

Summertime is Here! Registration Updates Will Keep You Cool!

The recent Association of Registration Managers (“ARM”) conference touched on several registration related developments affecting the industry including new features and enhancements to WebCRD and regulatory updates. This includes the availability of BrokerCheck information to current and former representatives “Individual Snapshots” changes to the Form U4, examination updates, and Municipal Advisor Registration, among other things. Below are some topics that may be of interest to your firm’s registration managers.

Individual Snapshots

FINRA has increased access to the WebCRD information available to current and former registered representatives of broker-dealers and investment advisers. They will now have direct access to their information in WebCRD and will be able to request their individual snapshot information directly from FINRA using their CRD, date of birth and social security number. This will allow current and former registered representatives to update their information such as residential address without being employed by a firm. Current registered representatives will also have access to a summarized form of their filed U4 and be able to check the information for accuracy. This includes all reported disclosure events.

Form U4 Updates

The Form U4 has some new enhancements to better serve firms editing an individual’s information. For example, FINRA has provided the ability for firms to change incorrect social security numbers without opening a case and edit the end dates for the office employment on section 1 of the Form U4. Firms will also have the ability to be able to amend the end date for NRF (Non-Registered Fingerprint) individuals and be able to populate the billing code for firms that chooses to. This will provide more efficiency for registration staff.

FINRA has also streamlined the process for foreign associates who do not have a US-issued social security number. Broker-dealers and investment advisers with foreign associates will be able to register without the use of social security numbers. In the past, FINRA had to first create the foreign associates’ information and they would provide the firm with the CRD number before the firm could update the Form U4. With this new feature, FINRA streamlined the process for registering the foreign associates without any disciplinary history. This enhancement will also provide Investment Adviser firms the ability to add individuals who do not have a social security number to the Schedule A of the Form ADV Part 1.

There are also minor changes to the DRP judgment/lien, civil/judicial, and bankruptcy disclosure reporting page sections. The judgment/lien section will allow the entry of the date the individual learned of the lien to be more recent than the

disposition date. However, the system will prompt users with a warning to review and confirm that the dates are accurate. Additionally, the civil/judicial will allow individuals to enter an explanation for any monetary related sanctions. Furthermore, the bankruptcy reporting section will allow individuals to file a new DRP for cases that are older than 10 years.

BrokerCheck

The public BrokerCheck service has been enhance and updated from the ground up. This is likely designed to correspond to FINRA’s recent public marketing of the service. Specifically, BrokerCheck will have a fresh look and format that FINRA believes will be more user-friendly. FINRA enhanced the search results page for individuals to include more information on the results page, which will provide for quicker access to detailed information and reference than the old system. It will provide current registration, previous registration, current exams, disclosures and state/SRO registration for current and formerly registered individuals on the individuals’ home page. For firm searches, BrokerCheck will provide disclosure history, current firm location, contact phone numbers, date and place of formation, the type of entity, and the jurisdictions where the firm is registered.

E-Bill

FINRA has also announced enhancements to E-Bill, FINRA’s electronic billing system, to provide increased efficiencies for users. For example, E-Bill will enable users to transfer funds to the Flex-Funding account of an affiliated firm, speeding up the time it takes to transfer funds. The Funds Transfer Request Form will no longer be available once the E-Bill takes effect. Firms will also be able to receive financial transaction details upon request, allow users to download payment and fee information in an Excel spreadsheet, provide flexible search/filter capabilities, and setup new alerts.

Examinations

FINRA is also restructuring some qualification and regulatory element continuing education (“CE”) examinations. The Securities Trader Exams Series 55 and 56 are being combined and assigned a new single examination for new candidates, Series 57 (Securities Trader Principal - TP). There are no prerequisites for the new Series 57. In addition, the new supervisory requirements for the trading principals will require the Series 57 + Series 24. Individuals who already have the S55 and S56 will be grandfathered and the new examinations will be effective later in 2015 or 2016. For the regulatory element of the CE program, the S501, Securities Trader CE, will become part of the S101 Regulatory Element.

Research Services

FINRA has also introduced Securities Industry Essentials (SIE) and Top Off Exam. The SIE will consist of 100 questions covering knowledge of the structure and functioning of the securities industry, regulatory agencies and their functions, basic economics, product knowledge, regulated and prohibited practices, and professional conduct. Individuals will not need to be associated with a member firm to take the SIE and FINRA will honor the passing score for four years from the date of passing the examination.

In order to become registered, an individual will complete a "Series 7 - Top Off" examination that consists of additional questions. Completion of this examination, combined with the passing of the SIE examination will permit the individual to become a registered representative. While the tests will be shorter on an individual basis, the total questions remain the same. For example, the current Series 7 consists of 250 questions that a person must pass to be a General Securities Representative. In the new option, a person will have to complete 100 questions on the SIE, plus an additional 150 questions on the Series 7 Top Off, to be qualified as a General Securities Representative. Since the SIE would be valid for 4 years upon leaving the industry, individuals that return to the industry within 2 years will not be required to retake the SIE or top off examination. However, if the individual returns between 2 to 4 years, the individual will not need to take the SIE and will only need to take the top off exam. If the individual returns after 4 years, the individual will need to retake both the SIE and top off exam.

FINRA has also initiated a process to have the Regulatory Element of the CE delivered via the Web. This new program will allow individuals to access the CE system anytime and anywhere they have access to the internet, without loss of productivity due to time out of the office. The CRD will allow firms to track individuals' sessions, such as status of session and number of modules completed. Individuals who are required to take the CE will be notified via business email provided by the individual and will continue to receive reminders until the CE is completed. Individuals can repeat modules until they show complete with no additional charge. Any open session will close when the CE window closes and open sessions for CE inactive individuals will close after 120 days and will have to retake the entire session. All fees will be assessed at the time of completion.

Municipal Adviser Registration

As of July 1, 2014, the SEC began regulating the Rules 15Ba-1 through 15Ba1-8 and 15Bc4-1 and it is mandatory for Firms that are engaged or will be engaged in municipal advisory activities to register with both the Securities and Exchange Commission ("SEC") and Municipal Securities Rulemaking Board ("MSRB").

Firms who are required to register must first register through EDGAR Filing and apply for their access codes if they have not done so. If the firm has registered previously through paper

filing, the firm must convert to electronic filing through EDGAR Filing as well. Once the firm has received their access codes, the firm will need to file the Form MA for the firm and a Form MA-I for each individual conducting municipal advisor activities. Once the firm and individuals have been approved by SEC, the firm will then need to register with MSRB. The firm will need to file the Form A-12. There are no filing requirement for individuals. To file the Form A-12, they must first get the access code from MSRB if they have not done so. Before MSRB approves the Form A-12, the registration fees must be satisfied. According to MSRB, the annual fees are due each MSRB fiscal year end and will not be pro-rated. From October 1 - September 30 is the MSRB's fiscal year.

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