Personnel, Licensing and Registration 1.00

Introduction

FINRA Rule 3110 governs the Firm's minimum responsibilities regarding the supervision of their associated persons. This rule addresses several topics regarding the oversight and supervision of the business activities and inspections of associated persons. With the construction of these procedures, the Firm shall establish and implement a proactive supervisory system that is reasonably designed to comply with all relevant and applicable federal, state, and self-regulatory (SRO) rules and regulations.

1.01 Assignment of Designated Supervisors and Registered Personnel

Designation of Supervisory Personnel

In accordance with FINRA Rule 3110(a)(5) (formerly NASD *Rule 3010(a)(5)),* the Firm will assign each registered person an appropriately registered representative(s) or principal(s) who shall be responsible for supervising that person's activities. When designating such supervisory personnel, the Firm will ensure that each supervisor can only be responsible for supervising those activities for which they are appropriately qualified.

The requirement that each registered person shall be assigned at least one supervisor provides each registered person with a clear line of authority and specifically identifies all persons for which the supervisor maintains supervisory responsibility. Additionally, the Firm also recognizes the fact that a supervisory system that is reasonably designed to achieve compliance with applicable federal, state and self-regulatory rules and regulations *does not* permit persons to supervise themselves.

Establishing and Main*tainin*g Written Procedures and Designating Principals Responsible for Supervision

FINRA Rule 3110(a)(1) requires a firm's supervisory system to provide for the establishment and maintenance of written supervisory procedures. In addition, FINRA Rule 3110(a)(2) requires a firm to designate an appropriately registered principal(s) with authority to carry out the supervisory responsibilities for each type of business in which the firm engages for which registration as a broker-dealer is required.

Appropriate Registrations for Supervisory Personnel

In accordance with FINRA Rule 3110(a)(4) (formerly NASD *Rule 3010(a)(4))*, the Firm will designate one or more appropriately registered principals in each OSJ and one or more appropriately registered representatives or principals in each non-OSJ branch office with authority to carry out the supervisory responsibilities assigned to that office by the firm. Therefore, those individuals with ultimate responsibility for supervising each type of business conducted at the office or supervised from the office must be registered as a principal for that type of business.

Designation of OSJ Supervisor(s)

In accordance with *FINRA Rule 3110(a)(2)*, the Firm will assign to each OSJ appropriately registered principal(s) with authority to carry out the supervisory responsibilities of the firm for each type of business in which it engages for which registration as a broker-dealer is required.

Designation of OSJ/Non-OSJ Branch Principals

In accordance with FINRA Rule 3110(a)(4) (formerly NASD Rule 3010(a)(4)), the Firm will assign to each Branch Office (that is not designated as an OSJ) one or more appropriately registered

principals in each OSJ and one or more appropriately registered representatives or principals in each non-OSJ branch office with authority to carry out the supervisory responsibilities assigned to that office by the firm at least one supervisor. In this situation, certain supervisory tasks may be delegated to a registered representative. However, ultimate supervisory responsibility for every registered and unregistered branch office must be assigned to one or more appropriately registered principals.

FINRA Rule 3110.03 (Supervision of Multiple OSJs by a Single Principal) clarifies the requirement in FINRA Rule 3110(a)(4) for a firm to designate one or more appropriately registered principals in each OSJ with the authority to carry out the supervisory responsibilities assigned to that office. The designated on-site principal for each OSJ must have a physical presence, on a regular and routine basis, at each OSJ for which the principal has supervisory responsibilities. The rule establishes a general presumption that a principal will not be designated and assigned to be the on-site principal pursuant to Rule 3110(a)(4) to supervise more than one OSJ. If a firm determines it is necessary to designate and assign a principal to be the on-site principal supervising two or more OSJs, then the firm must consider, among other things, the following factors:

- whether the on-site principal is qualified by virtue of experience and training to supervise the activities and associated persons in each location;
- whether the on-site principal has the capacity and time to supervise the activities and associated persons in each location;
- whether the on-site principal is a producing registered representative;
- whether the OSJ locations are in sufficiently close proximity to ensure that the on-site principal is physically present at each location on a regular and routine basis; and the nature of activities at each location, including size and number of associated persons, scope of business activities, nature and complexity of products and services offered, volume of business done, the disciplinary history of persons assigned to such locations and any other indicators of irregularities or misconduct.

FINRA Rule 3110.03 further requires the firm to establish, maintain and enforce written supervisory procedures regarding the supervision of all OSJs. In all cases where a firm designates and assigns one on-site principal to supervise more than one OSJ, the firm must document in its written supervisory and inspection procedures the factors used to determine why the firm considers the supervisory structure to be reasonable. In addition, the rule provides that the determination by the firm will be subject to scrutiny by FINRA.

Supervision of One-Person OSJs

One-person OSJs are subject to the requirement set forth in FINRA Rule 3110(a)(5) that all registered persons must be assigned to an appropriately registered representative(s) or principal(s) who is responsible for supervising that person's activities, as well as FINRA Rule 3110(b)(6), which requires procedures prohibiting supervisory personnel from, among other things, supervising their own activities. FINRA reminds firms to conduct focused reviews of one-person OSJ locations, especially in light of possible conflicts of interest that may arise. For its part, FINRA will continue to monitor one-person OSJs to determine whether a firm adequately supervises such locations including, but not limited to, supervision addressing possible conflicts of interest or sales practice violations

Assigning Supervisors for Registered Representatives and Determining Qualifications of Supervisory Personnel

FINRA Rule 3110(a)(5) requires that each registered person be assigned to an appropriately registered representative(s) or principal(s) who is responsible for supervising that person's activities. FINRA Rule 3110(a)(6) requires a firm to use reasonable efforts to determine that all

supervisory personnel have the necessary experience or training to be qualified to carry out their assigned responsibilities.

List of Principals/Supervisors

The Firm has drafted a master list of supervisory personnel detailing the names, registrations and effective dates of all designated supervisory for the Firm.

Note: Please see the Firm's List of Supervisory and Registered Personnel or Exhibit 1.01 for further details. ►►

Implementation Strategy

The designated supervisor will constantly monitor the Firm growth and expansion activities as they relate to personnel and designated offices to ensure that each registered person will be assigned at least one designated supervisor in order to monitor his or her activities with respect to their securities business. Additionally, the Firm will ensure all assigned and designated supervisors to each OSJ and/or branch office locations are appropriately qualified to supervise the activities conducted or supervised from that OSJ and/or branch office.

In the event that the Firm should increase its number of personnel or OSJ/branch office locations within the safe harbor rule pursuant to *NTM 00-73*, the Firm's designated supervisor will ensure that the necessary safe harbor requirements are met to avoid filing requirements. However, in the event that the Firm expands its business, personnel and/or increases its number of OSJ/branch office locations beyond the safe harbor rule, the Firm's designated supervisor will formally notify FINRA and file a request for a change or continuance in membership as required in accordance with NASR Rule 1017.

Safe Harbor for Business Expansions

Rule 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) requires that a member submit an application to FINRA for approval prior to, among other things, making a "material change in business operations," which is defined in Rule 1011. IM-1011-1 creates a safe harbor for certain types of expansions that are presumed not to be a "material change in business operations" and therefore do not require FINRA approval.

In circumstances where the safe harbor is available, the following types of expansions are presumed not to be a material change in business operations and therefore do not require a Rule 1017 application. Expansions in each area are measured on a rolling 12-month basis; members are required to keep records of increases in personnel, offices, and markets to determine whether they are within the safe harbor.

Number of Associated Persons Involved in Sales Period Without Rule 1017 Application	***Safe Harbor – Increase Permitted Within One Year***
1-10	10 Persons
11 or more	10 persons or a 30% increase, whichever is greater
Number of Offices (registered or unregistered)	
1-5	3 offices
6 or more	3 offices or a 30% increase, whichever is greater
Number of Markets Made	
1-10	10 markets
11 or more	10 markets or a 30% increase, whichever is greater

Note: "Associated Persons involved in sales" includes all Associated Persons, whether or not registered, who are involved in sales activities with public customers, including sales assistants and cold callers, but excludes clerical, back office, and trading personnel who are not involved in sales activities.

On August 7, 2006, the SEC approved amendments to Interpretative Material 1011-1 (Safe Harbor for Business Expansions) (IM-1011-1) to limit the types of violations of FINRA Rule 2010 (formerly NASD Rule 2110) (Standards of Commercial Honor and Principles of Trade) that would result in a member being ineligible to use the safe harbor for business expansions.

Therefore, the safe harbor in IM-1011-1 is not available to any member that, among other things, has a "disciplinary history" as defined in IM-1011-1. For purposes of IM-1011-1, disciplinary history means a finding of a violation by a member or a principal of the member in the past five years by the SEC, a self-regulatory organization or a foreign financial regulatory authority of one or more specified provisions (or comparable foreign provisions) or rules or regulations thereunder, including FINRA Rule 2010 (formerly NASD Rule 2110). (Ref. NTM 06-56; Effective Date November 3, 2006) ►►

Implementation Strategy

The designated supervisor will constantly monitor the Firm's growth and expansion activities as they relate to personnel and designated offices to ensure that each registered person will be assigned at least one designated supervisor in order to monitor his or her activities with respect to their securities business. Additionally, the Firm will ensure all assigned and designated supervisors to each OSJ and/or branch office locations are appropriately qualified to supervise the activities conducted or supervised from that OSJ and/or branch office.

In the event that the Firm should expand its business operations to include an increase in its number of personnel and/or OSJ/branch office locations within the safe harbor rule pursuant to *IM 1011-1, NTM 00-73, and NTM 06-56*, the Firm's designated supervisor will ensure that the necessary safe harbor requirements are met to avoid filing requirements. However, in the event that the Firm expands its business, personnel and/or increases its number of OSJ/branch office locations beyond the safe harbor rule, the Firm's designated supervisor will formally notify FINRA and file a request for a change or continuance in membership as required in accordance with Rule 1017. The Firm's designated supervisor understands that the safe harbor is not available to firms with existing restrictions to their FINRA Membership Agreement, or with disciplinary history as specified above.

