

## **BROKER-DEALER**

### **FINRA Files Proposed Rule Change to CAB Rules Governing Qualification, Registration and Continuing Education of Associated Persons of CABs**

The Financial Industry Regulatory Authority (FINRA) is filing with the Securities and Exchange Commission a proposed rule change to amend the Capital Acquisition Broker (CAB) Rules governing the qualification, registration and continuing education of associated persons of CABs (CAB Rules 119-125). The proposed rule change reflects new consolidated FINRA qualification and registration rules and changes to its continuing education requirements, which took effect in October 2018.

Specifically, the proposed rule change purports to amend the following rules, primarily to cross-reference the new FINRA rules governing these areas:

- CAB Rule 119 (Foreign Members and Associates);
- CAB Rule 121 (Registration Requirements);
- CAB Rule 123 (Categories of Registration);
- CAB Rule 124 (Persons Exempt from Registration); and
- CAB Rule 125 (Continuing Education Requirements).

Additionally, the proposed rule change would delete CAB Rule 122 (Qualification Examinations) since this area is covered by other consolidated FINRA qualification and registration rules.

The text of the proposed rule change is available in its entirety [here](#).

### **FINRA Requests Comment on Its Rule on Business Continuity Plans and Emergency Contact Information**

The Financial Industry Regulatory Authority (FINRA) recently released a regulatory notice requesting comment on the effectiveness and efficiency of Rule 4370 (Business Continuity Plans and Emergency Contact Information). The comment period expires April 26.

Rule 4370 requires a member firm to create, maintain, annually review and update upon any material change a written business continuity plan (BCP) identifying procedures relating to an emergency or significant business disruption. Each member firm may tailor its BCP to the size and needs of its business, provided that the plan addresses the enumerated minimum elements to the extent applicable and necessary to the firm. The rule also requires each member firm to disclose to its customers how the BCP addresses the possibility of a future significant business disruption and how the member firm plans to respond in the event thereof.

In addition, Rule 4370 requires each member firm to provide FINRA with prescribed emergency contact information for the member firm. This requirement is intended to ensure that FINRA has a reliable means of contacting each member firm in the event of an emergency.

As part of its review, FINRA seeks answers to the following questions with respect to these rules:

- Has the rule effectively addressed the problem(s) it was intended to mitigate? To what extent has the original purposes of and need for the rule been affected by subsequent changes to the risk environment,

the markets, the delivery of financial services, the applicable regulatory framework or other considerations? Are there alternative ways to achieve the goals of the rule that FINRA should consider?

- What has been your experience with implementation of the rule, including any ambiguities in the rule or challenges to comply with it?
- What have been the economic impacts, including costs and benefits, of creating, maintaining or updating a BCP? To what extent do the costs and benefits have a disproportionate impact on firms based on size and business model? Has the rule led to any negative unintended consequences?
- Can FINRA make the rule, guidance or attendant administrative processes more efficient and effective?
- Have you ever needed to activate your BCP and if so, was it effective? Please describe the circumstances that led to the activation of your BCP.
- How do you determine what may constitute a significant business disruption? To what extent do you address specific types of significant business disruptions in your BCP (e.g., cyber events, terrorist attacks, pandemics or natural disasters)?
- What other rules, if any, conflict with or get in the way of business continuity planning?
- To what degree does your business or BCP rely on vendors or other external providers? Would the rule be more effective if it addressed expectations around additional diligence into vendor resiliency?

A copy of the notice, which details the requirements of Rule 4370 and how to comment, is available [here](#).

### **Report from FINRA Board of Governors Meeting: Board Approves Rule Proposals, Engages with Boca Raton-Area Firms**

The Board of Governors of the Financial Industry Regulatory Authority (FINRA) met on February 28 and March 1 in Boca Raton, Florida, where it discussed the organization's finances, reviewed several significant technology and other capital initiatives, and considered certain rulemaking items.

The Board received updates on FINRA's regulatory operations, including the continuing transformation of its Risk Monitoring and Examination Program and its recent 529 Plan Share Class Initiative, and approved the following items:

- moving forward with proposing new rules related to firms that have a disproportionately high number of regulatory disclosure events by the firm and/or its registered representatives; and
- filing proposed amendments to the Trade Reporting and Compliance Engine (TRACE) Rules with the Securities and Exchange Commission to enhance collection and dissemination of new issue reference data for corporate bonds and charge associated fees.

## **DERIVATIVES**

See "CFTC and Monetary Authority of Singapore Issue Joint Statement Regarding the Mutual Recognition of Certain Derivatives Trading Venues in the United States and Singapore" in the CFTC section.

## **CFTC**

### **NFA Reminds Members of Effective Date for Amendments to Information Systems Security Program Requirements**

On March 1, the National Futures Association (NFA) published Notice I-19-07 (Notice), alerting Members that April 1 will be the effective date for amendments to NFA's Interpretive Notice entitled *NFA Compliance Rules 2-9, 2-36 and 2-49: Information Systems Security Programs* (Interpretive Notice). (For a discussion of such amendments, please refer to the January 11, 2019 edition of [Corporate & Financial Weekly Digest](#).) The Notice reminded Members that certain cybersecurity incidents discovered on or after April 1 must be reported to NFA, as further set out in the updated Interpretive Notice.

