

FINRA's New Background Investigation Rule Will Likely Increase Firms' Costs and Potentially Increases Exposure for Firms in Customer Disputes

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Recently, the SEC approved FINRA's proposed new Rule 3110(e) relating to background investigations of registered persons. FINRA Rule 3110(e), which replaces NASD Rule 3010(e) and goes into effect on July 1, 2015, streamlines and clarifies the rule language by providing that "each member shall ascertain by investigation the good character, business reputation, qualifications and experience of an applicant before the member applies to register that applicant with FINRA and before making a representation to that effect on the application for registration." The rule further clarifies that a firm is required to review a copy of an applicant's most recent Form U5, if available... [Continue Reading](#)

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