

## **PUBLIC INVESTORS ARBITRATION BAR ASSOCIATION**

*The integrity of the Central Registration Depository (CRD) system is a cornerstone of effective investor protection in the United States.*

The Public Investors Arbitration Bar Association (“PIABA”)<sup>1</sup> is committed to the maintenance of a Central Registration Depository (“CRD”) database system which provides public investors with accurate, complete and truthful information on securities firms and their registered employees.

### **What is the CRD system?**

Developed and implemented by the North American Securities Administrators Association, Inc. (“NASAA”) and the National Association of Securities Dealers, Inc. (“NASD”) in 1981, the CRD system is a computerized database which presently contains the licensing and disciplinary histories on more than 5,200 securities firms and 650,000 registered securities professionals.

### **What information is included on the CRD system?**

The information included on the CRD database system purportedly includes certain administrative information; approved state, federal and self-regulatory organization licensing registrations; and certain pending and historical disciplinary information involving criminal events, regulatory actions initiated by federal, state and/or self-regulatory organizations, civil proceedings, bankruptcy proceedings, and summary information on customer-initiated arbitration proceedings.

### **How is information posted on the CRD system?**

The information included on the CRD database system is primarily obtained from the “honor system” notifications that all securities firms and registered securities professionals are required to disclose to the NASD within thirty (30) days of the occurrence of a reportable event and, to a significantly lesser extent, notifications that may also be provided by securities regulators.

### **Why is the CRD system important to public investors?**

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<sup>1/</sup> The Public Investors Arbitration Bar Association (“PIABA”), established in 1990, is an international bar association which consists of more than 740 attorneys. The mission of PIABA is to promote the interests of the public investor in securities and commodities arbitration by protecting public investors from abuses in the arbitration process; making securities and commodities arbitration as just and fair as systematically possible; and creating a level playing field for the public investor in all securities and commodities arbitration forums.

The information included on the CRD database system must be accurate, complete and truthful because it is widely considered to be the “cornerstone” of effective investor protection and education; it is the primary tool that is utilized by state securities agencies to protect public investors from the activities of questionable firms and individuals who seek to become and/or remain licensed within their jurisdictions; and it is the exclusive source for the information that is available to the general public through the online BrokerCheck website that is maintained by the NASD.

### How is the integrity of the CRD system being compromised?

The integrity of the information included on the CRD database system is subject to potential compromise and/or corruption by a number of widespread practices – the majority of which are currently being effectuated by securities firms and their registered employees.

These deceptive practices include, but are not limited to, the following:

- The expungement of reportable information from the CRD database system through erroneous and/or false submissions which are procured by “quid-pro-quo” payments of settlements;
- The modification of information on the CRD database system to reflect that certain complaints and/or arbitration proceedings have been dismissed by an investor when, in fact, the dismissals have been procured by a “quid-pro-quo” payment of a settlement in return for the prior and/or contemporaneous dismissal of complaints and/or arbitration proceedings;
- The insistence that registered employees be dismissed from arbitration proceedings before their firms will entertain either mediation and/or settlement negotiations; and
- The failure to disclose information to the CRD database system, under the existing “honor system” method of reporting, either on a timely basis (within 30 days of the occurrence of a reportable event) or at all.