

“FINRA will continue to work every day to enforce high ethical standards, examine firms through a risk-focused lens, take swift action in the face of fraud and misconduct, and educate and inform investors on important issues.”

– Rick Ketchum, FINRA Chairman and CEO
 FINRA Marks 75th Anniversary of Protecting Investors
 September 18, 2014

FINRA Updates to Series 24 and Series 23 License Examinations

On August 13, 2014, the Financial Industry Regulatory Authority (“FINRA”) announced revisions to the General Securities Principal (Series 24) and General Securities Principal Sales Supervisor Module (Series 23) examination programs. The modifications appear in the [Series 24](#) and [Series 23](#) content outlines, which disclose the required standards for each license, and in [FINRA Regulatory Notice 14-33](#) (“RN 14-33”). In addition to providing details on the examination program amendments, RN 14-33 summarizes the specific responsibilities and functions of these principals.

FINRA defines “Principal”¹ in [NASD Rule 1021\(b\)](#). To be considered a Principal, a person must pass the appropriate Qualification Examination for Principals and then register with FINRA. FINRA has also established a set (CONTINUED)

1– NASD Rule 1021(b): Persons associated with a member, enumerated in subparagraphs (1) through (5) hereafter, who are actively engaged in the management of the member’s investment banking or securities business, including supervision, solicitation, conduct of business, or the training of persons associated with a member for any of these functions are designated as principals. Such persons shall include
 (1) sole proprietors,
 (2) officers,
 (3) partners,
 (4) managers of Offices of Supervisory Jurisdiction, and
 (5) directors of corporations.

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of limited principal licenses for persons whose supervisory activities focus solely on specific areas. Such licenses include

- the Financial and Operations Principal license (Series 27),
- the Introducing Broker-Dealer Financial and Operations Principal license (Series 28),
- the Registered Options Principal license (Series 4),
- a Municipal Securities Principal (Series 53)
- the Investment Company and Variable Contracts Products Principal license (Series 26),
- the Direct Participation Programs Principal license (Series 39),
- the General Securities Sales Supervisor license (Series 9/10), and
- the Government Securities Principal license.²

Pursuant to NASD Rule 1022(a), chief compliance officers (“CCOs”), who are designated on Schedule A of Form BD, must be registered General Securities Principals. However, CCOs can also qualify as Investment Company and Variable Contracts Product Principals (Series 26), Direct Participation Programs Principals (Series 39), or Government Securities Principals if a firm’s activities are limited to those specific business lines. For New York Stock Exchange members, the compliance officer examination (Series 14) is an adequate substitute for the General Securities Principal, the Investment Company and Variable Contracts Products Principal, or the Direct Participation Programs Principal licenses. General Securities Principals, however, are not eligible to supervise specific areas of a firm’s business unless they are also qualified and registered as

- a Financial and Operations Principal (Series 27),

²– There is no qualification requirement for Government Securities Principals. See <http://www.finra.org/industry/compliance/registration/qualificationsexams/qualifications/p011051>.

- an Introducing Broker-Dealer Financial and Operations Principal (Series 28),
- a Registered Options Principal (Series 4),
- a General Securities Sales Supervisor (Series 9/10),
- a Municipal Securities Principal (Series 53), and/or
- a Municipal Fund Securities Limited Principal (Series 51).

In addition, General Securities Principals with Series 87 or 16 licenses qualify to oversee research or supervisory analysts engaged in equity research.

As shown below, certain license prerequisites qualify a representative to take the General Securities Principal and the General Securities Principal Sales Supervisor license examinations.

Series 24 Prerequisites	Series 23 Prerequisites
Series 7, 17, 37, 38, 62, 79, or 82	Series 9/10 (9 and 10)

Note, however, that while certain limited representative exams serve as prerequisites for a General Securities Principal license (such as the Corporate Securities Representative license (Series 62), the Private Securities Offerings Representative license (Series 82), or the Investment Banking Representative license (Series 79), after obtaining the General Securities Principal license, the scope of such a principal’s supervisory responsibilities would be restricted to these limited categories (i.e. supervision of corporate securities).

