

# FINRA Proposes Changes for New Membership Applications and Continuing Membership Applications

August 7, 2018

Last week FINRA issued a 51 page (with 85 Footnotes) Regulatory Notice (#18-23) which proposes major and far reaching changes to the rules and procedures for New Membership Applications and Continuing Membership Applications.

Many of the changes proposed are procedural and several propose changes to key defined terms in the FINRA lexicon. Others clarify terms not previously defined with precision. For example, "Control" will have a different threshold used to presume control (25%, up from 20%) and add five (5) fact patterns where possession of power to direct management or policies through ownership interests or contract (e.g., an LLC operating agreement or shareholders agreement).

There are also proposals to streamline the NMA and CMA processes and make mandatory (one (1) or more) an interview for NMA and discretionary for a CMA, and provide for a preliminary assessment of an application and provide for expedited review.

There is a proposal to include a waiver of the current two (2) principal requirement provided the applicant is able to demonstrate that only one (1) principal should be required. The decision on a two (2) principal waiver request is made by the Membership Applications Group.

The proposed rules also define more precisely what business and/or personnel changes trigger the need to file a CMA and add a (direct or indirect) change in control person as a new trigger and add three (3) situations to the activities decreed to be a "Material Change in Business Operations." FINRA also proposes to eliminate the timing of CMA filings and pre-approval of changes to require members to file applications before effecting any changes, but also includes a CMA filing requirement waiver for other types of (non-material) changes in business activities, management, supervision and certain M&A activity.

These proposed changes are important and extensive. We have highlighted those we think are of most interest to our friends, clients and colleagues in this Advisory. You are encouraged to review the complete Regulatory Notice [here](#).

Comments are due by October 5, 2018.

We welcome your thoughts, reactions and comments to these important changes.