

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Banking and Insurance

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BILL: SB 814

INTRODUCER: Senator Brandes

SUBJECT: Registration of Branch Offices Conducting Securities Transactions

DATE: April 5, 2013

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Knudson	Burgess	BI	<b>Pre-meeting</b>
2.			CM	
3.			JU	
4.				
5.				
6.				

**I. Summary:**

SB 814 makes registration of a securities branch office effective upon the filing of Form BR, Uniform Branch Office Registration Form (hereinafter "Form BR") with the Office of Financial Regulation (OFR) through the Central Registration Depository maintained by the Financial Industry Regulatory Authority (FINRA). Under current law, branch office registration is effective upon approval by the OFR. The OFR may request the filing of a written supplement if it finds that the Form BR is incomplete or inaccurate.

The effective date of the bill is July 1, 2013.

This bill substantially amends the following sections of the Florida Statutes: 517.12

**II. Present Situation:**

**Regulation of Securities**

The securities industry is subject to both federal and state law and to the state and federal regulatory agencies that implement statutory law. The primary federal regulator is the Securities and Exchange Commission (SEC), which oversees the key participants in the securities industry such as securities exchanges, securities brokers and dealers, investment advisors, and mutual funds.<sup>1</sup> The SEC is concerned primarily with promoting the disclosure of important market-related information, maintaining fair dealing, and protecting against fraud.

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<sup>1</sup> See <http://www.sec.gov/about/whatwedo.shtml> (Accessed April 6, 2013).

The Office of Financial Regulation, through the Division of Securities, regulates the sale of securities in, to, or from Florida by firms, branch offices and individuals affiliated with these firms to determine compliance with Florida law. A securities dealer or investment adviser is prohibited from conducting business from a branch office in Florida unless the branch office is registered with the Office of Financial Regulation (OFR).<sup>2</sup> A “branch office” is “any location in this state of a dealer or investment adviser at which one or more associated persons regularly conduct the business of rendering investment advice or effecting any transactions in, or inducing or attempting to induce the purchase or sale of, any security.”<sup>3</sup> It also includes any location that is held out as a place where such actions occur is also a branch office.

The Financial Industry Regulatory Authority (FINRA), an independent, not-for-profit organization, also is an important regulatory body.<sup>4</sup> FINRA performs a number of functions, including registering and educating securities industry participants. FINRA operates the Central Registration Depository and the Investment Adviser Registration Depository, which are central databases for registering, reporting, and disclosing information within the securities industry.

### **Registration of Securities Branch Offices**

To register a branch office, the securities dealer must file the required form<sup>5</sup> and pay an application fee.<sup>6</sup> The branch office must resubmit an updated form upon any changes in personnel or any material fact that render the registration inaccurate.<sup>7</sup> Branch office registration is effective upon OFR approval, after a review that the registration complies with Florida law. According to representatives of the Office of Financial Regulation, since July 1, 2012, the average amount of time for the OFR to process and approve a broker-dealer branch office is 5 days of receiving registration and 6 days for an investment adviser branch office. Approximately 15 percent of branch office registration applications, however, contain deficiencies that delay the approval date and operation of the branch location.

### **III. Effect of Proposed Changes:**

**Section 1** amends s. 517.12, F.S., revising the effective date of registration of a branch office located in Florida from which a securities dealer or investment advisor conducts business register with the Office of Financial Regulation (OFR). The bill makes registration effective upon the filing of Securities and Exchange Commission Form BR with the OFR through the Central Registration Depository (CRD) maintained by the Financial Industry Regulatory Authority (FINRA). The OFR may request the filing of a written supplement if it finds that the Form BR is incomplete or inaccurate.

**Section 2** provides an effective date of July 1, 2013.

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<sup>2</sup> S. 517.12(5), F.S.

<sup>3</sup> S. 517.021(4), F.S.

<sup>4</sup> See <http://www.finra.org/AboutFINRA/P125239> (Accessed April 6, 2013).

<sup>5</sup> The OFR requires the filing of Form BR, Uniform Branch Office Registration Form (Adopted 2005) as authorized under s. 617.12(15)(a)1., F.S.

<sup>6</sup> R. 69W-600.004(3), F.A.C.

<sup>7</sup> R. 69W-600.004(3)(c), F.A.C.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

None.

**B. Private Sector Impact:**

Proponents of the bill from the securities industry assert delays in the current registration process sometimes adversely affects dealers and investment advisors. A dealer or investment advisor may not conduct business from a branch office that is not properly registered with the OFR. Accordingly, unanticipated delays in the registration process may require the suspension of business activities until the OFR approves the branch registration.

Representatives from the Office of Financial Regulation assert that the current registration requirements for branch offices benefit consumers by enabling the OFR to determine that dealers, investment advisers, and associated persons in Florida maintain proper and adequate supervision. The bill, however, does not allow the OFR enforcement remedies for branch office filings that are inaccurate or do not comply with state law.

**C. Government Sector Impact:**

None. The computer programming changing to the OFR's online registration and licensing system can be accomplished without additional resources.

**VI. Technical Deficiencies:**

Representatives from the OFR indicate that the bill has the following technical deficiencies:

- Form BR is not promulgated by the federal Securities and Exchange Commission.
- The bill authorizes the OFR to request a written supplement to the registration if Form BR is incomplete or contains inaccurate information. Current electronic filing systems are not equipped to allow supplements to such filings.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

**A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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