If you would like more information or have questions regarding principal licenses, please contact [Dee Stafford](#) at (310) 322-8840 or your ACA consultant.

In Case You Missed It...

FinCEN Advisory – Promoting a Culture of Compliance

After numerous recent anti-money laundering (“AML”) enforcement actions, the Financial Crimes Enforcement Network (“FinCEN”) has issued a [regulatory advisory](#) to highlight the elements critical to establishing and maintaining an effective compliance culture within an organization. According to the advisory, an organization can reinforce its Bank Secrecy Act (“BSA”) and AML compliance culture by ensuring that

- its management and leadership team actively support and understand compliance efforts,
- revenue interests do not compromise efforts to manage and mitigate BSA/AML deficiencies and risks,
- pertinent information is shared between various departments and the compliance department,
- adequate resources are dedicated to the compliance department,
- the compliance program’s effectiveness is tested by a competent independent party, and
- management and leadership personnel are familiar with BSA/AML efforts and understand how the firm’s reporting is used with respect to these activities.

The FinCEN advisory recommends that firms review the principles it outlines and incorporate the guidance in a manner appropriate to their risk profiles and business models.

If you have questions or would like more details on this advisory, please contact your ACA consultant.

Compliance with Exchange Act Rule 17a-5(f)(2) – FINRA’s New Electronic Template

Earlier this year, a new independent accountant notification requirement became effective per amended paragraph

(f)(2) of Exchange Act Rule 17a-5. The revised rule requires broker-dealers to submit a statement to FINRA and the SEC that identifies their independent accountant. Currently, firms must send these declarations physically to SEC headquarters in Washington, DC, their regional SEC office, and FINRA.

In October 2014, FINRA announced in [Regulatory Notice 14-39](#) (“RN 14-39”) its implementation of a new electronic template to satisfy this filing requirement. As of November 24, 2014, the template will be available on FINRA’s Firm Gateway. RN 14-39 reminds firms, however, that the template will *only satisfy the FINRA filing requirement*. Firms must also continue send physical copies of the statement to the SEC.

FINRA also included a set of frequently asked questions in RN 14-39. These provide additional clarity and guidance on timing and filing requirements related to the new template.

If you have questions about or would like assistance with this filing, please contact your ACA consultant.

FOCUS Filing - Supplemental Inventory Schedule

In October 2014, the SEC approved the implementation of the Supplemental Inventory Schedule (“SIS”). The SIS is a supplemental schedule that will require firms to provide a detailed classification of their long and short inventory positions. The SIS must be completed by firms that are required to file the FOCUS Report Part II, FOCUS Report Part IIA or FOGS³ Report Part I, and that have inventory positions at the end of a FOCUS or FOGS reporting period.

(CONTINUED)

3 – Report on Finances and Operations of Government Securities Brokers and Dealers

The following are exempt from filing the SIS:

- Firms that have a minimum dollar net capital or liquid capital requirement of less than \$100,000
- Firms that have inventory positions that consist of only money market mutual funds. However, a firm with inventory positions consisting only of money market mutual funds will still need to affirmatively indicate within the eFOCUS system that a SIS filing is not required for the reporting period.

FINRA notes that firms must file the SIS on the eFOCUS system. Additionally, the SIS is due within 20 business days of the end of a firm's FOCUS or FOGS reporting period. The initial filing must be made on or before January 30, 2015. Inventory positions must be disclosed as of December 31, 2014. For more information on the SIS filing, please see [Regulatory Notice 14-43](#), or contact your ACA consultant.

ACA Events

Broker-Dealer 2015 Roundtables

February 10, 2015 – Miami, FL

FINRA Conferences

[South Region Compliance Seminar](#)

November 20-21, 2014 – Fort Lauderdale, Florida

[Small Firm Conference](#)

December 10-11, 2014 – San Francisco, California

Regulatory Notices, Updates, and Rule Changes

FINRA

2014

October

[14-39](#) New Template Available on FINRA Firm Gateway for Compliance with SEA Rule 17a-5(f)(2) (Statement Regarding Independent Public Accountant)

[14-38](#) FINRA Announces Updates of the Interpretations of Financial and Operational Rules

September

[14-37](#) FINRA Requests Comment on a Rule Proposal to Implement the Comprehensive Automated Risk Data System. **Comment Period Expires December 1, 2014.**

[14-36](#) FINRA Announces Elimination of OTC Bulletin Board Historical Research Reports; Fees for ORF Trade Reporting and Data

[14-35](#) FINRA Requests Comment on a Revised Proposal to Adopt Consolidated FINRA Rule 2231 (Customer Account Statements)

August

[14-34](#) SEC Approves Amendments to Disseminate Additional Asset-Backed Securities Transactions and to Reduce the Reporting Time for Such Transactions.