1.02 General Registration Requirements

All personnel who are to engage in the purchasing, selling and/or trading of securities products (to include general securities, fixed income securities, options, commodities, investment company shares, insurance products, etc.) must meet the securities licensing and registration requirements of the federal, state, self-regulatory organization (SRO), and/or other regulatory authority. The Firm strictly prohibits any person who is not properly licensed or registered to purchase, sell, and/or trade a particular securities product from engaging in such activity until the required licensing and registrations are obtained.

Note: Each designated principal of the Firm shall be properly registered and licensed for the area of supervision designated in the Firm's supervisory procedures. Such registrations must be kept current by periodic renewal and, where necessary, by amendment.

Updated Qualification and Registration Requirements

Section 15A(g)(3) of the Securities Exchange Act of 1934 (Exchange Act or SEA) authorizes FINRA to prescribe standards of training, experience and competence for persons associated with FINRA

members. FINRA's registration rules ensure that associated persons attain and maintain specified levels of competence and knowledge pertinent to their function. In general, the registration rules: (1) require that persons engaged in a firm's investment banking or securities business who are to function as representatives or principals register with FINRA in each category of registration appropriate to their functions by passing one or more qualification examinations; (2) provide a process for firms to request a waiver of a qualification examination; (3) exempt specified associated persons from the registration requirements; and (4) allow firms to permissively register specified persons.

FINRA has consolidated the NASD and Incorporated NYSE registration rules as FINRA rules. The consolidated rules streamline, and bring consistency and uniformity to, the qualification and registration requirements. The consolidated rules, among other things, allow a member firm to permissively register, or maintain the registration(s) as a representative or principal of, any associated person of the firm, establish a waiver program for individuals registered with a member firm who move to a financial services industry affiliate of a member firm and require firms to designate a Principal Financial Officer and a Principal Operations Officer. In conjunction with these changes, FINRA has also restructured the representative-level qualification examination program into a more efficient format whereby all representative-level applicants will take a general knowledge examination (the SIE) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role. Individuals who are not associated persons of firms, such as members of the general public, are also eligible to take the SIE. The restructured program, among other things, eliminates duplicative testing of general securities knowledge on representative-level examinations and eliminates several representative-level registration categories that have become outdated or have limited utility. In addition, FINRA has made corresponding and clarifying changes to the CE requirements.

The following is a summary of the consolidated registration rules:

- FINRA Rule 1210 (Registration Requirements) FINRA Rule 1210 requires that each person engaged in the investment banking or securities business of a member firm register with FINRA as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in FINRA Rule 1220 (Registration Categories), unless exempt from registration pursuant to FINRA Rule 1230 (Associated Persons Exempt from Registration). FINRA Rule 1210 also provides that such person is not qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules.

  FINRA Rule 1210 addresses the following: (1) requirement to have a minimum number of registered principals; (2) ability to maintain permissive registrations for associated persons; (3) requirement to pass an appropriate qualification examination and, in the case of representatives, the SIE, and process for obtaining a waiver of a qualification examination; (4) requirements applicable to registered persons functioning as principals prior to passing an appropriate principal qualification examination; (5) rules of conduct for taking examinations and confidentiality of examinations; (6) waiting periods for retaking a failed examination; (7) requirement that registered persons satisfy CE; (8) lapse of registration and expiration of the SIE; (9) waiver program for individuals working for a financial services industry affiliate of a member firm; (10) status of persons serving in the Armed Forces of the United States; and (11) impermissible registrations.

- FINRA Rule 1220 (Registration Categories) FINRA Rule 1220 sets forth the definitions of "principal" and "representative" as well as the qualification and registration requirements for principals, such as General Securities Principals, and representatives, such as General Securities Representatives. The rule also addresses the following: (1) status of certain foreign registrations; (2) additional requirements for registered persons engaged in security futures activities; (3) requirements applicable to firms operating with only one Registered Options Principal; (4) scope of the General Securities Sales Supervisor registration category; (5) scope of the Operations Professional registration category; and (6) status of eliminated registration categories
- FINRA Rule 1230 (Associated Persons Exempt from Registration) FINRA Rule 1230 identifies associated persons who are not required to be registered with FINRA, including, among others, associated persons whose functions are solely and exclusively clerical or ministerial. The rule

further provides that the function of accepting customer orders is not considered a clerical or ministerial function.

- FINRA Rule 1240 (Continuing Education Requirements) FINRA Rule 1240 sets forth the CE requirements, which consist of a Regulatory Element and a Firm Element. The Regulatory Element consists of periodic online-based training on regulatory, compliance, ethical, supervisory subjects and sales practice standards. The Firm Element consists of annual, firm-developed and administered training programs designed to keep specified registered persons current regarding job- and product-related subjects. *Also see Section 4.00 Continuing Education and Training Section for further details.*

Securities Industry Essentials (SIE) Exam Requirements

FINRA has restructured the representative-level qualification examination program by creating the SIE and revising the representative-level qualification examinations. Beginning on October 1, 2018, all new representative-level applicants are required to pass the SIE and a revised representative-level qualification examination, such as the revised General Securities Representative (Series 7) examination, appropriate to their job functions at the firm with which they are associating before their registration can become effective.

The restructured program eliminates duplicative testing of general securities knowledge on the representative-level qualification examinations by moving such content into the SIE. The SIE will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices, whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representative.

As stated below, FINRA is eliminating several representative-level registration categories and associated examinations. Individuals maintaining the eliminated representative level registrations will be grandfathered (i.e., they may continue to maintain their current registration on or after October 1, 2018, unless the registration lapses). FINRA, however, is retaining the following representative-level registrations: Investment Company and Variable Contracts Products Representative; General Securities Representative; Direct Participation Programs Representative; Securities Trader; Investment Banking Representative; Private Securities Offerings Representative; Research Analyst; and Operations Professional. The table below lists the representative-level registration categories that FINRA is retaining and the current and future examinations that individuals must pass in order to register in these categories. The table also includes the number of questions on each current examination and the anticipated number of questions on each future examination.

Registration Category (and CRD System Designation)	Current Examination(s) (prior to October 1, 2018)	Future Examinations (on or after October 1, 2018)
Investment Company and Variable Contracts Products Representative (IR)	Series 6 (100 questions)	SIE (75 questions) + Revised Series 6 (50 questions)
General Securities Representative (GS)	Series 7 (250 questions)	SIE (75 questions) + Revised Series 7 (125 questions)
Direct Participation Programs Representative (DR)	Series 22 (100 questions)	SIE (75 questions) + Revised Series 22 (50 questions)
Securities Trader (TD)	Series 57 (125 questions	SIE (75 questions) + Revised Series 57 (50 questions)
Investment Banking Representative (IB)	Series 79 (175 questions)	SIE (75 questions) + Revised Series 79 (75 questions)
Private Securities Offerings Representative (PR)	Series 82 (100 questions)	SIE (75 questions) + Revised Series 82 (50 questions)

Research Analyst (RS)	Series 7 (250 questions) + Series 86 (Part I: Analysis) (100 questions) + Series 87 (Part II: Regulatory Administration and Best Practices) (50 questions)	SIE (75 questions) + Revised Series 86 (Part I: Analysis) (100 questions) + Revised Series 87 (Part II: Regulatory Administration and Best Practices) (50 questions)
Operations Professional (OS)	Series 99 (100 questions)	SIE (75 questions) + Revised Series 99 (50 questions)

Individuals applying for registration with FINRA as a representative can schedule both the SIE and the applicable representative-level qualification examination(s) for the same day, provided they are able to reserve space at one of FINRA's designated testing centers. Individuals applying for registration as a representative must pass both the SIE and the applicable representative-level qualification examination(s). Therefore, individuals who fail either the SIE or the applicable representative-level qualification examination(s) will not qualify for registration as a representative. In addition, individuals applying for registration must satisfy all other requirements relating to the registration process (*e.g.*, submit fingerprints).

Financial Services Affiliate Waiver Program (FSAWP)

On October 1, 2018, FINRA implemented a waiver program for individuals who terminate their registrations as representatives or principals to go to work for a foreign or domestic financial services industry affiliate of a member firm. Under the waiver program, individuals who go to work for a financial services industry affiliate of a member firm would terminate their registrations with the firm and would be granted a waiver of their requalification requirements, including the SIE, upon reapplying with FINRA for registration as a representative or principal, subject to certain conditions.

FINRA will not accept any new participants for the FSAWP beginning on March 15, 2022. However, individuals who are already participating in the FSAWP prior to March 15, 2022, have the option of continuing in the FSAWP. FSAWP participants who continue in the program after March 15, 2022, will be subject to an annual Regulatory Element requirement beginning in 2023. (Ref. Regulatory Notice 21-41; November 17, 2021)

Permissive Registrations

Beginning on October 1, 2018, firms may permissively register or maintain the registration of any associated person, including individuals working solely in a clerical or ministerial capacity. This is an expansion of the current categories of permissive registrations.

Principal Financial Officer and Principal Operations Officer

Effective October 1, 2018, firms are required to designate: (1) a Principal Financial Officer with primary responsibility for financial filings and the related books and records; and (2) a Principal Operations Officer with primary responsibility for the day-to-day operations of the business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and firm assets, calculation and collection of margin from customers and processing dividend receivables and payables and reorganization redemptions and those books and records related to such activities. This requirement replaces the current requirement that dual members of FINRA and the NYSE designate a Chief Financial Officer (CFO) and a Chief Operations Officer (COO) and that other FINRA members designate a CFO. Individuals designated as Principal Financial Officers or Principal Operations Officers must qualify and register as Financial and Operations Principals or Introducing Broker-Dealer Financial and Operations Principals, as applicable. Principal Financial Officers and Principal Operations Officers must also be registered in the CRD system as Operations Professionals because their activities and responsibilities intersect with those of *covered persons* as specified in FINRA Rule 1220(b)(3).

New Principal Registration Categories

FINRA has established three new principal registration categories, Compliance Officer, Investment Banking Principal and Private Securities Offerings Principal.

