

Researching Your Broker or Advisor



1

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1

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2

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2



Investment Advisers

- An Investment Adviser (also called Registered Investment Advisers (RIAs) is an individual or company who is paid for providing advice about securities to their clients
- Registered as such with either the Securities and Exchange Commission (SEC) or a state securities regulator, or both
- Regulated by the SEC
- Many are also registered as a “broker” (“registered representative”)

3



Investment Advisers

- Common names for investment advisers: asset managers, investment counselors, investment managers, portfolio managers and wealth managers
- Investment Adviser Representatives (IARs) are individuals who work for a RIA and give advice on behalf of RIAs
- Paid a flat fee or percentage of Assets Under Management (AUM) to advise clients on securities and/or manage portfolios

4



Investment Advisers

- Have a “fiduciary duty” to their clients:
 - A fiduciary must put their clients’ interests ahead of their own, with a duty to preserve good faith and trust
 - Required to disclose any potential conflicts of interest
 - Being a fiduciary thus requires being bound both legally and ethically to act in the other’s best interests
 - Higher legal standard than brokers

5



Investment Advisers

- Are not the same as “financial advisors” and should not be confused
 - The term “financial advisor” is a generic term that usually refers to a registered financial professional (or, to use the technical term, a registered representative)

6



Brokers (Registered Representatives)

- Brokers are paid commissions to execute trades or buy and sell assets for clients
 - Can also receive shares or warrants to purchase shares as payment
- Regulated by Financial Industry Regulatory Authority (FINRA)
- Not uncommon to see brokers dual-registered as investment advisers

7



Brokers (Registered Representatives)

- Have to meet a less-stringent suitability standard, which doesn't require putting the client's interests ahead of their own
- The suitability standard only requires that an investment be 'suitable' for a client
 - Not required to disclose potential conflicts of interest or make a client aware of less expensive or more tax-efficient alternatives

8



How to Check the Background of your RIA or Broker

- Broker: FINRA BrokerCheck [BrokerCheck - Find a broker, investment or financial advisor \(finra.org\)](#)
- RIA or IAR: SEC [IAPD - Investment Adviser Public Disclosure - Homepage \(sec.gov\)](#)
- State securities regulators can also help you research a representative or firm doing business in your state. The contact information for the regulators in your state can be found on the website of the North American Securities Administrators Association www.nasaa.org
 - Colorado Division of Securities: (303) 894-2320 or online [Securities Home | DORA Division of Security \(colorado.gov\)](#)

9



What Information Does BrokerCheck Provide?

- Whether a person or firm is registered to sell securities (stocks, bonds, mutual funds), offer investment advice as required by law
- Licenses held and date earned
- Employment history
- Regulatory actions
- Investment-related arbitrations or complaints

10



Where Does the Information Come From?

- The Form U4 (Uniform Application for Securities Industry Registration or Transfer)
 - Representatives of broker-dealers, investment advisers, or issuers of securities must use Form U4 to become registered in the appropriate jurisdictions and/or Self Regulatory Organization(s) (SROs)
- Form U4 is filed with the Central Registration Depository (CRD®) (brokers) or the Investment Adviser Registration Depository (IARD) (investment advisor representatives)
- Individual is under a continuing obligation to amend or update the information on Form U4

11

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Individual Name/CRD# at Firm Name or CRD/SEC# (optional) in City, State or ZIP (optional)

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BrokerCheck is a free tool to research the background and experience of financial brokers, advisers and firms.

Why Use BrokerCheck?

12



What are Disclosures?

- Broker's/Advisor's history of complaints:
 - Allegations of unauthorized trading, unsuitable trades, breach of fiduciary duty, etc., made by former customers of the broker
 - Must allege or result in damages (losses) of \$5,000 or more to be disclosed
 - It also shows the disposition of such complaints, whether through settlement or arbitration, and the amount of any compensation paid to the complaining customer
- Regulatory proceedings against the Broker/Advisor brought by state securities authorities, FINRA or the SEC

13




What are Disclosures?

- May include pending actions or proceedings where the allegations are contested, unresolved or unproven
- In the end, these actions may be resolved in favor of the representative or concluded through a negotiated settlement with no admission or finding of wrongdoing
 - The representative neither admits nor denies the allegations of the complaint or claim


14

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 **SEC Action Lookup – Individuals (SALI)**
Enter the individual's name in SEC Action Lookup – Individuals. You can find information about individuals that have been named in SEC court actions or administrative proceedings and had judgments or orders issued against them.

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15

B 16

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16