

Customer Communications

FINRA Provides Guidance on Customer Communications Related to Departing Registered Representatives

Executive Summary

This *Notice* addresses the responsibilities of member firms when communicating with customers about departing registered representatives.

Questions regarding this *Notice* should be directed to:

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Background and Discussion

FINRA has consistently sought to ensure that customers can make a timely and informed choice about where to maintain their assets when their registered representative (*i.e.*, a person registered with the member who has direct contact with customers in the conduct of the member's securities sales) leaves a member firm. Accordingly, FINRA expects that:

1. in the event of a registered representative's departure, the member firm should promptly and clearly communicate to affected customers how their accounts will continue to be serviced; and
2. the firm should provide customers with timely and complete answers, if known, when the customer asks questions about a departing registered representative.

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Notice Type

- ▶ Guidance

Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Registered Representatives
- ▶ Senior Management

Key Topics

- ▶ Customer Accounts
- ▶ Customer Communications
- ▶ Registered Representative Departures

Referenced Rules & Notices

- ▶ FINRA Rule 2210

Registered Representative Departures

Registered representatives move with some frequency between member firms and across financial firms under various regulatory jurisdictions, such as investment advisory firms and insurance companies. In addition, registered representatives may leave the financial industry entirely. A registered representative's departure may prompt customer questions about the departing representative and the status of their accounts following the departure.

FINRA recognizes that member firms' different business models give rise to different approaches to managing the customer relationship, and that the expectations regarding a member firm's handling of a departing registered representative will vary accordingly. For instance, the departure of a registered representative who works closely with customers in a one-on-one relationship will likely be handled differently than the departure of a registered representative in a customer advisory center model or a group service model. While member firms have flexibility in reassigning customer accounts and communicating with customers about the reassignments, they should provide timely and complete answers, if known, to all customer questions resulting from a departing representative, so that customers may make informed decisions about their accounts.

Communications with Customers

Customers should not experience an interruption in service as a result of a registered representative's departure. FINRA understands that decisions about the reassignment of customer accounts, if applicable, are typically made promptly following the departure of a registered representative. In the event of a registered representative's departure, FINRA expects that the member firm will have policies and procedures reasonably designed to assure that the customers serviced by that registered representative are aware of how the customers' account will be serviced at the member firm, including how and to whom the customer may direct questions and trade instructions following the representative's departure and, if and when assigned, the representative to whom the customer is now assigned at the member firm.

In addition, a member firm should communicate clearly, and without obfuscation, when asked questions by customers about the departing registered representative. Consistent with privacy and other legal requirements, these communications may include, when asked by a customer:

1. clarifying that the customer has the choice to retain his or her assets at the current firm and be serviced by the newly assigned registered representative or a different registered representative or transfer the assets to another firm; and
2. provided that the registered representative has consented to disclosure of his or her contact information to customers, providing reasonable contact information, such as phone number, email address or mailing address, of the departing representative.

FINRA would not expect a member firm to seek to obtain the departing registered representative's contact information if not known by those responsible for reassigning and continuing to service the account (*e.g.*, the branch supervisor responsible for reassigning the customer account or newly assigned registered representative) at the time of a customer's question. As with all communications with customers, information provided by the member firm about the departing registered representative must be fair, balanced and not misleading.