

FINRA Podcast

Fall 2015 Firm Element Advisory – Part 4

MN Hello and welcome. I'm Michael Nemeroff.

KP And I'm Kathleen Penfold.

MN And this episode completes a four-part podcast series about the Securities Industry Regulatory Council on Continuing Education Fall 2015 Firm Element Advisory. The Advisory highlights topics firms should consider for their firm element training plans. This series only covers new and updated items in the Advisory's Fall edition. It's important to note that the Advisory is just a guide, and firms should also consider other topics for their training.

KP Let's start with public offerings. FINRA issued guidance about its filing requirements and review procedures for Regulation A+ offerings. These are offerings that qualify for exemption from registration under Regulation A amendments that allow offerings up to \$50 million of securities in a 12-month period. FINRA also reminded firms that other rules, like suitability and communications, apply to these transactions.

MN Next up, advisory items related to registration and disclosure. 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.

KP FINRA continued its periodic qualification examination review and update. This time, FINRA restructured the Series 4 exam for registered options principals. The new exam was implemented in September.

MN Turning now to sanction guidelines. The National Adjudicatory Council revised its sanction guidelines related to misrepresentations and suitability. Among other things, the changes advise adjudicators to strongly consider barring people in firms for intentional or reckless fraud, or if aggravating factors predominate their misconduct. And the changes emphasize that sanctions should be designed to protect the investing public by deterring misconduct and upholding high business-conduct standards.

KP Now let's move to advisory topics related to trading practices and supervision. The Securities and Exchange Commission issued an order approving the national market system plan to implement a tick size pilot program. It's a joint effort on the part of FINRA and the National Securities Exchanges. It will run for two years, starting May 6, 2016. The pilot is a data-driven test to evaluate whether widening the tick size for securities of smaller capitalization companies would impact trading, liquidity or markets.

MN And now for our last subject area for the Fall 2015 Advisory, transaction reporting and data dissemination.

- KP The SEC approved amendments to the Trade Reporting and Compliance Engine rules to permit FINRA to add a new contra party type for firms to use to identify transactions with non-member affiliates. The changes also require firms to separately identify such transactions that happen on the same day at the same price and in the same security as a trade with another contra party. The amendments went into effect November 2nd.
- MN FINRA issued guidance on effective supervision and control practices for firms engaging in algorithmic trading strategies. They are being used more and more, and now account for a substantial part of U.S. securities activity. As detailed in Regulatory Notice 1509, the practices in the guidance are focused on five general areas: general risk assessment and response; software development and implementation; software testing and system validation; trading systems; and compliance.
- KP And that's all of the new and updated topics in the Fall 2015 edition of the Firm Element Advisory. We hope you found this podcast series helpful. If so, share it with your colleagues, and tune-in for future podcasts.
- MN Remember, the Advisory itself also includes older items, and you can check it out at cecouncil.com. And don't forget that you should consider topics beyond the Advisory for your Firm Element training plans.
- KP To learn more, follow the resource links in the Advisory itself, or check out FINRA's October 23rd Information Notice on continuing education planning for a full list of FINRA's educational offerings related to advisory topics.
- MN Until next time, for all of us at FINRA, thanks for listening.