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LICENSING RENEWAL INSTRUCTIONS FOR CALENDAR YEAR 2018

Renewal Program: The 2018 FINRA (Web CRD/IARD) Renewal Program is an annual process that enables firms and individuals to continue their active registration, or licensing status into the coming year with FINRA, other regulators, and the states in which they conduct business. For complete and detailed information regarding the renewal process, firms should review the 2018 Annual Renewal Program Bulletin available on FINRA or IARD websites.

Flex Funding Account: Automatic FINRA Flex-Funding Account-to-Renewal Account Transfer: For the Preliminary and Final Renewal Statements, FINRA will automatically transfer funds between a firm's Flex-Funding Account and their Renewal Account if a firm has funds available in the firm's Flex-Funding Account to cover the total amount due. This will be applied daily beginning December 18, 2017 and through December 26, 2017 for payment of Preliminary Renewal Statements which are due on December 18, 2017. Automatic transfers will also be applied daily beginning January 22, 2018 and until all renewal assessments are satisfied for payment of Final Renewal Statements. To review these dates, please go to <http://www.finra.org/sites/default/files/crd-renewal-program-calendar.pdf>

Failure to Renew: All firms preliminary Renewal Statement Payments must be posted to renewal accounts by December 18, 2017. It is recommended that firms submit payment no later than December 12, 2017, to ensure that payment is processed by the deadline. Failure to submit renewal payments will result in the termination of licenses for the firm and its sales representatives and investment adviser representatives. If this happens, the firm or individual will be required to reapply for Maine licensure via Web CRD/IARD before transacting any further business in Maine.

License Termination: Termination requests must be filed with Web CRD/IARD in accordance with the instructions and deadlines as outlined in the 2018 Annual Renewal Program Calendar. Failure to file termination requests with Web CRD/IARD by the deadline will result in the assessment of renewal fees. *Renewal fees are non-refundable.*

Mass Transfer Moratorium: There will be a moratorium on processing mass transfers from December 27 – January 3, 2018. A mass transfer is used to programmatically transfer individuals and branch offices from one firm to another firm as a result of a merger, acquisition, succession or consolidation.

Key Dates:

- December 8 – Last day firms will be able to request a mass transfer to occur in 2017.
- December 27, 2017 – January 1, 2018 - Notices will not populate in the Mass Transfer Queue.

Active Duty Renewal Fee Waiver: Individuals that are on active military duty will be tracked within Web CRD. FINRA will systematically waive our annual system fee as well as NASAA's annual investment adviser representative fee. In January, we will generate a roster of individuals on active military duty and request that FINRA refund applicable state renewal fees.

Financial Statements: Firms are **NOT** required to submit annual audited financial statements or Focus Reports unless specifically requested to do so by this office.

Part 2: Blank templates for the Form ADV Part 2 are currently available on the NASAA Form ADV webpage at www.nasaa.org for free download and use by investment advisers.

Annual Delivery Requirement: Item 2 of the Instructions to Part 2A of Form ADV “Preparing Your Firm *Brochure*” provides that each year a registered investment adviser must (i) deliver, within 120 days of the end of the investment adviser’s fiscal year, to each client a free updated *brochure* that either includes a summary of material changes or is accompanied by a summary of material changes, or (ii) deliver to each client a summary of material changes that includes an offer to provide a copy of the updated brochure and information on how a *client* may obtain the *brochure*. The Office strongly encourages all investment advisers to follow the distribution and delivery schedule of the Brochure and Brochure supplement as provided in the instructions to the Form ADV Part 2.

Amendments to Form ADV: On August 25, 2016, the SEC adopted amendments to Form ADV and the Advisers Act of 1940. The amendments to Form ADV Part 1 are designed to improve the depth and quality of information the SEC and state regulators collect on investment advisers that will enhance the ability to effectively carry out risk monitoring initiatives and assist in risk-based analysis.

Beginning October 1, 2017, any changes made to an Adviser’s ADV Part 1 will need to be filed using the revised version of Form ADV. Firms will now be required to answer the new questions if amending Form ADV Part 1 for any reason on or after October 1, 2017.

Changes to the new Form ADV include:

- 1.) Listing 25 of the largest branches based on the number of employees (formerly only the 5 largest branches were listed.)
- 2.) Listing addresses for every social media page where the adviser controls the posted content. Previously, firms only had to report their website addresses.
- 3.) Instead of just naming the firm’s chief compliance officer, advisers will have to report whether that person is compensated by an entity other than the adviser or a related party (Outsourced CCO.)
- 4.) Large advisory firms that have \$1 billion or more in assets will have to include more specific information..
- 5.) Firms will have to disclose how many clients the adviser has among different categories and how much each of those categories has in combined assets under management. Currently, firms only report within a range the percentage of clients they have who are individuals, banking institutions, charities, etc., and identify their AUM levels.
- 6.) Advisers to private funds, whose entities operate as one advisory business, can now file an umbrella registration.
- 7.) Advisers will have to include more specific about their separately managed accounts (SMAs,) such as including the type of assets held and the use of derivatives and borrowings in these SMAs.
- 8.) Reporting of regulatory assets under management attributed to non-United States clients.

Among other Form ADV revisions, the amendments also revise rule 204-2 under the Advisers Act, known as the “Books and Records Rule.” The amendments require advisers to retain additional materials related to the calculation and distribution of performance information.

While these are some of the more notable changes coming to Form ADV Part 1 in October, 2017, it is not an exhaustive list. Most advisers won’t be faced with answering these new questions until the Annual Updating Amendment filing in the first quarter of 2018.

Additional information may be found on the SEC website <https://www.sec.gov> or <https://www.sec.gov/rules/final/2016/ia-4509.pdf>

Should you have any questions, please call Billie-Jo Pyska at (207) 624-8490. You may obtain additional information at the Office’s Web site, www.investors.maine.gov.



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