

Important Notice: 18-262

Implementation of FINRA Rule 3110(c)(2) Third-Party Definition Changes for Journal Transactions

New 1st Party Assignment rules for eligible registration combinations where all the owners on the FROM account are also on the TO Account.

Distribution Date: July 24, 2018

Effective Date: September 10, 2018

Questions, contact:

Your Client Service Manager

Action Required: No

Submitter: a057044; BD/Bank and RIA

Description & Key Points

On December 23, 2013, the SEC approved new FINRA Rules 3110 (Supervision) and 3120 (Supervisory Control System) to replace NASD Rules 3010 (Supervision), 3012 (Supervisory Control System) and corresponding provisions of the NYSE Rules and Interpretations. The new rules became effective on December 1, 2014.

New FINRA Rule 3110(c)(2)(A) eliminated NASD Rule 3012's parenthetical text ("i.e., a transmittal that would result in a change in beneficial ownership") to clarify that all transmittals to an account where a customer on the original account is not a named account holder are included. To paraphrase, FINRA Rule 3110(c)(2) requires that a transmittal of funds or securities is required under the rule if all account owners on the sending account are not account owners in the receiving account. In other words, if all account owners on the original account are account owners on the receiving account, a third-party transmittal of funds notice is not required.

Currently, all account owners registered on the sending account must also be registered on the receiving account in order for a journal transaction to be classified as a first-party transaction. Additionally, the number of account owners on the sending and receiving accounts must match. Once FINRA Rule 3110(c) (2) logic is implemented, a journal will be classified as a first-party transaction if all account owners on the original account are account owners on the receiving account but the number of account owners on the sending and receiving accounts do not need to be the same as long as all the account owners registered on the sending account are also registered on the receiving account.

Summary of changes

1. New 1st Party assignment rules for eligible registration combinations where all owners on the FROM account are also on the TO Account.
2. Integrated Cashiering Platform (ICP) will show expanded party information including whether the relationship is 1st or 3rd Party and Same, Common, or Non-Common for transactions and standing instructions.

3. Existing Journal Standing Instructions will be updated with the new party assignment. No letters will be sent related to this update.
4. Changes to an account that result in a change in Party for a Journal Standing Instruction will cause the Journal Standing Instruction to be frozen.

Sample ICP screen showing new party assignment:

Related Links
& Reference
Materials

*Screenshots
are for
illustrative
purposes
only.

The screenshot shows the Fidelity ICP screen for a Journal Disbursement (033-000116) with an amount of \$18.70. The status is 'Pending Approval'. The screen is divided into several sections:

- Transaction Details:** Transaction # 1817600129, Line Number 03300011608, Create Date 06/26/2018 15:37, Create User A212115 (DIRA), Channel ICPOPS, Process Date 06/26/2018, XTRAC Number None, Last Modify Date None, Last Modify User None, As Of Date.
- Ownership:** Highlighted with a red box, showing 'Non-Common'.
- Account Information:** From Account Number 033-000116, To Account Number 033-000525, Money Market Eligibility R-Retail, Reg Type J - Joint WROS, I - Individual.
- Other Fields:** Blind Journal No, Add'l Bkpg Desc N, Add'l Position Details, Accept Date/Time.

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[FINRA Regulatory Notice 14-10: Consolidated Supervision Rules](#)

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