



Wall Street Makes It Hard to Dig Up Dirt on Your Broker or Brokerage Firm

By Susan Antilla

NEW YORK (TheStreet) -- To get an idea of the alternate universe in which some firms on Wall Street orbit, consider the letter that Andrew Heath, chief compliance officer of Shrewsbury, N.J.-based Buckman Buckman & Reid Inc., sent to the Financial Industry Regulatory Authority last June.

Heath was writing to voice “strong opposition” to a proposal that brokerage firms include a hyperlink on their home pages that would take customers to Finra’s BrokerCheck, where the public can find complaint and regulatory information about stockbrokers and their employers.

“There are many unscrupulous investors out there in the marketplace who will stop at nothing to extort money from brokers or their employer firms,” Heath wrote.

You read that right. Unscrupulous investors. Taking advantage of innocent

brokers. And to think that some of us were worried that it was dear old Aunt Matilda who was getting snookered by Wall Street's army of sales-people.

Finra wound up recommending to the Securities and Exchange Commission on May 27 that firms provide a BrokerCheck link on their home pages anyway, and -- Heath's indignation notwithstanding -- it was a coup for Wall Street that Finra didn't demand more. The securities industry fights hard to keep as much distance as it can between its customers and the dirt on its problematic brokers, and it came out a winner in this most recent row.

Finra initially had proposed that firms provide direct links to the records of individual brokers when investors came across their names on brokerage firm Web sites, which would have made it easy for the public to discover any wrongdoing with a single click.

But that pro-consumer suggestion inspired an industry-wide temper tantrum, prompting the watered-down plan to require links only to the main page of BrokerCheck, where customers could search for records on their own.

Try typing in a name like "John Smith" and figuring out which guy on the list is the one who's been pitching you real estate investment trusts.

Andrea Seidt, the Ohio state securities commissioner, said it's disappointing that Finra dropped the proposal for so-called "deep links" because it could have provided a balance to the "snazzy firm marketing touting an individual broker" that investors are exposed to.

Finra spokeswoman Michelle Ong told me in an email that the public made nearly 19 million searches on BrokerCheck last year, which at first blush might give the impression that investors already are savvy to doing their homework.

But when I asked for a breakdown of who made all those searches, Ong replied, "There is no way to tell." Lawyers, journalists, investors and regulators are among the many groups who use BrokerCheck regularly, and so it's anyone's guess how many were done by mom-and-pop investors.

Research suggests, though, that mom and pop aren't typically using BrokerCheck or anything else to check on their advisers.

The public made more than 18 million searches on Finra's BrokerCheck in 2009, but a survey that year by Finra's Investor Education Foundation found that 85% of investors who had used a financial professional in the

previous five years hadn't checked the person's background at all. Somebody's doing all those searches on Finra's site, but you've got to wonder how many of the inquiries are coming from Main Street.

So it was a good idea when, earlier this month, Finra launched a five-week, \$3.5 million digital, print and television ad campaign designed to get investors thinking about BrokerCheck the way they think of sites such as Yelp (YELP) before they pick a restaurant. The ads got Finra's point across in funny scenes including the hapless husband who wound up with enormous furry forearms because he hadn't read the warning on his medicine bottle: "May cause gorilla arms."

"You wouldn't take medicine without checking the side effects," the voice-over advises. "So why would you invest without checking BrokerCheck?"

Barbara Roper, director of investor protection at the Consumer Federation of America, said Finra's ads make sense as a way to get more investors to understand there's an easy way to get background on their brokers. But the best solution would be to force firms to send a summary of important disciplinary information to investors before they even sign on, she said.

While it's a lot better than nothing, BrokerCheck is missing important information that can be red flags for investors. And Wall Street would like to keep it that way.

In letters to Finra in 2012 and 2014, the lobbyists at the Securities Industry and Financial Markets Association, or Sifma, said they were "strongly opposed" to the idea of releasing more information related to a broker's termination than is already available. Sifma also objected to the idea of revealing brokers' scores on various industry tests.

And while brokers are supposed to disclose personal financial problems such as bankruptcies and liens, they don't always do so. Add to that their ability to get some customer complaint information expunged, and you can see how the public could end up with a limited view of a broker's past.

Many state securities regulators will share brokers' more complete records, including test scores, if only investors knew to ask for them. What difference do test scores make? I'll admit it's no scientific study, but in the decades I've spent writing about broker malfeasance, I've pulled up many dossiers on the most abusive brokers only to learn they flunked industry exams several times before managing to squeak by with a barely passing grade.

While the folks at Buckman, Buckman & Reid are worrying about all those

unscrupulous investors, people like Aunt Matilda might in the meantime consider doing some vetting of firms like Buckman.

In January, Finra fined the firm \$200,000 and fined and suspended its chairman and chief executive officer from working in a principal capacity for a month. Without admitting or denying wrongdoing, the firm and its CEO settled the case, which involved the failure to detect the illegal distribution of more than 160 million shares of unregistered penny stocks.

You can read about the firm's settlement with Finra in its BrokerCheck records [here](#). The CEO's records are [here](#). There's a lot of hyperbole by Wall Street about giving investors access to information that will harm brokers' reputations, invade brokers' privacy or provide fodder for avaricious customers to take advantage of them. Do a little research on the complainers, and you'll learn that the whining is bunk.