

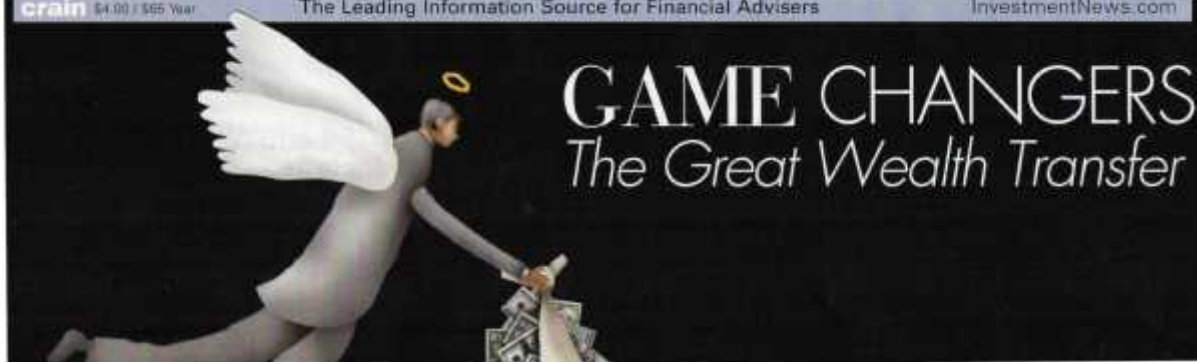
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GAME CHANGERS *The Great Wealth Transfer*

Plucky candidates seek Finra board seats

Three contenders had to work way onto ballot, want reform in exams and arbitration

By Mark Schoeff Jr.

Three candidates for open seats on the Finra board who had to work their way onto the ballot say they will stand up to the regulator to defend their segments of the industry.

They were not selected by the Financial Industry Regulatory Authority Inc. nominating committee, and had to gather enough petition signatures to launch races.

Two — Stephen A. Kohn, president and chief executive of Stephen A. Kohn & Associates, and Joseph R.V. Romano, president of Romano Wealth Management — are running for the open small-firm seat. Beefs with Finra exams are a common rallying point.

"It is evident that examination tactics

have no bounds; every aspect of our business and personal affairs is fair game," Mr. Kohn wrote in a letter to the 3,600 small-firm Finra members, calling for a



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Stephen A. Kohn
Chief executive
Stephen A. Kohn & Associates

code of conduct for examiners. "It is not acceptable that examiners can invade our offices with impunity, having no fear of being called to task for improper, disrespectful or coercive behavior."

Although he agrees that Finra rules can have unintended and costly conse-

quences for small firms, Mr. Romano argues that his experience working within the Finra governance system better positions him to change it. He is serving this year as chairman of the Small Firm Advisory Board and has served on Finra committees over the past seven years.

"I'm running on proven results, rather than just promises," Mr. Romano said. "We need more than just griping. We need someone who can advocate solutions."

Frustration with the Finra examination process inspired Mr. Kohn to conduct his fourth campaign for the organization's board. His previous attempts were unsuccessful.

He said reviews last too long — his most recent one began in December 2013 and closed in September 2014 —

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Finra board seats in play

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and require firms to provide too much documentation. He also complained that examiners can ask “leading questions” and firms have no way to defend themselves.

“We have no rights,” Mr. Kohn said in an interview. “Check the Constitution at the door when you take your Series 7. You can’t plead the Fifth Amendment.”

Mr. Romano said that he, too, wants to improve the exam process.

“I’ve got my own [exam] scars,” he said. “I’ve been fighting that fight for four years.”

Brian Kovack, president and co-founder of Kovack Securities Inc., is running for the midsize-firm seat against John Muschalek, vice chairman of First Southwest Co., who was nominated by Finra.

ARBITRATION

If elected, one of Mr. Kovack’s targets would be Finra’s arbitration system.

“It needs a better structure of accountability for lawyers who file frivolous claims,” he said.

Mr. Kovack also wants to refine the disclosures registered representatives must make on documents that form the foundation for the BrokerCheck database. He said reporting requirements on liens and other legal settlements go too far.

“There needs to be de minimus exemption,” Mr. Kovack said.

Mr. Muschalek did not respond to a request for comment.

John Thiel, head of Bank of America Merrill Lynch, is running uncontested for the third seat up for a vote — the one representing large firms.

A small firm employs between one and 150 registered representatives, a mid-size firm between 151 and 499 and a large firm more than 500. Finra oversees about 4,100 firms.

Small firms need to be heard because they get short shrift from Finra, Mr. Kohn said.

“We’re almost treated like we’re invisible,” he said.

Mr. Romano underscored the need for the board’s financial services representatives (of which there are 10) to explain industry issues to their 13 public-representative colleagues on the board.

“We’ve got to sway those public governors,” he said. “I believe I’m that best voice.”

Each seat has a three-year term. The Finra board consists of 24 members, including the board chairman, Finra chief executive Richard G. Ketchum.

This year’s election will be held at the Finra annual meeting July 30 in Washington. Members can vote this month online, by telephone or by U.S. mail.



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