- ***Compliance Officer.*** Beginning on October 1, 2018, an individual designated as Chief Compliance Officer (CCO) on Schedule A of Form BD (Uniform Application for Broker-Dealer Registration) of a member firm, other than a firm engaged in limited investment banking or securities business, is required to register as a Compliance Officer. An individual designated as a CCO on Schedule A of Form BD of a firm that is engaged in limited investment banking or securities business may be registered in a principal category that corresponds to the limited scope of the firm's business, rather than register as a Compliance Officer.

- ***Investment Banking Principal.*** Effective October 1, 2018, principals responsible for supervising specified investment banking activities are required to register as Investment Banking Principals.

- ***Private Securities Offerings Principal.*** Also effective on October 1, 2018, principals solely responsible for supervising specified activities relating to private securities offerings may register as Private Securities Offerings Principals, instead of registering as General Securities Principals.

Eliminated Representative-Level Registration Categories

FINRA is eliminating several representative-level registration categories, and the related examinations, that have become outdated or have limited utility. Specifically, FINRA is eliminating the current registration categories of Order Processing Assistant Representative, United Kingdom Securities Representative, Canada Securities Representative, Options Representative, Corporate Securities Representative, Government Securities Representative and Foreign Associate. However, FINRA is grandfathering individuals registered in these categories.

Research Analyst, Research Principal and Supervisory Analyst Qualification Requirements.

Beginning on October 1, 2018, individuals registering as Research Analysts will no longer be required to satisfy the General Securities Representative prerequisite registration. Rather, to register as a Research Analyst, an individual will be required to pass the SIE and the revised Research Analyst (Series 86 and Series 87) qualification examinations

Registered Persons Functioning as Principals for a Limited Period.

Effective October 1, 2018, firms may designate a registered representative to function (or act) as a principal for 120 calendar days, rather than the current 90 calendar days, before having to pass an appropriate principal-level qualification examination.

Accepting Orders From Customers.

Beginning on October 1, 2018, unregistered persons cannot accept an order from a customer under any circumstances. Only appropriately registered persons can accept an order from a customer. (Ref. Regulatory Notice 17-30- Qualification and Registration; October 2017; effective October 1, 2018)

Implementation Strategy

The designated supervisor or registration supervisor will review all incoming new applicants and existing registered personnel for appropriate qualification and registrations in accordance with the updated requirements in Notice 17-30. Any new applicant after the Oct. 1, 2018 date will need to take the SIE in addition to other required examinations based on person's position, duties and responsibilities on behalf of the Firm. Additionally, the designated supervisor will ensure that the Form BD reflects the appropriate new designations (e.g. PFO/POO, etc.) after the Oct. 1, 2018 date.

Maintenance of Qualification After Termination of Registration by Participating in the Maintaining Qualifications Program (MQP)

FINRA has amended the CE rules to provide that beginning March 15, 2022, eligible individuals who terminate any representative or principal registration category, including any permissive registration category under Rule 1210.02, have the option of maintaining their qualification for the terminated registration category beyond the current two-year qualification period by completing annual CE through a new program, the MQP. FINRA has also made a related change to Rule 1210.08 to apply the two-year qualification period to certain partial terminations that are currently not subject to the two-year qualification period beginning January 1, 2023. Eligible individuals who elect not to participate in the MQP could continue to avail themselves of the two-year qualification period (i.e., they could reregister within two years of terminating a registration category without having to requalify by examination or having to obtain an examination waiver). As noted below, MQP participants will have a maximum of five years following the termination of a representative or principal registration category to reregister without having to requalify by examination or having to obtain an examination waiver, subject to satisfying the conditions of the MQP.

The following are the conditions for eligibility and participation in the MQP.

Eligibility Conditions:

- Individuals must have been registered in the terminated registration category for which they elect to maintain their qualification under the MQP for at least one year immediately prior to the termination of that category and must not have been subject to a statutory disqualification during that one-year registration period.
- Individuals must make their election to participate in the MQP at the time of their Form U5 submission or within two years from the termination of a registration category.
- Individuals must not have been subject to a statutory disqualification between the date of their Form U5 submission and the date they make their election to participate in the MQP.
- Individuals must not have been CE inactive for two consecutive years at the time they make their election to participate in the MQP.

Participation Conditions:

- MQP participants must complete annually by December 31 all prescribed CE content.
- MQP participants will have a maximum of five years following the termination of a registration category in which to reregister without having to requalify by examination or having to obtain an examination waiver.
- MQP participants who become subject to a statutory disqualification while they are participating in the MQP may not continue in the MQP.
- MQP participants who become CE inactive for two consecutive years while they are participating in the MQP may not continue in the MQP.

The amended rules also include a look-back provision that extends the MQP option to individuals who have been registered in a representative or principal registration category within two years prior to March 15, 2022, as well as individuals who are participating in the FSAWP under Rule 1210.09 prior to March 15, 2022. Such individuals must satisfy specified eligibility conditions if they elect to participate in the MQP. Further, if such individuals elect to participate in the MQP, they must make their election between January 31, 2022, and March 15, 2022. In addition, if such individuals elect to participate in the MQP, they will be required to complete their initial annual MQP content by December 31, 2022, unless they have been granted an extension of time by FINRA. If such individuals fail to complete the prescribed annual MQP content by December 31, 2022, absent an extension of time, they will not be eligible to continue in the MQP and may be required to requalify by examination or obtain an examination waiver in order to reregister. Finally, if such individuals elect to participate in the MQP for a particular registration category,

their five-year MQP participation period will be adjusted by deducting from that period the amount of time that has lapsed between the date they terminated that registration category and March 15, 2022.

With respect to all other eligible individuals, if they already completed their Regulatory Element for the year in which they elect to participate in the MQP, they will not be required to complete prescribed MQP content for that year. Rather, they will be required to complete prescribed MQP content for the following year. In addition, they may elect to participate in the MQP within two years from the termination of a registration category, provided they complete any MQP content that becomes due between the Form U5 submission date and the date they elect to participate in the MQP.

The annual MQP content will consist of a combination of Regulatory Element content and Practical Element content selected by FINRA and the CE Council. The annual MQP content will correspond to the registration category for which individuals wish to maintain their qualification. MQP participants who are maintaining their qualification status for a principal registration category that includes a corequisite representative registration category must also complete required annual MQP content for the corequisite registration category in order to maintain their qualification status for the principal registration category, unless they are already completing prescribed Regulatory Element for the corequisite representative registration category. In addition, the amended rules allow individuals to participate in the MQP multiple times in their careers, provided that they satisfy the eligibility conditions each time they reelect to participate in the MQP.

MQP Timeline

The MQP will be implemented on March 15, 2022. MQP content will become available by July 1, 2022.

Starting November 17, 2021, FINRA will begin notifying individuals who were previously registered in a representative or principal registration category between March 15, 2020, and March 15, 2022, and individuals who are participating in the FSAWP prior to March 15, 2022, of their potential eligibility to participate in the MQP. Starting January 31, 2022, these individuals may begin notifying FINRA via their FinPro accounts of their intention to participate in the MQP. Such individuals will have until March 15, 2022, to notify FINRA of their election to participate in the MQP. Firms generally have up to 30 days to submit a Form U5 to FINRA and provide a copy to the individual. Therefore, FINRA may not be aware that an individual's registration category has been terminated in order to notify the individual of their potential eligibility to participate in the MQP. If an individual's registration category has been terminated but the firm has not yet submitted a Form U5 to FINRA, the individual may notify FINRA of their intent to participate in the MQP by sending an email to *mqpnotice@finra.org* by no later than March 15, 2022.

Individuals who elect to participate in the MQP on or before March 15, 2022, must complete the prescribed 2022 MQP content by December 31, 2022. If such individuals do not complete the prescribed MQP content by that date or have not been granted an extension of time to complete the content, they may not continue in the MQP in 2023.

For all other eligible individuals who elect to participate in the MQP in 2022, the prescribed 2022 MQP content will be due by December 31, 2022, unless they already completed the required Regulatory Element for 2022, in which case their prescribed MQP content will be due by December 31, 2023. In addition, such individuals may be granted an extension of time to complete the prescribed 2022 MQP content. (Ref. Regulatory Notice 21-41; November 17, 2021)

1.03 State Registration Requirements

All registered representatives must be registered or licensed as a representative of the Firm with the Financial Industry Regulatory Authority ("FINRA"). They must also be properly registered in each state for which they plan to conduct a securities business and each state where clients and/or customer are located. Such registrations must be kept current by periodic renewal and, where necessary, by amendment. In order for a registered representative to be licensed in a state, the Firm must first be a registered broker in that state.

Additionally, most states require the successful completion of a Series 63 Uniform State Agent Securities Law registration. The Firm will ensure that each registered representative has met the state specific

registration requirements as specified by each of the State Regulatory Agencies and a designated supervisor will be responsible for identifying and monitoring certain transactions in states where registrations are required. ►►

Implementation Strategy

The designated supervisor will continuously review all Form U-4, Form BD and other relevant State documentation to ensure compliance with all state registration requirements as submitted on behalf of the Firm and its personnel. All relevant documentation will be properly evidenced as indication of review.

1.04 Employment Procedures

The Firm has established certain policies and procedures regarding the employment and termination process of its registered representatives. The following information provides a brief description of the Firm's policies and procedures as they relate to the employment process:

Uniform Application for Securities Industry Registration or Transfer (Form U-4)

Each new applicant is responsible for completing an initial Form U4 and/or providing a copy of an existing Form U4 will all relevant information for due diligence purposes. The person signing the Form U4 on behalf of the member firm must certify that he or she has taken appropriate steps to verify the accuracy and completeness of the information contained in and with the Form U4. This requires thorough review of the Form U4 and appropriate steps to verify all of the information contained in and with the Form U4, such as the applicant's 10-year employment history. In addition, the Form U4 provides that the person signing the Form U4 on behalf of the Firm must certify that the firm has communicated with all of the applicant's previous employers for the past three years and has documentation on file with the names of the persons contacted and the date of contact. (Ref. Regulatory Notice 07-55; Nov. 14, 2007)

The Firm acknowledges that it is the responsibility of each registered person to provide accurate and prompt information on his/her Form U-4. Any new information such as required updates, amendments or revisions concerning a registered representative's Form U-4 will be sent to the employer firm as specified by federal, state, self-regulatory (SRO), or other regulatory authority guidelines. The Compliance Department and/or designated supervisor are responsible for determining if certain complaint or disciplinary incidents will require an amendment of the form.

