



Annual Conference

Washington, DC May 27-29, 2015

Outside Business Activities: Key Requirements and Leading Practices

Thursday, May 28

11:15 a.m. – 12:15 p.m.

Topics:

- Understand the challenges firms are facing related to outside business activities (OBAs) and private securities transactions (PSTs).
- Implement effective practices related to monitoring and supervising OBAs and PSTs.
- Identify red flags and potential issues regarding OBAs and PSTs.
- Understand the areas of focus on examinations related to OBAs and PSTs, examination deficiencies and ways firms are addressing them.

Speakers:

Michael Rufino (*moderator*)
Executive Vice President
FINRA Member Regulation, Sales Practice

Sharyn Handelsman
Chief Compliance Officer
LPL Financial LLC

Lisa Roth
President
Monahan & Roth, LLC

Paul Tolley
Chief Compliance Officer
Commonwealth Financial Network

DISCLOSURE OF OUTSIDE BUSINESS ACTIVITY

All registered representatives, registered staff members, and investment adviser representatives (hereafter “registered persons”) must provide written notice to, and receive written acknowledgment from, Commonwealth *prior to* engaging in any outside business activity (“OBA”).

Notes and Instructions

- This form is to disclose an OBA, other than fixed insurance sales, nonprofit organization activities, trustee or other fiduciary control role, tax/accounting/payment processing/bookkeeping services, or registered investment adviser. For those activities, please complete the specific Disclosure of Outside Business Activity form (“DOBA”) for the respective activity.
- Only disclosed and acknowledged activities in relation to securities, investment advisory services, or insurance services offered through CES Insurance Agency are covered by your Commonwealth errors and omissions (“E&O”) insurance policy.
- If you are disclosing activities relating to mortgage origination, brokerage services, or fixed life settlement transactions, a copy of your E&O insurance coverage policy for that activity must be submitted to Commonwealth along with the disclosure.

Name of Registered Person

Advisor ID (if applicable)

I submit this form to:

- Disclose a new OBA
- Update a previously disclosed OBA (Please indicate changes below.)

Activity Overview

1. Under what name will this OBA be conducted and marketed? _____
2. On what date will you begin this activity? _____
3. Please describe the nature of this business: _____
4. What is your title or position? _____
5. Please describe your duties and obligations in this activity: _____

6. Please provide any website URLs relating to this activity: _____
7. Please describe the nature and expected amount of any compensation (*e.g., salary, commissions, hourly wage, equity*) that you expect to receive from this activity, including the percentage of your annual income that it represents:

8. What percentage of your time is spent on this activity during regular business hours (*e.g., Monday through Friday, 9:00 A.M. to 4:00 P.M.*)? _____%

DISCLOSURE OF OUTSIDE BUSINESS ACTIVITY *continued*

Activity Organization

9. Type of business organization:

Please note: If, as part of this OBA, you are an owner in a *private entity* other than a sole proprietorship (e.g., private corporation, LLC, LLP), you must submit a copy of the business entity operating documents, as well as a list of each owner, member, shareholder, or partner in the entity, including the nature of the involvement with the entity, percentage of ownership, and your relationship to the person, to Commonwealth, along with this disclosure.

Corporation (private) name: _____

– Are you a managing member or officer? Yes No

Corporation (public) name: _____

Symbol: _____ Exchange: _____

Do any of your clients own securities issued by the corporation in their Commonwealth accounts? Yes No

If yes, please provide client names and account numbers holding the securities:

Partnership name: _____

– Are you are a: General partner? Limited partner?

Sole proprietorship

Limited liability company name: _____

– Are you a managing member or officer? Yes No

Other (Please describe.): _____

10a. Are you an owner? Yes No

If yes, please provide information in the following chart and then proceed to question 10b.

If no, skip to question 11.

b. Are there other owners? Yes No

If yes, please provide information in the following chart and then proceed to question 11.

If no, skip to question 11.

Owner name	Relationship to you	Role in entity	% of LLC ownership	Commonwealth client: list account #s or TIN

11. What will be the source(s) of initial and ongoing capital for this business (e.g., personal assets, bank loan, private offerings, equity issuances, debt instrument issuance)?

