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New Finra Ad Campaign Talks Tough On Fraud

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WASHINGTON (Dow Jones)-Do you think your broker a total fraudster? Afraid your retirement is in jeopardy?

Then meet Finra.

That still relatively unknown acronym stands for the Financial Industry Regulatory Authority, the self-funded watchdog for the brokerage industry. And in its new national advertising campaign, Finra is seeking to restore investor confidence by talking tough against the brokers that don't "play by the rules."

"If brokers don't play by the rules, we can fine them, suspend them - even put them out of business," a male voice says in one ad, which displays black and white images of ordinary Americans against the backdrop of solemn guitar music. "We believe the markets don't work unless they work for everyone."

That is a far cry from the ads that Finra first ran in 2007 shortly after it was formed through a merger with the National Association of Securities Dealers and portions of New York Stock Exchange's self-regulatory membership firm. Back then, Finra's national ad was upbeat and featured a cute furry white dog.

But since the collapse of Lehman Brothers Holdings (LEHMQ), the \$700 billion taxpayer bailout and Bernard Madoff's \$65 billion Ponzi scheme, Finra decided the dog just won't cut it anymore.

"Obviously the world has changed in the last 18 months," said Finra's spokesman Howard Schloss. "We felt our advertising needed to take a little bit of a different tone and acknowledge the difficult times for investors."

Finra, like other federal government regulators, hasn't escaped criticism since the financial crisis began.

Its reputation, along with that of the Securities and Exchange Commission, took a hit after news broke of Bernard Madoff's Ponzi scheme.

Finra and the SEC conducted various examinations of his brokerage arm over the years, but never managed to detect his scam until his sons reported it to regulators after their father confessed in December.

Critics also questioned if regulators were getting too cozy with Wall Street after the news media reported that many of Madoff's relatives and even Madoff himself held various positions on Finra and the SEC's advisory boards over the years.

Since the financial crisis, both the SEC and Finra have worked to restore investor confidence. SEC Chairman Mary Schapiro, Finra's former chief executive, hired a federal prosecutor to head the agency's enforcement office and launched an effort to improve how the agency processes complaints and tips.

Finra also beefed up its operations by creating a whistleblower office to give people within the industry a safe place they could go if they had concerns.

It may strike some as strange that an organization completely funded by Wall Street is airing radio and television ads questioning the integrity of some brokers, but Schloss said anything that helps restore investor confidence will have a positive impact for the industry.

"What we've heard from investors is one of the things that is going to make them more comfortable investing again is having faith that the markets are being well-regulated," he said. "I think they need to know that Finra is out there looking out for their interests, and that helps everyone, including financial services firms."

In addition to the national advertising campaign, which will run in the summer and the fall in a range of places from CNN, FOX News and the History Channel to Yahoo and the Washington Post, the Finra Investor Education Foundation is also creating a 60-minute educational video and starting a grassroots campaign to teach retail investors how to detect fraud before it's too late.

The campaigns will be held in Colorado, Florida, North Carolina, Vermont and Washington and be expanded to five additional states next year. The video, entitled "Tricks of the Trade: Outsmarting Investment Fraud," will be released in July and will be shown at some movie premieres and available at public libraries.

"Informing and educating investors is an essential component of our investor protection mission," Finra Chief Executive Richard Ketchum said. "The recent market turmoil makes it more important than ever that investors be aware of Finra."

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