fee plus \$100 in hearing fees. For all expungement claims filed after September 14, 2020, *those fees will increase to \$1,575 and \$2,250 respectively.*

The new rule will also increase – from \$150 to \$5,650 – the total fees charged to the member firm which reported the CRD disclosure to be expunged (that firm must be named as respondent in the expungement claim). Under the current rule, the firm must pay a \$150 surcharge and no process fee, but the new rule will increase the surcharge to \$1,900 and add a process fee of \$3,750 – the new total: \$5,650.

While member firm fees are not paid by the financial advisor, we believe this increase in fees may adversely affect the firms' support of expungement claims.

As a broker's public-facing "permanent record," his or her CRD has become more publicly accessible in recent years, and the SEC's new Form CRS requirement will further make available any CRD disclosures to new and potential clients. As such, the expungement process can be an essential career management tool.

While FINRA's rule change does not necessarily limit an advisors' substantive rights, it will make the process significantly more expensive and certainly more difficult.

There is still time to act under current Rules. We are here to help.

For more information, please contact:

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