

FINRA Seeks Comment on Proposed Amendments to the Membership Application Program Rules & Fintech Innovation in Broker-Dealer Industry

Saturday, August 4, 2018

On July 26, the Financial Industry Regulatory Authority (FINRA) issued a Regulatory Notice requesting comment on a proposal to the NASD Rule 1010 Series (collectively, the “Membership Application Program” rules). The Membership Application Program rules govern how FINRA’s Department of Member Regulation (the Department) reviews new membership applications and continuing membership applications (CMAs). An applicant must be able to show its ability to comply with the standards set forth in the Membership Allocation Program rules, and, to ensure that such applicant can comply with the rules, the Department considers an applicant’s financial, operational and compliance systems.

The proposed rules—the proposed FINRA Rule 1100 Series—are aimed to enhance investor protections and eliminate unnecessary burdens on firms. The proposal would simplify a number of provisions or terms, amends or deletes outdated provisions, and streamlines the rules and its processes by eliminating or consolidating duplicative provisions and codifying existing Department practices. Key changes would include:

- adopting a waive-in application process to allow certain New York Stock Exchange and NYSE American LLC members to automatically become FINRA members and to automatically register their associated persons with FINRA;
- codifying Department practices aimed at reducing the overall review application period from 180 to 150 days;
- requiring a CMA in the event of the direct or indirect change of a member’s control person, where a member seeks to engage in settling or clearing transactions for itself or for other broker-dealers for the first time, and where a member seeks to make a business change that would change its exemptive status under Exchange Act Rule 15c3-3(k);
- eliminating the Department’s ability to permit interim restrictions pending the review of a CMA;
- setting forth circumstances in which a member may request, and the Department may consider, waiving the CMA filing requirement in connection with a change in capital structure or control person, or in connection with certain acquisitions, divestitures or transfers of the member’s assets or business lines; and
- changing the standards for approval of applications.

The comment period expires on October 5.

The full Regulatory Notice is available [here](#).

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On July 30, the Financial Industry Regulatory Authority (FINRA) issued a Special Notice requesting comment on how to continue to foster financial technology (fintech) innovation in the financial services industry. In particular, to support its mission of investor protection and market integrity, FINRA is seeking comment from market participants on how FINRA rules or administrative processes could be modified to better facilitate fintech innovation. In addition, FINRA requests comment on three specific areas: the provision of data aggregation services that compile information from different financial accounts for investors, supervisory processes concerning the use of artificial intelligence, and the development of a taxonomy-based machine-readable rulebook.

The deadline for comment is October 12.

The full Notice is available [here](#).

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