

FINRA Podcast

Monthly Recap January 2016

NJ: Hello and welcome to FINRA's monthly recap podcast from Washington, D.C. I'm Nika James.

KEP: And I'm Kenneth Edward Piner. Today is February 1, 2016.

NJ: First up: Notices. FINRA revised its Series 9 and 10 examination program for General Securities Sales Supervisors. As detailed in Regulatory Notice 16-02, the changes are the result of a periodic review and revision FINRA does on all its qualification exams. FINRA divided the content outline into two parts with eight major job functions and changed the number of questions assigned to each one.

KEP: The Securities and Exchange Commission approved an amendment to apply FINRA's rule regarding markups to transactions and exempted securities that are government securities. It is already in effect and you can learn more in Regulatory Notice 16-03.

NJ: The SEC also approved a proposed rule change to merge FINRA's dispute resolution subsidiary with FINRA's regulation subsidiary as detailed in Regulatory Notice 16-04. The Office of Dispute Resolution is now a department within FINRA regulation.

KEP: The SEC issued no action guidance on broker-dealer annual report electronic filing. SEC rules require certain annual and supplemental reports to be filed in paper form, but the guidance allows firms to submit the reports electronically. You can learn more in Regulatory Notice 16-05.

NJ: The SEC approved FINRA funding portal rules and related forms. As detailed in Regulatory Notice 16-06. These changes were made to conform with the crowdfunding provisions of the Jumpstart Our Business Startups Act, called The Jobs Act. The SEC also approved a new FINRA rule about notifications to FINRA in connection with the Jobs Act. As detailed in Regulatory Notice 16-07, it requires broker-dealers to notify FINRA if they want to act as intermediaries in transactions involving the offer or sale of securities pursuant to the Act's crowdfunding provisions. The FINRA rules have already gone into effect and the SEC's regulation crowdfunding—other than registration—will be effective May 16, 2016.

KEP: FINRA reminded firms they may not use the FINRA logo in any way. As detailed in the January 8 Information Notice, firms may refer to themselves as “FINRA member firms” or “members of FINRA” on their website but only if the hyperlink to FINRA's website is nearby. But the FINRA logo should never appear on a firm's website, business cards, stationery or other marketing materials. FINRA also reminded firms that starting June 6, FINRA's communications with the public rule will require each firm's website to include a readily apparent reference and hyperlink to BrokerCheck, FINRA's broker lookup tool. The reference and link must appear on each firm's initial web page for retail investors as well as any other page that includes a professional profile of one or more registered people who work with retail investors.

NJ: The Section 31 Fee Rate for Specified Securities Transactions is changing on February 16. You can get the details in a January 20 Information Notice.

KEP: FINRA reminded firms they must set up, maintain and enforce written policies and procedures that include a predetermined response about over-the-counter trading and reporting if there is a systems issue during the trading date that prevents timely reporting. You can learn more about the requirements in a January 20 Trade Reporting Notice.

NJ: Now let's move to a resource for firms. FINRA's annual entitlement account certification process is underway and will end February 11. Superaccount Administrators at firms must certify that their firms' users have the right entitlement privileges in FINRA's online applications to perform their job responsibilities, or remove access if no longer needed.

KEP: Turning now to education, FINRA released three new podcasts in January. Two were the last of a four-part series about the Continuing Education Council's Fall 2015 Firm Element Advisory. It comes out twice a year and highlights topics for firms to consider for their firm element training plans. One item to note involves a big change to regulatory element testing:

SOUNDBYTE: "FINRA amended its rules to provide for web-based delivery of the regulatory element continuing education requirements. Instead of going to a test center, you can now log on to the FINRA CE online system to complete the regulatory element from anywhere."

NJ: FINRA also released the last episode in a four-part podcast series about its Research Conflicts Rules. This one focuses on the Debt Research Conflicts Rule and knows the three key areas where it differs from the Rule's Equity Version. And as FINRA's Phil

Shaken explains, one of those differences relates to contact between Debt Research Analysts and Traders:

SOUNDBYTE: “It sets out prohibited and permissible communications between debt research analysts and principal trading and sales and trading people. It takes into account the need to ration the Debt Research Analysts’ resources among a multitude of debt securities. And it considers the limitations on price discovery and debt markets as well as the need for trading people to perform credit risk analyses on current and prospective inventory.”

KEP: FINRA released a new e-learning course about private securities transactions. It features scenarios to help registered representatives identify those transactions and the appropriate actions to take before engaging in them.

NJ: FINRA announced the 2016 dates for the FINRA Institute at Wharton’s Certified Regulatory and Compliance Professional Program, called CRCP. It’s an intensive education in securities law and regulation over two separate residential weeks at the University of Pennsylvania. Week One begins July 17 and Week Two on November 6.

KEP: FINRA’s 2016 cyber security conference is February 11 in New York City. It covers many facets of cyber security like how to identify your firm’s vulnerabilities and respond to and recover from cyber attacks. You can attend in person or participate via online broadcast.

NJ: FINRA’s Annual Conference will be May 23-25 in Washington, D.C. At it, FINRA’s senior staff, other regulators and people from all kinds of securities firms will come together to discuss the most pressing and important issues in the industry today. In

addition to networking events and opportunities to talk to regulators one-on-one, the conference features over 40 panel sessions including a new advertising regulation session track.

KEP: FINRA's Fixed Income Conference is set for September 7 in New York City. The program focuses on current market impacts of fixed income and how regulators and firms are responding.

NJ: You can register for these events and find other resources on the education section of our website.

KEP: Next up: FINRA news. FINRA issued its 2016 Regulatory and Examination Priorities Letter. Priorities include topics like Supervision, Risk Management, Technology, Firm Culture and Conflicts of Interest. You can learn more by reading the letter on our website. You can also check out the new episode of "A Few Minutes With FINRA" video series. In it, FINRA's Executive Vice President of Regulatory Operations, Dan Sibears, gives more information on some key issues in the letter. For instance, he talks about the importance of cyber security:

SOUNDBYTE: "We put our cyber security report out just 11 months ago. Since that time, firms have been very engaged with us about using our report to help improve their cyber security infrastructure. So, there's a ways to go. There's new areas to focus on—again, which are talked about in 2016—but we certainly have seen a good segment of the broker-dealer population taking this seriously. They're probably sitting around—and they talk about internally—what are their key issues? I would say cyber security.

Probably every firm, one of the top three concerns. So, there's a lot of attention being paid to that issue.”

NJ: And now for investor news. FINRA offered some suggestions to help investors get ready for the new year. The tips include focusing on financial security, setting clear, prioritized goals and knowing your investment professional.

KEP: And that's all for FINRA's January 2016 Recap. We hope you found this podcast helpful. If so, share it with your colleagues.

NJ: Until next time, for all of us at FINRA, I'm Nika James.

KEP: And I'm Kenneth Edward Piner.

NJ: Thanks for listening.