

Fall 2016 Firm Element Advisory Update Part 2

Bill: Hello and welcome. I'm Bill Baisley.

Dana: And I'm Dana Monsky.

Bill: This is the second podcast in a four-part series about the Fall 2016 update to the Continuing Education Council's Firm Element Advisory, which highlights topics firms should consider for their Firm Element training plans. With this update, the Advisory moves to a new format. Now, you can access it directly on the CE Council's website, which makes it easier to navigate and allows for more frequent updates. This podcast series highlights new and updated topics for this edition of the advisory.

Dana: Let's pick back up with FINRA's best execution rule. The advisory links to guidance clarifying the rule in relation to automated markets as well as securities in any markets that have limited quotation or pricing information available. The guidance also requires firms to regularly and rigorously examine execution quality likely to be obtained from the different markets trading a security.

Bill: Next up is investment banking and our first subject on the topic: crowdfunding. The Securities and Exchange Commission approved new FINRA funding portal rules for SEC-registered funding portals that become FINRA members because of the Jobs Act and the SEC's regulation crowdfunding. These rules went into effect in January of 2016 and apply many of the same regulatory responsibilities to funding portals as exist for other FINRA member firms.

Dana: Now let's turn to private placements and public offerings. FINRA provided guidance on private placements and public offerings subject to a contingency. FINRA found in a review of securities offering documents, a pattern of brokers not complying with federal contingency offering requirements. So FINRA published a regulatory notice to help firms identify what to do. The guidance provides an explanation of contingency offerings and describes a firm's responsibilities and the requirements for handling investor funds until the contingency is met.

Bill: FINRA also made amendments which require margin requirements for covered agency transactions. These include to-be-announced transactions, including those on adjustable rate mortgage transactions as well as specified pool transactions. They also include transactions in collateralized mortgage obligations issued in conformity with a program of an agency or government-sponsored enterprise with forward settlement dates.

Dana: The Firm Element Advisory Update also contains a link to all of FINRA's guidance on mutual funds. It gathers everything on the topic in one place including rules, notices, news releases and even investor education materials. You can get directly to it on the industry section of our website.

Bill: Moving now to registrations, disclosures, and qualifications. The SEC approved amendments to FINRA's communications with the public rule that now require firm websites to include a readily apparent reference and hyperlink to [BrokerCheck](#), FINRA's web-based tool which provides information on all registered brokers and advisors. The link needs to be present on the initial web page the firm intends to be viewed by the retail investors. And it must be included on any other web page that includes a professional profile of one or more registered people who do business with retail investors.

Dana: The SEC also approved changes that reduce the waiting period for release of information reported on Form U-5 from fifteen days to three business days through BrokerCheck. The U-5 is used by firms to report the termination of an employee's registration. The changes aim to create a better compromise between giving investors quick access to information while still allowing some time for the broker to comment on their reported termination.

Bill: And, with that, we finish episode two in this four-part series about the Fall 2016 update to the CE Council's Firm Element Advisory. You can check out the full advisory and many resource links in the new web-based format at cecouncil.org. You can also find on FINRA's website a wide variety of informational tools that can help with your Firm Element training.

Dana: We hope you will stick with us for the next episode in this series where we will hit on topics like trade reporting and senior investors.

Bill: Until then, for all of us at FINRA, thanks for listening.