New Form U4 User Interface and Collaboration

In October 2020, FINRA is launching new functionality designed to make the process of filing Forms U4 more intuitive. FINRA expects the new functionality, which incorporates enhanced data entry and validation features, to reduce filing errors and increase efficiency for firms. When this functionality becomes available on October 5, 2020, the current "Allow Rep Edits" feature in Web CRD, which firms may use to collaborate online with their registered persons (or persons seeking registration) to amend or complete the Form U4, will be available only through FinPro. Accordingly, for a firm to use the "Allow Rep Edits" feature on or after October 5, 2020, its registered persons (and persons who are seeking registration with the firm) will need a FinPro account. (Ref. Information Notice 6/25/20; June 25, 2020)

Application Registration

Any individual seeking employment working in the securities industry with the Firm shall do so according to *Article V of FINRA By-Laws*. The designated principal or other authorized supervisor of the Firm will ensure that all records of its registered persons are kept current at all times. The designated principal or other authorized supervisor of the Firm will amend records for

its registered representatives no later than thirty (30) days after discovery of an event or circumstance that requires such amendments. If such an event or circumstance is egregious enough to warrant a statutory disqualification as defined in *Section 3(a)(39)* and *15(b)(4)* of the act, the designated principal or other authorized supervisor of the Firm will file such amendments within ten (10) days.

Interview Process

As a potential employer, The Firm and/or designated supervisor will thoroughly interview all potential candidates for employment to obtain a comprehensive overview of each potential employee. The interview process should be able to effectively address such issues as prior work history and relevant experience, disclosure of any customer complaints and/or regulatory action in connection with a securities business, as well as any pending contractual or other obligations that may be material in consideration for employment.

Background and Due Diligence Review

FINRA Rule 3110(e) requires that each member firm ascertain by investigation the good character, business reputation, qualifications and experience of an applicant before the firm applies to register that applicant with FINRA and before making a representation to that effect on the application for registration. This is a principle-based requirement, and it is substantially similar to the requirement under NASD Rule 3010(e). Firms are required to complete the investigation process prior to filing the Form U4. Further, FINRA does not place any limits on the scope of such a background investigation—a firm must obtain all the necessary information to make an evaluation. Firms should consider all available information gathered in the pre-registration process for this purpose, including, but not limited to, Form U4 and Form U5 (Uniform Termination Notice for Securities Industry Registration) responses, authorized searches of the CRD system, fingerprint results obtained under SEA Rule 17f-2 and communications with previous employers. Firms also may wish to consider private background checks, credit reports and reference letters for this purpose.

Consistent with the requirement under NASD Rule 3010(e), if an applicant previously has been registered, FINRA Rule 3110(e) requires that a firm review a copy of the applicant's most recent Form U5, including any amendments, within 60 days of the filing date of the applicant's Form U4. If the firm is unable to review the Form U5, it has to demonstrate that it has made reasonable efforts to do so. FINRA Rule 3110(e) clarifies that a firm is required to review a copy of an applicant's most recent Form U5 if the applicant previously has been registered with FINRA or another self-regulatory organization. (Ref. Notice 15-05; March 2015; effective July 1, 2015)

Implementation Strategy

To satisfy due diligence procedures for representative candidates, the Firm will consider all available information gathered in the hiring process, including, but not limited to Forms U4 and U5 responses, authorized searches of the CRD, fingerprint results and communications with previous employers. The Firm will ensure that it obtains and retains the required written consent of the applicant in connection with CRD pre-registration searches (if and when such searches are conducted). The Firm may also consider private background checks, credit reports and reference letters to extent reasonable and practical. (Ref. Regulatory Notice 07-55; Nov. 14, 2007)

Enhancements to FINRA Disclosure Review Process

Beginning on July 9, 2018, FINRA is enhancing its disclosure review process to enable it to also conduct a public records search of information relating to bankruptcies, judgments and liens within fifteen calendar days from the date of an applicant's initial or transfer Form U4. If FINRA's search reveals information different from what was reported in an

applicant's initial or transfer Form U4, FINRA will notify the member firm with which the applicant is associated within fifteen calendar days from the date the Form U4 is filed. If the firm files an amended Form U4 with updated disclosure, FINRA will not assess a late disclosure fee, provided that the amended Form U4 is filed no later than 30 calendar days after the applicant first learns of the event.

Moreover, member firms may rely on FINRA's verification process for purposes of compliance with the requirement under FINRA Rule 3110(e) (Responsibility of Member to Investigate Applicants for Registration) to conduct a search of public records relating to bankruptcies, judgments and liens. Therefore, if a member firm does not receive notice from FINRA regarding the results of its public records search within fifteen calendar days after the filing of an applicant's Form U4, the firm is deemed to have satisfied its obligation to conduct a public records search of information relating to bankruptcies, judgments and liens for that applicant. The enhancements to the disclosure review process will enable FINRA to verify the accuracy and completeness of information relating to bankruptcies, judgments and liens in a timelier manner while reducing the cost and regulatory burden for member firms that choose to rely on FINRA's verification process.

Credit Reports

As stated in Regulatory Notice 15-05, member firms could comply with the requirement to conduct a search of public records relating to bankruptcies, judgments and liens by other means, including by reviewing a credit report from a major national credit reporting agency that contains public financial record information. The major national credit reporting agencies recently instituted changes that resulted in the exclusion of certain judgments and liens in credit reports. Firms have asked whether these recent changes impact their ability to rely on credit reports. FINRA notes that the ability of member firms to rely on credit reports from major national credit reporting agencies for purposes of compliance with FINRA Rule 3110(e) is not affected by these changes. (Ref. Information Notice- Enhancements to FINRA's Disclosure Review Process Relating to Public Financial Records; May 18, 2018)

Verification Process

FINRA Rule 3110(e) requires that a firm adopt written procedures reasonably designed to verify the accuracy and completeness of the information contained in an applicant's Form U4 by no later than 30 calendar days after an initial or a transfer Form U4 is filed with FINRA.

Firms must complete the verification process by no later than 30 calendar days after filing the Form U4 with FINRA, with the understanding that if they become aware of any discrepancies as a result of the verification process conducted after the filing of the Form U4, they will be required to file an amended Form U4. FINRA Rule 3110(e) does not require firms to conduct the verification process only during the 30-day window after the Form U4 has been filed or base the verification on information that is obtained only during the 30-day window after the form has been filed. Rather, the 30-day window is intended to accommodate firms that may find it difficult to conduct the verification process before filing an applicant's Form U4, such as where an applicant is hired immediately to fill a needed role at the firm.

In addition, FINRA Rule 3110(e) requires that a firm's verification process must, at a minimum, provide for a national search of reasonably available public records conducted by the firm or a third-party service provider to verify the accuracy and completeness of the information contained in an applicant's Form U4. Similar to the overall verification process, the requirement to conduct a public records search must be satisfied by no later than 30 calendar days after an initial or a transfer Form U4 is filed with FINRA. The public records search is a new requirement, and it is a mandatory component of the overall verification process described above. Public records include,

but are not limited to general information, such as name and address of individuals, criminal records, bankruptcy records, civil litigations and judgments, liens, and business records. (Ref. Notice 15-05; March 2015; effective July 1, 2015)

The designated principal or other authorized supervisor(s) are responsible for conducting an appropriate background review of each potential employee prior to making an application for registration on behalf of that individual with the Firm. It is the Firm's policy that any potential candidate will be subject to an initial background review using the Central Registration Depository (CRD) system. However, the Firm will obtain the permission of each registered person by requesting written authorization prior to conducting such a review.

The purpose of the background and due diligence review conducted through the CRD system and/or other means shall be to identify the existence of customer complaints, regulatory action, or any other relevant material in connection with a securities business. In the event that an applicant has been previously registered with a FINRA member firm, the designated principal or other authorized supervisor will obtain a copy of the registered representative's Form U-5 from the applicant, the applicant's former employer or the CRD system.

Implementation Strategy

To satisfy due diligence procedures for representative candidates, the Firm will consider all available information gathered in the hiring process, including, but not limited to Forms U4 and U5 responses, authorized searches of the CRD, fingerprint results and communications with previous employers. The Firms will ensure that it obtains and retains the required written consent of the applicant in connection with CRD pre-registration searches (if and when such searches are conducted). The Firm may also consider private background checks, credit reports and reference letters to extent reasonable and practical. (Ref. Regulatory Notice 07-55; Nov. 14, 2007) The Firm will verify the accuracy and completeness of the information contained in each of its Form U4 filings by no later than 30 calendar days after an initial or a transfer Form U4 is filed with FINRA.

Additionally, to comply with the requirement to conduct a national search of reasonably available public records, the Firm may satisfy the requirement by:

- reviewing a credit report from a major national credit reporting agency that contains public record information (such as bankruptcies, judgments and liens) and the applicant's fingerprint results;
- searching a reputable national public records database, such as LexisNexis, a division of Reed Elsevier, Inc., and reviewing the applicant's fingerprint results; or
- reviewing a consolidated report from a specialized provider, such as Business Information Group, Inc. (BIG),16 that includes criminal and financial public records. (Ref. Notice 15-05; March 2015; effective July 1, 2015)

Due Diligence for New Registered Representatives Changes Firms (Replacing Mutual Fund/Variable Products)

Registered representatives with an established customer base may, from time to time, change their association from one firm to another and may wish to bring with them customer assets, including mutual funds and variable products. When a representative who has sold such a product chooses to associate with a new firm, however, there may be impediments to the representative's ability to continue selling or servicing these investments, as well as receiving trail commissions from the sponsor for products the representative previously sold or serviced.

In these situations, the transferring representative may be tempted to recommend to customers that they replace their existing mutual funds or variable products with other investments, without adequately considering the customer's best interests and the suitability for the customer of those recommendations. Such inappropriate recommendations might be premised upon the fact that the new firm or the representative will no longer receive trail commissions for the customer's current investments or that the representative will generate more income by replacing an investment than recommending that the customer continue to hold the investment through the representative's prior firm.