The Notice is available [here](#).

## **NFA Issues Notice Regarding Updated FinCEN AML/CFT Guidance**

On March 12, the National Futures Association (NFA) published Notice I-19-08, notifying Member futures commission merchants (FCMs) and introducing brokers (IBs) of a March 8 advisory published by the Financial Crimes Enforcement Network (FinCEN) regarding updates to the Financial Action Task Force's list of jurisdictions with deficiencies regarding anti-money laundering and combating the financing of terrorism (AML/CFT). The advisory includes specific updates regarding AML/CFT compliance issues related to the Democratic People's Republic of Korea, Iran and Cambodia. NFA reminds member FCMs and IBs to review the aforementioned advisory and revise, if necessary, their respective AML programs to comply with the new guidance.

Notice I-19-08 is available [here](#).

The FinCEN advisory is available [here](#).

## **CFTC and Monetary Authority of Singapore Issue Joint Statement Regarding the Mutual Recognition of Certain Derivatives Trading Venues in the United States and Singapore**

On March 13, the Commodity Futures Trading Commission and the Monetary Authority of Singapore (MAS) issued a joint statement announcing their mutual recognition of certain derivatives trading venues in the United States and Singapore. The CFTC issued an order exempting certain derivatives trading facilities regulated by the MAS from the registration requirements for swap execution facilities (SEFs). Similarly, the MAS issued regulations exempting certain CFTC-regulated derivatives trading venues from the requirement that such trading venues be a MAS-authorized approved exchange or recognized market operator before establishing or operating an organized market. The approval of the exemption requests was the result of the CFTC and MAS jointly determining that these platform categories meet the comparability standards under their respective laws and regulations.

The CFTC order does not affect other requirements under the Commodity Exchange Act and CFTC regulations. Similarly, the exemption granted pursuant to the MAS Regulations does not affect other requirements under Singapore's Securities and Futures Act and MAS' regulations.

The statement is available [here](#).

The CFTC order is available [here](#).

The MAS regulations are available [here](#).

## **UK DEVELOPMENTS**

### **FCA Publishes Policy Statement on New Financial Services Directory**

On March 8, the UK Financial Conduct Authority (FCA) published a policy statement on a new directory of financial services workers (Directory). This follows the FCA's proposals to introduce the Directory and amend the existing financial services register (FS Register) in its consultation paper of July 2018 (as reported in the [Corporate & Financial Weekly Digest](#) edition of July 13, 2018).

In its policy statement, the FCA notes that it has made changes to the proposals it had set out in its consultation paper, such as including information on individuals' membership of accredited bodies and extending the deadline for firms to update information. The FCA also explains that it is including a health warning on the Directory to highlight where information may be out of date, which will make information more easily accessible and understandable. The FCA will allow firms to submit multiple records at once with sufficient time ahead of the submission deadline if they have many individuals whose relevant information will be made public on the Directory (Directory Persons).

The new Directory also will include individuals performing roles that will no longer be made public on the FS Register, once the senior managers and certification regime (SM&CR) is extended to all UK firms regulated by the FCA (Solo-Regulated Firms). The FS Register will continue to be available to the public following the extension of

the SM&CR, but will include fewer individuals, as only individuals for specified senior manager roles approved by the FCA and/ or the Prudential Regulation Authority (PRA) will appear on the FS Register.

The final rules establishing the Directory are set out in the Reporting of Information About Directory Persons (Dual-Regulated Firms) Instrument 2019 and will go into effect on September 9. The deadline for uploading information to the Directory for banking firms and their appointed representatives is March 9, 2020, and the deadline for Solo-Regulated Firms is December 9, 2020 (i.e., 12 months from the date on which SM&CR will commence for those firms).

The Directory interface will go live for banking firms and insurers in March 2020, shortly after information on their Directory Persons has been uploaded, and in December 2020 for all other firms' Directory Persons.

The FCA's policy statement is available [here](#).

## **PRA and FCA Hosted the First Meeting of the Climate Financial Risk Forum**

On March 8, the UK Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) hosted the first meeting of the Climate Financial Risk Forum (CFRF). A press release covering the event was published by the FCA on March 12.

The CFRF's objective is to build capacity and share best practices across financial regulators and the industry in order to advance financial sector responses to the financial risks resulting from climate change. It brings together senior representatives from across the financial sector, including banks and asset managers. The CFRF is chaired by Sarah Breeden, PRA Executive Director of International Banks Supervision, and Christopher Woolard, FCA Executive Director of Strategy and Competition.

At its first meeting, the CFRF set up four working groups to focus on risk management, scenario analysis, disclosure and innovation. The CFRF will meet three times a year, with its working groups meeting more frequently than the CFRF and reporting back to the larger group at each CFRF meeting. The aim is to produce practical guidance on each of the four focus areas, the final outputs of which will be shared widely with industry.

The CFRF will include observers from trade bodies in order to represent a broad range of firms and ensure the CFRF's outputs are communicated to their members. Membership of its working groups will be wider than of the CFRF to enable the working groups to draw on expertise as necessary, such as from academia and industry.

The FCA's press release is available [here](#).

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UK DEVELOPMENTS

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\* Click [here](#) to access the *Corporate & Financial Weekly Digest* archive.

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