DISCLOSURE OF OUTSIDE BUSINESS ACTIVITY *continued*

12. Have you solicited any other individual(s) to invest in this entity? Yes No

If yes, please answer the following questions:

Was Commonwealth's written approval obtained prior to the solicitation? Yes No

Please list each individual's name, your relationship to the individual, investment amount, date of investment, and the nature of the individual's involvement with the business:

13. Will you have signing and/or transaction authority for the business's banking or investment accounts? Yes No

If yes, please list the organization's investment accounts, including registration, account number(s), and custodian(s):

Custodian	Account Number	Account Registration	Account Type
_____	_____	_____	<input type="checkbox"/> Bank <input type="checkbox"/> Investment
_____	_____	_____	<input type="checkbox"/> Bank <input type="checkbox"/> Investment

Please note: All securities holdings under your control will need to be reported as personal holdings. Assets held outside Commonwealth may be subject to an annual \$200 outside account fee.

14. Do your duties include oversight, influence, review, or decision-making authority over the entity's investment accounts?
 Yes No

If yes, please describe:

15. Will you be covered under separate E&O or directors and officers insurance or fidelity bond for this activity?
 Yes No

Activity Location

16. Will you conduct this activity at your branch office? Yes No

If no, please include the address at which you will conduct the activity:

17. Are any other Commonwealth-affiliated persons, Commonwealth clients, or persons affiliated with any other registered investment adviser or broker/dealer involved in this activity? Yes No

If yes, please provide their names and affiliations, as well as descriptions of their role in this OBA:

Individual Name	Affiliation Description	OBA Role Description
_____	_____	_____
_____	_____	_____
_____	_____	_____

DISCLOSURE OF OUTSIDE BUSINESS ACTIVITY *continued*

18. Will any persons *not* affiliated with Commonwealth share space within your branch office as a result of this activity?
 Yes No

If yes, please submit the online Shared Office Space Checklist and provide the case number: _____

If previously submitted, please provide shared space approval date: _____

19. Will any organization, entity, or other person associated with your OBA pay—or have liability to pay—any of your branch office expenses (e.g., rent, utilities, office supplies, staffing)? Yes No

If yes, please list the name(s) of the organization(s), entity(ies), or person(s), as well as their tax identification number(s) or social security number(s):

Person/Entity Name

Tax Identification Number

Other Activity Information

20. Please include any other information you wish Commonwealth to consider during our review of this OBA:

Commonwealth's acknowledgment of your OBA is conditioned upon the requirement that you provide, upon request, complete copies of your financial statements and other information about this business during the course of any compliance audits or other Compliance department inquiry. Commonwealth does not render an opinion on the legality of any OBA.

The undersigned registered person certifies that the foregoing is true and accurate and agrees to provide Commonwealth with complete copies of his or her financial statements and other information concerning this OBA promptly upon request.

The undersigned registered person agrees to indemnify and hold Commonwealth, its officers, partners, employees, and associated persons harmless from and against any and all losses, liabilities, claims, damages, and expenses whatsoever (including reasonable attorney fees), arising out of any regulatory action, civil litigation, proceeding, or dispute of any kind relating in any way to the acts or omissions of the registered person while performing this OBA, without limitation as to amount or insurance coverage.

The undersigned registered person agrees that he or she may not recommend, solicit, introduce, or in any way facilitate the investment of any individual or entity into this entity. This prohibition also applies to investments in any other business enterprise, common investment pool, or private securities transaction not approved in writing by Commonwealth Financial Network® including participating in discussions with potential investors.

Signature of Registered Person

Date

Signature of OSJ Branch Manager (if applicable)

Date



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Resources

FINRA Rules

- NASD Rule 3040 (Private Securities Transactions of an Associated Person)
http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=3727
- FINRA Rule 3270 (Outside Business Activities of Registered Persons)
http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=9467

FINRA Notices to Members

- *Notice to Members 96-33, NASD Clarifies Rules Governing RR/IAs* (May 1996)
www.finra.org/sites/default/files/NoticeDocument/p013792.pdf
- *Notice to Members 94-44, Board Approves Clarification On Applicability Of Article III, Section 40 Of Rules Of Fair Practice To Investment Advisory Activities Of Registered* (May 1994)
http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=1489