A recommendation to liquidate, replace or surrender an existing investment must be suitable and based upon the customer's investment needs and not the financial needs of the firm or its associated persons. A firm may consider the fact that the firm lacks a dealer or servicing agreement with the product sponsor and, therefore, the registered representative cannot provide the customer with the service that the customer desires with respect to the product. The suitability analysis must also include other considerations, however, including whether the customer's mutual fund is subject to a contingent deferred sales charge or a required holding (surrender) period, or has other features that materially affect its value or liquidity, and the fees and expenses associated with the new product being recommended. (NTM 07-06; February 2007); (Ref. Regulatory Notice 07-36; Issued Aug. 13, 2007)

Implementation Strategy

In the event the Firm employs or otherwise associates with a new registered representative, the designated principal will perform the following functions:

- During the initial due diligence review, the designated supervisor will obtain information regarding the nature of the representative's business and the extent to which he or she offers investment products for which the Firm may need a dealer or servicing agreement in order for the representative to sell and provide service.

  Note: In conducting reasonable due diligence of the prospective registered representative's customer base, the new firm needs to learn only the identity of the various mutual fund and variable products held by the registered *representative's customer base. Detailed, nonpublic, personal information about individual customers and their particular investments is not necessary or relevant to meet the objectives of this review. Finally, it is incumbent upon firms to educate their prospective representatives in understanding that a change of employment is not by itself a suitable basis for recommending a switch from one product to another and to supervise with respect to such conduct. (Ref. Regulatory Notice 07-36; Issued Aug. 13, 2007)*

- If the Firm is unable or unwilling to service a customer's mutual fund or variable product, the Firm will instruct the registered representative to advise the customer of this fact, as well as the options the customer may have to continue to hold the investment at the customer's prior firm, before recommending that the customer liquidate or surrender the investment.

- Any recommendation to liquidate, replace or surrender a mutual fund or variable product must be suitable for the customer based upon the customer's financial needs and investment objectives. Recommendations should not be a function of the desire of the Firm or its new representative to obtain compensation that it would not otherwise receive were the customer to retain the previously sold investment.

- The designated supervisor will review any replacements recommended by the associated person with a view to identifying any

recommendations to liquidate or surrender mutual funds that may be inconsistent with the customer's investment needs and objectives or that have not been preceded by appropriate disclosure to the customer.

FINRA Registration via Form U4

When an associated person of a FINRA member firm is registered with another self-regulatory organization (SRO) in a registration category recognized by FINRA, the firm must register such person in that category with FINRA. Thus, for example, if a person associated with a FINRA member firm is registered as a General Securities Representative (Series 7) with another SRO, the member must ensure that such person is also registered with FINRA as a General Securities Representative (Series 7). (Ref. Regulatory Notice 07-41; Issued Sept. 6, 2007) ►►

Implementation Strategy

During the new hire process, the designated supervisor will review all available licenses with SROs to ensure that when registering an associated person with another SRO in a category recognized by FINRA, the designated supervisor will denote the corresponding FINRA registration category on each respective Form U4 when applicable.

Fingerprints

The designated principal or other authorized supervisor of the Firm shall record and maintain fingerprints of all registered persons, on authorized fingerprint cards, as set forth in *SEC Rule 17f-2. Fingerprinting of Securities Industry Personnel*. The Firm shall obtain a properly completed and imprinted fingerprint card for each registered representative. The designated principal or other authorized supervisor shall retain all employee fingerprint cards for the Firm's files and submit a fingerprint card to the Attorney General of the United States or its designee for identification and appropriate processing. Certain exemptions to this requirement apply under *SEC Rule 17f-2(1).* The designated principal or other authorized supervisor of the Firm shall be responsible for determining if a permissive exemption applies to individual registered representatives on a circumstantial basis.

The Firm's internal procedures addressing the fingerprinting of prospective employees as required under Exchange Act Section 17(f)(2) and Exchange Act Rule 17f-2 should attempt to ensure that the person being fingerprinted is the same person who is seeking employment with the member. FINRA suggests the following best practices.

Firms that elect to fingerprint prospective employees in-house should consider:

- training appropriate staff on how to verify the authenticity of the prospective employee's identification cards, and to roll high-resolution fingerprints that will be accepted by the FBI;
- requiring that the individual being fingerprinted present at least two forms of identification immediately before fingerprints are taken, one of which is a valid picture driver's license, state identification card, or U.S. passport; if there is any doubt about the individual's identity, consider requiring additional picture identification;
- requiring the individual to submit a signature for comparison purposes;
- including an attestation form in the fingerprint process, whereby the individual seeking to become associated attests in writing and in person that he or she is in fact the person being fingerprinted; and
- requiring the person rolling or otherwise taking the fingerprints to attest in writing that he or she has followed the member's compliance procedures.

Firms that rely on third parties in an off-site location to collect fingerprints and to verify the identity of the person being fingerprinted should consider:

- requiring applicants to be fingerprinted at a local law enforcement office, where officers likely are trained to verify identity as well as the authenticity of identification cards presented;
- notifying local law enforcement officials to inform them of securities industry fingerprinting requirements, and to discuss reasonable identification verification procedures;
- giving applicants a list of acceptable third-party vendors that provide fingerprinting services; and
- discouraging the practice of allowing applicants to fingerprint themselves. (Ref. NTM 05-39) ►►

Implementation Strategy

The designated supervisor enforces the Firm's internal policy which requires that each prospective or actual associated person is properly fingerprinted at an off-site location. Applicants are not allowed to fingerprint themselves.

Issuance of Internal Policies/Procedures

The designated principal or other authorized supervisor of the Firm shall issue each registered person a current written or other form of the Firm's Compliance and Supervisory Procedures during the initial stages of employment. Upon receipt of the Firm's Compliance and Supervisory Procedures, each registered person will be responsible for signing a written letter of acknowledgement stating that such procedures were received, read and understood. ►►

Implementation Strategy

The designated supervisor shall be responsible for the overall review of Form U4's, fingerprint cards, background reviews, and employment applications. Final review and approval of prospective employees, as well as, completion and filing of all documents will be at the discretion and responsibility of the designated supervisor. All relevant documentation will be initialed and dated as evidence of review.

Registered Representative Personnel Files

The Firm will maintain a file on each Registered Representative. The following documents and information will be maintained in this file or, in some instances, in a separate filing system:

- a copy of each Form U-4 (unless maintained electronically on CRD);
- a copy of each prior Form U-5 (if applicable; or unless maintained electronically on CRD);
- a copy of their fingerprint card (or substitute record) or evidence of the FINRA's receipt thereof;
- a list of any accounts maintained by the registered or associated person at other firms;
- a list of any outside business activities engaged in by the registered or associated person;
- copies of all agreements and acknowledgements signed by the registered or associated person;

- a record of any customer complaints involving the registered or associated person;
- a record of any regulatory sanctions or actions brought against the registered or associated person;
- a copy of the attendance at the annual compliance meeting; and
- all other documents and information required to be maintained pursuant to applicable federal, and state laws, rules and regulations.

Arbitration Disclosure to Associated Persons Signing or Acknowledging Form U4

A member shall provide an associated person with the following written statement whenever the associated person is asked, pursuant to FINRA Rule 1010, to sign an initial or amended Form U4, or otherwise provide written (which may be electronic) acknowledgment of an amendment to the Form U4:

The Form U4 contains a predispute arbitration clause. It is in item 5 of Section 15A of the Form U4. You should read that clause now. Before signing the Form U4, you should understand the following:

1. You are agreeing to arbitrate any dispute, claim or controversy that may arise between you and your firm, or a customer, or any other person that is required to be arbitrated under the rules of the self-regulatory organizations with which you are registering. This means you are giving up the right to sue a member, customer, or another associated person in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.
2. A claim alleging employment discrimination in violation of a statute is not required to be arbitrated under FINRA rules. Such a claim may be arbitrated at FINRA only if the parties have agreed to arbitrate it, either before or after the dispute arose. The rules of other arbitration forums may be different.
3. A dispute arising under a whistleblower statute that prohibits the use of predispute arbitration agreements is not required to be arbitrated under FINRA rules. Such a dispute may be arbitrated only if the parties have agreed to arbitrate it after the dispute arose.
4. A party alleging a sexual assault claim or sexual harassment claim that has agreed to arbitrate before the dispute arose may elect post dispute not to arbitrate such a claim under the Code. Such a claim may be arbitrated if the parties have agreed to arbitrate it after the dispute arose.
5. Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited.
6. The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.
7. The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.
8. The panel of arbitrators may include arbitrators who were or are affiliated with the securities industry or public arbitrators, as provided by the rules of the arbitration forum in which a claim is filed.
9. The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court. (Ref. Regulatory Notice 22-15; July 15, 2022)

Implementation Strategy

In the event the Firm asks its registered/associated persons to sign an initial or amended Form U4, or otherwise provide written acknowledgment of an amendment to the Form U4 (which may be electronic), the designated supervisor will ensure that the Firm is providing a written statement of understanding regarding a predispute arbitration clause in item 5 of Section 15A of the Form U4 that includes items 1-9 above.

1.05 Termination Procedures

The Firm has established certain policies and procedures regarding the employment and termination process of its registered representatives. The following information provides a brief description of the Firm's policies and procedures as they relate to the termination process:

Uniform Termination Notice for Securities Industry Registration (Form U-5)

Under Article V, Section 3 of the FINRA By-Laws, firms are required to file Form U5 no later than 30 days after terminating an associated person's registration. In addition, firms must file an amended Form U5 when they learn of facts or circumstances that make a previously filed Form U5 inaccurate or incomplete. Further, firms are required to provide the person whose registration has been terminated with a copy of any Form U5 (initial or amended) at the same time that it is filed with FINRA. Form U5 requires an appropriate signatory of a firm to verify the accuracy and completeness of the information contained in it prior to filing with FINRA. (Ref. Notice 10-39; issued September 2010)

Termination of Registration

Under Article V, Section 3 of the FINRA By-Laws, firms are required to file Form U5 no later than 30 days after terminating an associated person's registration. (Ref. Notice 10-39; issued September 2010)

Questions regarding registration requirements of the Firm should be directed to the Firm's designated principal or other authorized supervisor. Written approval covering the specific facts and circumstances must be obtained from the compliance officer or other designated principal before offering, buying, selling, or otherwise dealing or trading in securities in a state where a registered representative is not licensed.

