

# **Tips for Checking Out a Broker-Dealer Agent and/or Investment Advisor Representative**

Federal and state securities laws require individuals working as broker-dealer agents and investment advisor representatives to be registered. During the registration process these individuals must complete the appropriate application and submit to an extensive background check. Both broker-dealer agents and investment advisor representatives must complete a registration application called the Form U-4. This document contains important information about each registrant such as past work history, years of securities experience, disciplinary history that includes past and present criminal incidents, customer complaints/arbitrations, and bankruptcy filings. Termination information is also available via the Form U-5.

While much of the information disclosed by the individual and obtained during the background check is available to the public, it is up to the investor to request this information. The registration information can be obtained from the Division of Securities and Retail Franchising by phone at 804-371-9051 (toll free in Virginia at 800-552-7945) or via a quick web search at [www.scc.virginia.gov/srf](http://www.scc.virginia.gov/srf).

Once the registration information has been obtained, it is important to carefully review the information contained in each registrant's record prior to selecting an agent or representative to handle your assets.

## **Reviewing the Information Contained on a Registrant's Record**

The registration record will help you answer the following questions.

1. Is the individual registered to sell the products he/she has offered?
  - **What is the individual's registration status in Virginia?**
    - If the individual is not registered, then it is unlawful for him/her to offer and sell securities in Virginia.
    - Please notify the Division so we can follow-up.
  - **What types of registrations does the individual have?**
    - AG – Broker-Dealer Agent
    - RA – Investment Advisor Representative
    - Both
  - **What other types of services are the individual qualified to provide?**

Individuals must pass the appropriate exams for the types of services they wish to provide. To determine the registrant's qualifications refer to exams section of the report to view the types of services your registrant is qualified to provide.

- Series 6 exam is taken by individuals who wish to sell mutual funds and variable annuities only;
- Series 7 exam is taken by individuals who wish to sell all types of securities;
- Series 63 exam is the uniform state securities law exam and is taken by all individuals who wish to be registered as a broker-dealer agent.
- Series 65 exam is taken by those individuals who wish to be registered as an investment advisor representative.
- Series 66 exam is a combination of the Series 63 and the 66 exams, and is taken by individuals who desire to be registered as both a broker-dealer agent and an investment advisor representative.

2. What kind of experience does the person you seek to conduct business with have?

- **What is the registrant's securities experience?**

To determine the registrant's experience refer to the Employment History and the Registrations Summary sections.

- Determine how many employers the individual has had during the past 12 to 24 months. (Job hopping may indicate issues.)
- Determine how many years of experience the registrant has in the securities industry.
- What positions did the individual hold with former employers? (e.g., broker, principal)
- Does the registrant's work experience meet your expectations?

- **Is the registrant engaged in other types of businesses?**

Review Item 13 to see how the question is answered.

- If the question is answered yes, then carefully review the types of outside business activities the registrant is engaged in and the amount of time spent pursuing the outside business activity.
- Would the registrant's outside activities dissuade you from selecting this person?

- **What types and number of disclosures appear on the registrant's record?**

The Disclosure section of the application contains important information regarding current and past activities of the registrant. The Disclosure section is divided into six subsections. If disclosure occurrences appear on the registrant's record, then the information should be carefully reviewed by you.

3. How do you utilize the information contained in each subdivision of the Disclosure section? What does this information tell you?

*Criminal Disclosure:*

- Does the registrant's record contain criminal disclosures? If so, are the charges felonies or misdemeanors?
- When did the criminal actions occur?
- What are the alleged charges?
- Was the registrant convicted of the charges?
- If not convicted, how was the criminal action resolved?
- Based on the registrant's criminal record would you engage the individual to handle your assets?

*Customer complaint/Arbitration/Civil Litigation subsection:*

- Does the registrant's disclosure record contain customer complaints, arbitrations, or civil litigations?
- If so, how many?
- Are the occurrences recent?
- What were the allegations against the registrant?
- Were the occurrences settled and how?
- Were any of the complaints of a general nature not specific to anything the individual may have said or done?
- Do the occurrences constitute a pattern of similar activity? (e.g., misrepresentation, churning, unauthorized transactions)?
- Based on the number and type of occurrences in this registrant's customer complaint record would you engage the individual to handle your assets?

*Regulatory Disclosure:*

- Is the registrant currently under investigation by any governmental or self-regulatory organization? (Note: A self-regulatory organization is an industry based organization that oversees the business of its members - e.g., FINRA.)
- What is the allegation in the investigation?
- What was the outcome of the investigation? (e.g., permanent bar, suspension, fine, etc.)
- Based on the number and types of regulatory disclosures would you engage the individual to handle your assets?

*Civil Judicial Disclosure:*

- Does the registrant's record contain litigation disclosures?
- What type of action was taken against the registrant? (e.g., settlement order, rule to show cause, final order, suspension, bar, censure, injunction, heightened supervision.)
- Did the registrant receive a fine or penalty, or other sanctions?
- Is the registrant named in any pending investment-related civil action that could result in a conviction of an investment-related activity?

- Based on the number and types of civil judicial disclosures would you engage the individual to handle your assets?

*Termination Disclosure:*

- Does the registrant's termination disclosure history indicate the individual has been discharged or permitted to resign?
- If so, what was the reason given for the discharge or permitted to resign?
- Based on the number and types of terminations would you engage the individual to handle your assets?

*Financial Disclosure:*

- Does the individual have personal financial problems such as a bankruptcy, judgments or liens?
- Based on the registrant's indebtedness would you engage the individual to handle your assets?

## **Basic Terminology and Where to Get Information**

***Broker-Dealer Agent*** – an individual in the business of buying and selling securities

***Investment Advisor Representative*** – a person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities or who, for compensation and as part of a regular business, issues or disseminates analyses or reports concerning securities

***FINRA*** –an acronym for Financial Industry Regulatory Authority. FINRA is a self-regulatory organization that investigates complaints against member firms, and maintains the CRD/IARD systems.

***Central Registration Depository (CRD) system*** - a web accessible database maintained by FINRA and the North American Securities Administrators Association (NASAA). The system functions as an electronic national registration system for broker-dealer agents. The system allows FINRA members to complete one application and be able to submit it to all 50 states if the firm desires. [To access the CRD system visit FINRA Broker-Check.](#)

For Investment advisor representatives who cannot be located on FINRA's Broker-Check call the Division of Securities and Retail Franchising at (804) 371-9051 and ask to check the individual's registration record or visit [www.scc.virginia.gov/srf](http://www.scc.virginia.gov/srf).

***Investment Advisor Registration Depository (IRAD) system*** – an electronic filing system sponsored by the Securities and Exchange Commission (SEC) and North American Securities Administrators Association (NASAA), with FINRA serving as the developer and operator of the system. The IARD system collects and maintains the registration and disclosure information for

Investment Advisors representatives. [To access the IARD system visit the Securities and Exchange Commission.](#)

*North American Administrators Association (NASAA)* – the oldest nonprofit investor protection organization with membership consisting of 67 state, provincial and territorial securities administrators.