Effective Date: April 27, 2015

(CONTINUED)

[14-33](#) FINRA Revises the Series 24 and 23 Examination Programs

[14-32](#) FINRA Amends FINRA Rule 9120 and the Definition of “Hearing Officer”

July

[14-31](#) SEC Approves FINRA Rule 2081 Regarding Prohibited Conditions Relating to Expungement of Customer Dispute Information

MSRB

2014

September

[MSRB 2014-16](#) MSRB Seeks Input on Strategic Priorities

August

[MSRB 2014-15](#) Request for Comment on Draft Amendments to MSRB Rule G-37 to Extend its Provisions to Municipal Advisors

[MSRB 2014-14](#) Request for Comment on Enhancements to Post-Trade Transaction Data Disseminated through a New Central Transparency Platform

[MSRB 2014-13](#) SEC Approves Amendments to MSRB Rule G-3 on Professional Qualification Requirements

FINCEN

2014

October

[FinCEN Issues Geographic Targeting Order Covering the Los Angeles Fashion District as Part of Crackdown on Money Laundering for Drug Cartels \(October 2, 2014\)](#)

August

[FinCEN Penalizes New Jersey Money Services Business for Repeated Violations of the Bank Secrecy Act \(August 28, 2014\)](#)

[FinCEN Bars Casino Official from the Financial Industry \(August 20, 2014\)](#)

[FinCEN and Mexican Counterpart Shine Spotlight on Cross-Border Cash Couriers \(August 1, 2014\)](#)

July

[Treasury Issues Proposed Rules to Enhance Financial Transparency \(July 30, 2014\)](#)

Important Dates

2014 Annual Audit Reports

<u>Fiscal Year</u>	<u>End Due Date</u>
September 30, 2014	December 1, 2014

2014 Quarterly FOCUS Part II/IIA Filings

<u>Quarter Ending</u>	<u>Due Date</u>
December 31, 2014	January 27, 2015

2014 Monthly/Fifth FOCUS Part II/IIA Filings

<u>Period Ending</u>	<u>Due Date</u>
October 31, 2014	November 25, 2014
November 30, 2014	December 24, 2014

SSOI Filings

<u>Quarter Ending</u>	<u>Due Date</u>
December 31, 2014	January 30, 2015

Annual Schedule I Filings

<u>Period</u>	<u>Due Date</u>
2014	January 27, 2015

Form Custody Filings

<u>Quarter Ending</u>	<u>Due Date</u>
December 31, 2014	January 27, 2015

(CONTINUED)

2014 4530/Customer Complaint Filings

<u>Quarter Ending</u>	<u>Due Date</u>
Fourth Quarter 2014	January 15, 2015

2014 Short Interest Reporting Deadlines

<u>Settlement Date</u>	<u>Due Date</u>	<u>Exchange Receipt Date</u>
November 14	November 18 – 6 p.m.	November 25
November 28	December 2 – 6 p.m.	December 9
December 15	December 17 – 6 p.m.	December 24
December 31	January 5 – 6 p.m.	January 12

ACA Compliance Group’s Broker-Dealer Services Division provides broker-dealers with regulatory compliance expertise designed to satisfy the needs of any type of firm. ACA’s services include development of compliance programs, trading reviews, supervisory control and anti-money laundering testing, assistance with written supervisory procedures, initial and continuing help with membership applications, and customized regulatory and compliance consulting.

Please contact Dee Stafford at 310-322-8840 or dstafford@acacompliancegroup.com for information on the initial and ongoing assistance ACA can provide with regard to meeting compliance requirements consistently.

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