Notification of Termination by Registered Representative

In the event that a registered representative terminates employment from the Firm, a designated supervisor is responsible for immediately notifying the compliance department or other designated department for prompt processing of such notification. All relevant termination information, such as employee name, date of termination, status, type (voluntary or otherwise) and explanation of the termination will be recorded and maintained at the Firm.

Filing of Form U-5

The designated principal or other authorized supervisor of the Firm shall be responsible for filing a Form U-5 for each registered person who is terminated from the Firm. A Form U-5 will also be submitted to the former employee within thirty (30) days of the date of termination. Effective September 27, 2004, the SEC amended IM-9216 (FINRA's Minor Violation Rule Procedures) to include the failure to timely submit amendments to Forms U-5. (NTM 04-77; effective September 27, 2004) ►►

Implementation Strategy

The designated supervisor will be responsible for all steps of the termination process described above, and shall review all Form U-5's for the Firm. Final review and approval of the termination of employees as well as the completion and filing of all documents will be at the discretion and responsibility of the designated supervisor. The designated supervisor will ensure that all Form U-5's are timely submitted and are not in violation of IM-9216. All relevant documentation will be properly evidenced as indication of review.

A Form U-5 notifying CRD of the registration or termination of an Associated Person must be signed by the CCO and forwarded electronically to the FINRA within thirty (30) days of termination of employment. U-5 forms will be reviewed by Compliance prior to submission to ensure all necessary information is included. Compliance will also send, within 30 days of termination, a copy of Form U-5 to the former employee's last address of record as reflected on CRD. The firm will maintain a record as evidence of mailing.

Additionally, the Firm will ensure that each registered person signs the Firm's new attestation on Termination Procedures acknowledging compliance with its new termination procedures on safeguarding customer information. Please see Exhibit 1.05 Termination Procedures for further details.

Customer Communications Related to Departing Registered Representatives

FINRA has consistently sought to ensure that customers can make a timely and informed choice about where to maintain their assets when their registered representative (i.e., a person registered with the member who has direct contact with customers in the conduct of the member's securities sales) leaves a member firm.

Accordingly, FINRA expects that:

1. in the event of a registered representative's departure, the member firm should promptly and clearly communicate to affected customers how their accounts will continue to be serviced; and
2. the firm should provide customers with timely and complete answers, if known, when the customer asks questions about a departing registered representative.

While member firms have flexibility in reassigning customer accounts and communicating with customers about the reassignments, they should provide timely and complete answers, if known, to all customer questions resulting from a departing representative, so that customers may make informed decisions about their accounts.

FINRA expects that the member firm will have policies and procedures reasonably designed to assure that the customers serviced by that registered representative are aware of how the customers' account will be serviced at the member firm, including how and to whom the customer may direct questions and trade instructions following the representative's departure and, if and when assigned, the representative to whom the customer is now assigned at the member firm.

In addition, a member firm should communicate clearly, and without obfuscation, when asked questions by customers about the departing registered representative. Consistent with privacy and other legal requirements, these communications may include, when asked by a customer:

1. clarifying that the customer has the choice to retain his or her assets at the current firm and be serviced by the newly assigned registered representative or a different registered representative or transfer the assets to another firm; and
2. provided that the registered representative has consented to disclosure of his or her contact information to customers, providing reasonable contact information, such as phone number, email address or mailing address, of the departing representative

FINRA would not expect a member firm to seek to obtain the departing registered representative's contact information if not known by those responsible for reassigning and continuing to service the account (e.g., the branch supervisor responsible for reassigning the customer account or newly assigned registered representative) at the time of a customer's question. As with all communications with customers, information provided by the member firm

about the departing registered representative must be fair, balanced and not misleading. (Ref. Regulatory Notice 19-10; April 5, 2019)

Implementation Strategy

Upon the departure or termination of a registered representative who is responsible for servicing customer accounts, the Firm will promptly and clearly communicate to affected customers how their accounts will continue to be serviced. For example, the Firm will notify via email and/or in writing all customers serviced by that registered representative to ensure that they are aware of how the customers' account will be serviced at the Firm, including how and to whom the customer may direct questions and trade instructions following the representative's departure and, if and when reassigned, the representative to whom the customer is now assigned at the Firm. The Firm's notification process will include that the customer has the choice to retain his or her assets at the Firm and be serviced by the newly assigned registered representative or a different registered representative or transfer the assets to another firm.

1.06 Parking Licenses/Registrations

The "parking" of a license or registration occurs when a registered person maintains a license or registration at a broker/dealer firm while not actively engaging in a securities business. It is the responsibility of the Firm to ensure that all registered personnel are actively engaged in a securities business while employed by the Firm.

1.07 Statutorily Disqualified (SD) Persons

The Firm acknowledges that as a result of a possible suspension or revocation of a license or registration, some registered persons may be subject to statutory disqualifications pursuant to *Section 3(a)(39)* and *19(b)(4)* of the *Securities Exchange Act of 1934*. It is the Firm's discretion to employ and/or continue the employment of any registered person who is subject to the aforementioned rules unless otherwise specified by the Firm.

Any member firm wishing to sponsor a disqualified person must file an MC-400 Application with FINRA, and the Application must be approved (or denied) by the NAC after consideration by the Statutory Disqualification Committee (SD Committee). If FINRA's Member Regulation Department determines that an Application should be approved, but with specific supervisory requirements, the parties have the option of proceeding under Rule 9523. Rule 9523 provides that the Chairman of the SD Committee (Chairman), acting on behalf of the NAC, may accept or reject Member Regulation's recommendation and supervisory plan or refer them to the NAC for acceptance or rejection. If the parties cannot agree on a supervisory plan, the sponsoring member may request NAC consideration of the matter under Rule 9524. Rule 9522(e)(1) permits Member Regulation to approve, but not deny, certain requests made by a member on behalf of a disqualified person for relief from the eligibility requirements. Rule 9523 required the Chairman and Rule 9524 required the NAC to determine whether a statutorily disqualified person could associate with a member firm in a purely clerical and/or ministerial capacity.

Starting on March 7, 2005, Member Regulation will have the authority to consider and approve the Applications of statutorily disqualified persons who would associate with a member firm in a purely clerical and/or ministerial capacity. The sponsoring firms will still be required to file MC-400 Applications for statutorily disqualified persons who intend to associate with a member firm solely in a clerical and/or ministerial capacity. In the event Member Regulation does not approve an Application, the sponsoring member will have the right to proceed under Rule 9524 (*i.e.*, to have the matter decided by the NAC after a hearing and consideration by the SD Committee) (Ref. NTM 05-12; Effective March 7, 2005).

Restricted Firm Obligations & Evaluation Date

New FINRA Rule 4111 (Restricted Firm Obligations) requires member firms that are identified as having a significant history of misconduct (Restricted Firms) to deposit cash or qualified securities in a segregated, restricted account; adhere to specified conditions or restrictions; or comply with a combination of such obligations. The new rules and rule amendments became effective on January 1, 2022.

Rule 4111 establishes a multi-step, annual process through which FINRA will determine whether a member firm raises investor protection concerns substantial enough to require that it be designated (or re-designated) as a Restricted Firm and subject to additional obligations, including a Restricted Deposit Requirement. Each year's Rule 4111 process will begin with a calculation of which member firms meet numeric thresholds based on firm-level and individual-level disclosure events, to identify member firms with a significantly higher level of risk-related disclosures as compared to similarly sized peers. Specifically, for each member firm, FINRA's Department of Member Supervision (Member Supervision) "will compute annually (on a calendar-year basis) the Preliminary Identification Metrics to determine if the member meets the Preliminary Criteria for Identification." There are six Preliminary Identification Metrics based on six categories of events or conditions.

The date, each calendar year, as of which Member Supervision calculates the Preliminary Identification Metrics to determine if the member firm meets the Preliminary Criteria for Identification is the "Evaluation Date." The Evaluation Date impacts numerous aspects of the annual calculation—including, among other things, what the Evaluation Period is, the number of Registered Persons In-Scope, and the number of Registered Persons Associated with Previously Expelled Firms—and which firm-size Preliminary Identification Metrics Thresholds apply. The Evaluation Date will establish the date as of which all specified events that are reportable on the Uniform Registration Forms, or otherwise included in Rule 4111, would be included in the annual calculation of the Preliminary Criteria for Identification.

In *Regulatory Notice 21-34*, FINRA disclosed that it would announce the first Evaluation Date no less than 120 calendar days before the first Evaluation Date. Pursuant to that commitment, FINRA announces that the first Evaluation Date will be **Wednesday, June 1, 2022**. FINRA reiterates that the Evaluation Date is not the date when FINRA would actually perform the annual calculation of which member firms meet the Preliminary Criteria for Identification. Rather, FINRA plans to actually perform the annual calculation at least 30 days after the Evaluation Date, to account for the time between when relevant disclosure events occurred and when firms must report those events on the Uniform Registration Forms. Ref. FINRA Information Notice 2/1/22; February 12, 2022)

1.08 Heightened Supervision Procedures

Some broker/dealers may decide to hire one or more registered representatives whose records reflect: (1) disciplinary actions involving sales practice abuse; (2) a history of customer complaints; and/or (3) arbitrations that were not resolved in favor of the registered representative. In the event that a firm decides to hire such persons, the firm shall be responsible where appropriate for implementing a level of heightened supervision that is commensurate with the disciplinary history of such persons.

In accordance with *NTM 97-19*, a broker/dealer that hires one or more registered representatives with a history of customer complaints, disciplinary actions, or arbitrations, or that employs a registered representative who develops such a record during his or her employment, should recognize that it has heightened supervisory responsibilities that will require it, at a minimum, to examine the circumstances of each such case and make a reasonable determination whether its standard supervisory and educational programs are adequate to address the issues raised by the record of any such registered representative. Additionally, firms should recognize that if a registered representative with such a history engages in further sales practice violations, securities regulators will closely evaluate whether the firm itself should be subject to disciplinary action for a failure to supervise the registered representative, beginning with the decision-making process that led to the individual being hired.

