Law Firm Engagement Workshop Summary of Key Findings

NMLS 2.0 Requirements Discovery
February 2, 2017
Washington, DC

Meeting Objectives

Establish an open and collaborative dialogue on how to make the end-to-end licensing process a great experience.

Familiarize you with the NMLS 2.0 project

Present core tenets of NMLS 2.0 capabilities

Summarize current-state feedback

Brainstorm ways to transform NMLS

Discuss how to maintain your engagement

NMLS 2.0 Guiding Principles

Principle Topic	Guiding Principle
Real-Time System	NMLS 2.0 is a real time system that will show the current state of an entity's record.
Uniform Data	NMLS 2.0 will provide an application/licensing platform containing uniform data, terms, and definitions.
Dynamic Display	NMLS 2.0 will present users with only information that is relevant to them based on their role (i.e. regulator, industry type, etc.).
One Record	Each distinct legal entity, branch, and natural person will have a single, unique record in NMLS. The entity's One Record in NMLS can be used to apply for, maintain, or surrender licenses in multiple states and will capture all data required in the supervision process.
Common Framework	The System will enable uniform core policies/processes based on best practices identified through the established governance process.

NMLS 2.0 Guiding Principles

Principle Topic	Guiding Principle
Data Validity	NMLS 2.0 will be built to promote data quality through accurate data input and will validate data where possible.
Record Information	The ability to create or modify record information will be limited to the entity with the right to control it.
Legal System of Record	NMLS is a legal system of record for agencies participating in NMLS.
NMLS Unique ID	The NMLS Unique ID will be applied to only unique legal entities or a natural person.
Automate what is manual and routine	Manual and routine processes will be automated to the greatest extent possible.
Leveraging Data	NMLS 2.0 will leverage external data sources rather than recreating data when applicable.
Data Security	NMLS 2.0 will be built to best practices in data security and privacy protections.

NMLS 2.0 Architecture Building Blocks

Role-Based & Delegated Security Model

Rules-Based Processing

Workflow- & Object-Centric Design

Centralized Ecosystem and Audit Trail

Input Validation & Contextual Help

Functional Reporting Capability

Facilitated Discussion #1 – Single Login Concept

Problem Statement: NMLS 1.0 currently provides multiple login credentials to users with multiple records (e.g., State, Company, Branch, etc.) in the system.

Goal: NMLS 2.0 will provide a <u>single</u> login per natural person to eliminate having to manage multiple records (e.g., log-in credentials and worklists).

Common Themes Heard During Session:
- When creating an account, there should be way to establish a relationship between a trusted third party and a client (LO and / or company)
- Law Firms expressed the need for the following capabilities:
  - Ability to easily toggle between one client an another
  - Ability to default the initial log-in page to the client with the most active information / with the most amount of pending items to address
  - Ability to customize the view of the dashboard by task, industry, company, other
  - Need to make the interface extremely obvious (add company logo, change the color of the screen)
  - As you are about the save anything for a particular entity, prompt the user "Do you want to save these changes for X entity?"

Facilitated Discussion #2 – Multiple Attestations

Problem Statement: NMLS 1.0 requests companies, individuals, and third parties to attest for all adjustments, which creates a lot of additional work for sometimes trivial changes.

Goal: NMLS 2.0 aims to allow users to update records without multiple attestations similar to how users maintain account profiles similar to Amazon.com.

Common Themes Heard During Session:
- NMLS 2.0 should limit the number of control people who need to attest to filings.
- Policy Item: Law Firms discussed that items requiring attestation should be material in nature (e.g., disclosure questions), and all other changes should not require attestation.
- Policy Item: Could NMLS 2.0 allow an authorized person or persons to attest up behalf of a control user using a corporate resolution that is uploaded to the system. The corporate resolution would authorize individuals.
- Ability to attest via mobile devices using a touch ID-like technology.
- Why there is a need to attest to the bond being good standing if it has already been officially signed by a company outside of NMLS?
- Some law firms prepare the filing, but do not do the attestation. Law Firms would like the ability to send an alert to the account administrator or LO that the application is ready for submission.
- Ability to configure what alerts to receive, the frequency, medium, and mode (text message, email).

Facilitated Discussion #3 – Legal system of record

Problem Statement: Can NMLS function as a legal system of record that can be relied upon by companies/regulators in adjudication proceedings?

Goal: Determine NMLS' potential capability to be relied upon as a legal system of record.

Common Themes Heard During Session:
- Need an audit trail for all transaction to capture what has changed, what changed, by whom, and when and a history of the interaction.
- Ability to upload a letter to a license item providing proof of an interaction or agreement with a state regulator. There are many instances, since the data is not currently in the system, each year the state regulator dings the company for something that had already been negotiated. If the data / agreement were in the system, this issue would go away.
- When attesting, NMLS 2.0 should capture for what record, who attested, when, for what company and do not change history (redlining has been helpful)
- Ability to generate a authenticated version of a company / LO record from NMLS that could be used for adjudication.
- Need as many communications in the system as possible.

General Comments

- Ability to indicate that a regulator has started processing a filing and who this has been assigned to (** Law Firms expressed a lot of challenges not knowing who is processing the filing **) They would like the contact information provided for the individual at the regulator working the filing

- Ability to get a read receipt when a regulator has started working on a filing

- Ability to hover over a data entry field and see a description of the field and an example

- Law Firms want NMLS to prevent regulator creep, and ensure that requirements not stated on the checklists are incorporated into the future system

- Need to clarify what was meant by the qualifying individual field since this is only valid for one state, but now many states are using this field

- Ability to add a no objection field to the ACNs

- Do away with affiliation / subsidiary relationship (why is there an ACN if not required by law)

- NMLS 2.0 should allow for a lite form for a MU1 when a company does not need a license, but the person employed by the company would like to obtain a license (LO-Lite)

Policy Considerations

- Need to work with State Regulators, Industry and Law Firms to determine what items should require a ACN versus what should be considered an amendment, and what changes should require attestation.

- Need to determine if State Regulators would be open to sharing the regulator contact information who is working on a filing.

- States do not currently—apart from Idaho—commit to the NMLS policy guidebook, which creates many challenges when Law Firms are trying to advise clients on how to properly enter data into the system. This happens because the NMLS Policy Guidebook is not consistent with what many state regulators require per statute. Set our the rules of the system upfront, and get states to agree to the system and use the NMLS.

- Rethink the data requested by regulators since many individuals do not know why the information is captured.

- The lag in state regulators acknowledging ACNs for M&A activity is a big deal and could ultimate put at risk M&A deals due to the warranties and representations associated with closing M&A details.