Heightened Supervisory Procedures

A firm should routinely evaluate its supervisory procedures to ensure they are appropriately tailored for each associated person and take into consideration, among other things, the person's activities and history of industry and regulatory-related incidents. When an associated person of the firm has a history of industry or regulatory-related incidents, the firm must make a reasonable determination as to whether its standard supervisory and educational programs are adequate to address the issues such person's history raises or whether the firm should develop tailored heightened supervisory procedures to address such issues. The failure to assess the adequacy of its supervisory procedures in light of an associated person's history of industry or regulatory-related incidents would be closely evaluated in determining whether the firm itself should be subject to disciplinary action for a failure to supervise should that person be the subject of a future industry or regulatory related incident.

A. Identifying Individuals for Heightened Supervision.

In identifying which associated persons to place on heightened supervision, firms should consider, among other things, customer-related regulatory actions; criminal matters; the firm's pre-registration investigation; internal investigations; firm-imposed discipline; disciplinary actions; final, pending and settled arbitrations; past, open or settled customer complaints; terminations for cause; and other items disclosed on the person's uniform registration forms.6 While final adverse adjudicated matters such as disciplinary actions, criminal matters and arbitrations clearly indicate a disciplinary problem, a pattern of unadjudicated matters, such as unadjudicated customer complaints, also may be indicative of a history that should be carefully reviewed.

In addition, FINRA believes that the following two circumstances raise significant investor protection concerns, and firms should evaluate the facts and circumstances to make a determination of whether heightened supervision would be appropriate

Heightened Supervision of Statutorily Disqualified Persons During Eligibility Review Process

Currently, if an associated person who has an industry or regulatory-related event that qualifies as a statutory disqualification (SD) under the Securities Exchange Act of 1934 (Exchange Act) wants to continue associating with a member firm, he or she must undergo a FINRA eligibility proceeding. Under FINRA's current rules, a person who becomes statutorily disqualified while associated with a member firm is allowed to remain associated with that member firm during FINRA's review process, so long as the member firm promptly files a Form MC-400 application (SD Application). In reviewing an SD Application, FINRA can seek to prevent the statutorily disqualified person from associating with a member firm or can permit the statutorily disqualified person to associate with a member firm if it is consistent with the public interest and protection of investors. Generally, where FINRA permits the statutorily disqualified person to associate or continue association with a member firm, FINRA will condition the association on the establishment of certain safeguards, including the adoption and implementation of a heightened supervisory plan by the member firm of the person's business activities. To further promote investor protection, member firms should consider adopting and implementing an interim plan of heightened supervision for any statutorily disqualified person associated with the firm once the SD Application is filed with FINRA and to keep such heightened supervisory plan in place while the review is pending. FINRA believes heightened supervision may be appropriate for such persons because they have already been statutorily disqualified, and, in nearly every case, the continued association of a statutorily disqualified person approved through a FINRA eligibility proceeding is conditioned on the individual being subject to a robust heightened supervision plan.

Heightened Supervision of Persons While Disciplinary Case Is On Appeal

Currently, when an associated person or member firm in a litigated disciplinary case appeals a Hearing Panel decision to the National Adjudicatory Council (NAC), sanctions are generally stayed pending an appeal. In cases where the Hearing Panel has rendered a decision making a finding of violation against the associated person and where an appeal is filed, to further promote investor protection, firms should consider adopting and implementing an interim plan of heightened supervision for such associated person and keep such heightened supervisory plan in place while the appeal is pending. FINRA believes heightened supervision may be appropriate for such persons because they have already been found to have violated a rule.

B. Developing and Implementing a Heightened Supervision Plan

Once a firm determines that heightened supervision is necessary, the firm should develop written, tailored heightened supervisory procedures designed to address the nature of the particular concerns the associated person's incident history raises and the nature of such person's ongoing activities. When developing a heightened supervision plan, the firm should determine the parameters of the plan on a case-by-case basis for each associated person that the firm has identified as requiring heightened supervision.

In making this determination, a firm should consider whether the nature of the concerns the associated person's incident history raises involved a particular product, customer type or activity. In any of these instances, the firm should examine the product, customer type or activity to identify the level and type of risk it presents. The firm should then determine what type of supervision might best control and limit this type of risk. The plan should reflect a firm's reasonable consideration of how to effectively supervise the individual through tailored provisions designed to prevent and deter future incidents.

FINRA believes effective heightened supervision plans should include, at a minimum:

- designating a principal with the appropriate training and experience to implement and enforce the plan;
- requiring appropriate additional training for the associated person subject to the plan to address the nature of incidents resulting in the plan;
- requiring the written acknowledgment of the heightened supervisory plan by the associated person subject to the plan and the designated supervisory principal; and
- periodically reviewing the heightened supervision plan to assess its effectiveness

In addition to these minimum provisions, FINRA has seen, among other things, effective heightened supervision plans that provide for:

- heightened supervision of the associated person's business activities, including customer-related activities, employee personal trading accounts, outside business activities and private securities transactions;
- proximity of the supervisor to the associated person;
- more frequent contact between the supervisor and the associated person;
- more frequent review of the associated person's communications, particularly with customers;
- more frequent monitoring or inspection of the associated person's office(s); and
- expediting the handling of customer complaints related to the associated person (Ref. Regulatory Notice 18-15- Heightened Supervision; April 30, 2018)

Brokers With a Significant History of Misconduct

FINRA has adopted the following new rules to address brokers with a significant history of misconduct and the broker-dealers that employ them:

- **Enhancing Investor Protection During the Pendency of an Appeal or Call-for-Review Proceeding**- allow a Hearing Officer to impose conditions or restrictions on the activities of a Respondent member firm or Respondent associated person, and require the member firm employing a Respondent associated person to adopt heightened supervisory procedures for such an associated person, when a disciplinary matter is appealed to the National Adjudicatory Council (NAC) or called for NAC review (effective April 15, 2021);

  FINRA has amended the Rule 9200 Series (Disciplinary Proceedings) and the Rule 9300 Series (Review of Disciplinary Proceeding by National Adjudicatory Council and FINRA Board; Application for SEC Review) to address investor protection concerns during the pendency of an appeal, or National Adjudicatory Council (NAC) review of, a Hearing Panel or Hearing Officer disciplinary decision, by (1) authorizing Hearing Officers to impose conditions and restrictions on disciplined Respondents and (2) requiring member firms to adopt heightened supervision plans concerning their associated persons who are disciplined Respondents.

  Conditions and Restrictions

  New Rule 9285 authorizes the imposition of conditions or restrictions on disciplined Respondents during the pendency of an appeal or call for review of a disciplinary decision, where reasonably necessary for the purpose of preventing customer harm. The conditions and restrictions would target the misconduct demonstrated in the disciplinary proceeding and be tailored to the specific risks the Respondent poses during the appeal period.

  Mandatory Heightened Supervision

  New Rule 9285 also requires member firms to adopt a written heightened supervision plan for an associated person who is found to have violated a statute or rule provision in a disciplinary decision, when that disciplinary decision has been appealed or called for NAC review. The plan of heightened supervision shall remain in place until FINRA's final disciplinary decision takes effect.

- **Enhancing Investor Protection During the Period When FINRA Is Reviewing an Eligibility Application**- require member firms to adopt heightened supervisory procedures for statutorily disqualified associated persons during the period a statutory disqualification eligibility request is under review by FINRA (effective June 1, 2021);

  FINRA has amended and retitled FINRA Rule 9522 (Initiation of Eligibility Proceeding; Member Regulation Consideration; and Requirements for an Interim Plan of Heightened Supervision) in the FINRA Rule 9520 Series (Eligibility Proceedings) to require a member firm that files an application to continue associating with a disqualified person to also include an interim plan of heightened supervision that would be in effect throughout the entirety of the application review process.

  Previously, FINRA issued guidance that a member firm's continuing to associate with a person who becomes disqualified while associated with the firm raises significant investor protection concerns, and that such a firm should evaluate the facts and circumstances to make a determination of whether adopting and implementing an interim plan of heightened supervision during the pendency of an SD Application

would be appropriate. FINRA has amended Rule 9522 to require such interim plans of heightened supervision.

Under Rule 9522(f), an application to continue associating with a statutorily disqualified person must include an interim plan of heightened supervision, signed by the appropriately registered principal, and a written representation from the member firm that the statutorily disqualified person is currently subject to that plan. The interim plan of heightened supervision shall be in effect throughout the entirety of the application review process, which shall be concluded only upon the final resolution of the eligibility proceeding. By requiring interim plans of heightened supervision during an eligibility proceeding, the new rule will help limit the potential for customer harm at an earlier point in time and thereby help protect customers.

The amendments to Rule 9522 apply to SD Applications that are filed on or after the June 1, 2021, effective date.

FINRA will be amending the MC-400 (Membership Continuance Application) to make changes on that form that correspond to the amendments to the Rule 9520 Series. These changes will include the addition of a link to sample interim plans of heightened supervision.

- **Enhanced Disclosure on BrokerCheck of Taping Firms**- require disclosure through FINRA BrokerCheck® of the status of a member firm as a "taping firm" under FINRA Rule 3170 (Tape Recording of Registered Persons by Certain Firms) (effective May 1, 2021);

  FINRA has amended Rule 8312 (FINRA BrokerCheck Disclosure), which governs the information FINRA releases to the public through its BrokerCheck® system, to enhance the disclosure of which firms are "taping firms."

  Amended Rule 8312(b) requires FINRA to release through BrokerCheck information as to whether a particular member firm is subject to the Taping Rule. Information that a firm is a taping firm will be displayed on a firm's BrokerCheck report in the summary section, and in ".pdf" versions of a firm's BrokerCheck report. Specifically, those reports will include the text, "This firm is subject to FINRA Rule 3170 (Taping Rule)," in a color or font that is prominent. The alert also will include the text "Click here for more information," with a hyperlink to a page on FINRA's website that provides a clear explanation of the Taping Rule, to help investors understand why the taping firm is subject to heightened procedures.

- **New Obligations on Member Firms That Seek Associations With Persons With a Significant History of Misconduct**- require a member firm to submit a written request to FINRA's Department of Member Regulation, through the Membership Application Group, seeking a materiality consultation and approval of a continuing membership application, if required, when a natural person seeking to become an owner, control person, principal or registered person of the member firm has, in the prior five years, one or more "final criminal matters" or two or more "specified risk events" (effective September 1, 2021).

  FINRA has amended rules in the FINRA Rule 1000 Series (Member Application and Associated Person Registration)—specifically the rules that govern membership proceedings (MAP Rules)—to impose additional obligations on member firms when a natural person who has, in the prior five years, either one or more "final criminal matters" or two or more "specified risk events" seeks to become an owner, control person, principal or registered person of the member firm.

FINRA has added Rule 1017(a)(7) to require a member firm to file a CMA when a natural person seeking to become an owner, control person, principal or registered person of the member firm has, in the prior five years, one or more "final criminal matters" or two or more "specified risk events"—as defined in amendments to Rule 1011 (Definitions)—unless the member firm has submitted a written request to Member Regulation seeking a materiality consultation for the contemplated activity. Rule 1017(a)(7) does not apply, however, when a person is already a representative at a member firm and seeks to add an additional representative-level registration at that same firm or, likewise, when a person is already a principal at a member firm and seeks to add an additional principal registration at that same firm. (Ref. Regulatory Notice 21-09; March 10, 2021)

Implementation Strategy

In accordance with FINRA Regulatory Notice 18-15 and FINRA Notice to Members 03-49, the designated supervisory principal will carefully evaluate each disclosure, reportable event, and/or other disciplinary incident involving associated persons to consider whether to impose heightened supervision standards for any associated persons who, within the past five years, are or were subject to three or more customer complaints and/or arbitrations, were subject to three or more pending, adjudicated, or settled regulatory actions or investigations, or two or more terminations relating to regulatory or compliance issues or internal reviews initiated by an employing member firm to examine whether an individual engaged in misconduct. The imposition of heightened supervision standards may include, but is not limited to, an increased frequency of monitoring and/or onsite interviews or visits from normal monitoring standards as referenced herein, unannounced inspections pertaining to such person's transactional activity, creating tailored exception reports with the specific intention of mitigating any circumstances which may arise resulting from repeat or patterned sales practice violations or other similar improprieties or infractions. The designated supervisory principal is responsible for detailing which type of method will be used in the Firm's monitoring efforts to ensure compliance, and recommendations as documentary evidence of review. In the event that the Firm employs or otherwise affiliates with an associated person who may be the subject of certain disciplinary actions involving sales practice abuse, customer complaints, and/or arbitrations as specified above, the Firm will draft separate procedures for heightened supervision to address such issues

Additionally, if applicable, the Firm's heightened supervision plans may include, at a minimum: designating a principal with the appropriate training and experience to implement and enforce the plan; requiring appropriate additional training for the associated person subject to the plan to address the nature of incidents resulting in the plan; requiring the written acknowledgment of the heightened supervisory plan by the associated person subject to the plan and the designated supervisory principal; and periodically reviewing the heightened supervision plan to assess its effectiveness.

1.09 Firm Registration Forms (Form BD/BDW)

The Firm has established certain policies and procedures regarding the completion and filing of FINRA member firm registration forms. The following information provides a brief description of the proper filing and processing of Firm registration forms:

Uniform Application for Broker-Dealer Registration (Form BD)

The designated principal or other authorized supervisor of the Firm shall be responsible for updating, revising and filing any required changes to the Form BD through the Web CRD System.

Uniform Request for Broker-Dealer Withdrawal (Form BDW)

In the event that the Firm must file a broker/dealer withdrawal (BDW), the designated principal or other authorized supervisor of the Firm will be responsible for promptly completing the Form BDW and electronically submitting all documents through the Web CRD System.

Custodian of Books and Records (Form BDW Filings)

The SEC approved a proposed rule change to amend FINRA Rule 4570 (Custodian of Books and Records) to: (1) provide a member firm that is filing a Form BDW (Uniform Request for Broker-Dealer Withdrawal) the option of designating another FINRA member firm as the custodian of its books and records on the form; (2) clarify the obligations of the designated custodian; and (3) require the designated custodian to consent to act in such a capacity.

Pursuant to SEA Rule 17a-4(g), a firm that stops doing business as a registered broker-dealer has a continuing obligation to retain its required books and records for the remainder of the specified retention periods. Form BDW requires a firm that is withdrawing its registration (Withdrawing Firm) to identify and provide the contact information of the person who will have custody of the Withdrawing Firm's books and records (Designated Custodian) after it has discontinued its business operations. Form BDW also requires the Withdrawing Firm to provide the address where the books and records will be located, if different than the address of the Designated Custodian. In addition, the Form BDW provides that the Withdrawing Firm and person signing the form on its behalf must certify that the books and records will be preserved and made available for inspection. Currently, FINRA Rule 4570 permits a Withdrawing Firm to designate only an associated person of the firm as its Designated Custodian.

FINRA has amended Rule 4570 to provide a Withdrawing Firm the option of designating another FINRA member firm as its Designated Custodian. The rule change does not require a Withdrawing Firm to designate another FINRA member firm as the Designated Custodian but gives the firm that option. A Withdrawing Firm continues to have the option of designating an associated person of the firm as its Designated Custodian.

- the Designated Custodian must preserve the books and records on behalf of the Withdrawing Firm for the remainder of the applicable retention periods and make them available for inspection by FINRA upon request;
- the Designated Custodian is required to preserve and produce the Withdrawing Firm's books and records in the same state in which they were received;
- where a member firm is the Designated Custodian, the member firm must: (1) treat the books and records that it receives from the Withdrawing Firm as if they were its own books and records; and (2) arrange upon its dissolution for the books and records of the Withdrawing Firm to continue to be retained for the remainder of the applicable retention periods under FINRA and Exchange Act rules in the same manner as its own books and records consistent with FINRA Rule 4570.
- the amended rule requires the Withdrawing Firm to inform the Designated Custodian of the applicable obligations under FINRA and Exchange Act rules, including Rule 4570, and to obtain the affirmative written or oral consent of the Designated Custodian;
- Designated Custodians are required to complete and submit to FINRA a Custodian Consent Form, which provides, among other things, that they: (1) have consented to act in the capacity of a custodian; (2) understand the responsibilities of a custodian; and (3) agree to provide the books and records of the Withdrawing Firm to FINRA upon request during the course of the required retention periods.
  (Ref. Regulatory Notice 19-16; April 22, 2019)

1.10 Renewal Statements and Reports

FINRA's Renewal Program supports the collection and disbursement of fees related to the renewal of broker-dealer (BD) and investment adviser (IA) registrations, exempt reporting and notice filings with participating self-regulatory organizations (SRO) and jurisdictions. FINRA communicates information about renewal fees BD and IA firms owe via a Preliminary Statement in November and publishes a Final Statement in January of the new year to confirm or reconcile the actual renewal fees BD and IA firms owe after Jan. 1 of the new year. Renewal statements reflect all applicable renewal fees assessed for BD and IA firms, branches and individuals. (Regulatory Notice 21-39; October 29, 2021)

Preliminary Statements

Preliminary Statements are available for viewing and printing in E-Bill. These statements include any applicable renewal fees related to BD and IA registrations maintained through the Central Registration Depository (CRD) and Investment Adviser Registration Depository (IARD) programs. The Preliminary Statements will reflect fee changes the Securities and Exchange Commission (SEC) approved last year. Refer to SR-FINRA 2020-032 and the Renewal Fees and Payment Methods section of this Notice for more information. Some participating jurisdictions may require firms to complete other requirements in addition to the payment of renewal fees to complete their renewal process. Firms should contact each jurisdiction directly for further information on their renewal requirements.

Post-Dated Form Filings

Post-dated termination filings permit firms to indicate before year end that they are terminating one or more registrations on Dec. 31st of each year. This allows firms to avoid paying fees for specific registrations included on the post-dated filing that they do not intend to maintain the following year. However, firms should exercise care when submitting all post-dated filings; FINRA cannot withdraw a post-dated termination filing after its submission. A firm that submits a post-dated termination filing in error will have to file a new Form U4, BD, BR or ADV when CRD/IARD resumes normal processing in January of the new year, and CRD/IARD will assess new registration fees.

After submitting a termination filing, firms should review individual, branch and firm registrations to ensure that the termination request is registered in CRD/IARD. Firms can use FINRA Gateway and the Renewal Reports discussed in the following section to confirm the appropriate registrations will terminate on Dec. 31st of each year.

Renewal Reports

Firms should request, download and print renewal reports in CRD/IARD when Preliminary Statements become available. These reports will be replaced with Final Statement reports in January of the new year, and FINRA will not be able to recreate them for firms.

FINRA Must Receive Full Payment of the Preliminary Statement fees

If payment is not received by Dec. 13, 2021, FINRA will assess FINRA-registered firms a late fee. Please see Notice to Members (NTM) 02-48 for details. In addition, if FINRA fails to receive payment by the required December due date, firms risk becoming ineligible to do business in the jurisdictions where their registrations are not renewed.

Final Statements

In January of each year, FINRA makes available all Final Statements in E-Bill. These statements reflect the status of registrations, exempt reporting, or notice filings as of Dec. 31st of the previous. Any fees owed as a result of registration terminations, approvals, notice filings or transitions after the Preliminary Statement appear on the Final Statement and firms will need to satisfy any additional amount owed. (Regulatory Notice 21-39; October 29, 2021)
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Implementation Strategy

The Firm's designated supervisor or his designee will access the CRD/IARD system and examine the Firm's available Final Renewal Statement to ensure that all registration approvals and terminations are properly listed. The designated supervisor will also review and reconcile the Report regarding the status of payment. If the Final Renewal Statement reflects a zero balance, no additional action is required. However, in the event that the firm's Final Renewal Statement reflects a deficient balance (balance due), the designated supervisor will ensure that the appropriate payment is made to the Renewal Account on or before the final due date as established by FINRA.