Regulator Engagement Workshop
Summary of Key Findings

NMLS 2.0 Requirements Discovery
January 31- February 1, 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 – True Insular Ecosystem

Problem Statement: There are numerous interactions taking place outside of the NMLS 1.0 (e.g. communications via email or certified mail), and State Regulators require additional forms not built into NMLS.

Goal: Identify areas where communications/documents are required outside NMLS today. Ensure NMLS 2.0 is equipped with functionality to meet these needs.

Common Themes Heard During Session:
- Restrict some communications to State Regulator only
- Extra security and access controls would be needed to store more sensitive documents such documents with attorney client privilege
- Additional documents / files could be stored in NMLS: photo of LO, conditional license agreement
- Conversely, some documents such as certified court documents and inter-office emails related to licensing activities should stay outside of the system

Facilitated Discussion #2 – Automation of Reviews

Problem Statement: The existence of manual processes within NMLS 1.0 negatively impact the user experience.

Goal: Automate reviews of renewals and applications based on configurable business rules in NMLS 2.0.

Common Themes Heard During Session:
- States were reluctant to auto -approve / suspend a license, but were more open to an automated completeness check based on state requirements
- State Regulators agreed that it would be better to put in place more upfront validation based upon the state checklists and indicate what deficiencies still exist before a user can submit
- States seemed to agree that e-signature capabilities would be acceptable
- States willing to automate approval of renewals assuming that the completeness check passed, and there were no red flags (e.g., credit report flags, CBC issues, disclosure question updates, etc.)
- Ability to put an administrative hold on licensees who have flagged with possible issues

Facilitated Discussion #3 – Workload Management

Problem Statement: Users have difficulty managing their workload within NMLS.

Goal: Conceptualize usable functionality to manage all of the activities that need to be completed within NMLS.

Common Themes Heard During Session:
- Ability to auto-prioritize tasks by configuring which tasks are most important to track
- Ability to auto-assign tasks by configuring who should work certain tasks (e.g., by company, alphabetically)
- When there are multiple amendments that require approval, the ability to approve the latest amendment, which would approve all the remaining open amendments
- Ability to filter by certain fields (e.g., NMLS ID, entity, etc.) and bring up all the open actions, and then perform a bulk approval

Facilitated Discussion #4 – Renewals

Problem Statement: Managing renewals is inefficient due to limitations in managing the request list, and limited trust in the credit report flags.

Goal: Streamline review of license renewals to minimize the workload on State Regulators.

Common Themes Heard During Session:
- Ability to assign renewal review items
- Ability to add notes to renewal reviews
- Ability to notify a licensee of license items found during renewal
- Ability to remove a record from public viewing if someone opts out of being in the system
- If a license / branch / company has a perpetual license, establish a business rule to auto-approve if there are no changes
- Ability to configure by states when certain items need to be reviewed during renewals such as credit checks, CBS, and finger prints needing to be renewed
- Ability to allow a LO to request surrendering a license
- Ability to notify State Regulators when a LO has been revoked in any state
- Ability to configure communications by different license items

Facilitated Discussion #5 – Data / Periodic Reporting

Problem Statement: State Regulators need to go outside the system to analyze workflows for renewals, work items, license applications, etc., data analytics tools do not contain live data, and call reports cannot be exported?

Goal: Provide self-service using standard and ad hoc reporting capabilities to data contained within the system.

Common Themes Heard During Session:
- State Regulators indicated that they would like more call reports for other license types (e.g., annual call report for collection agencies)
- The future solution should allow access to complaint data, examination data, pending deficiency cycles times and aging
- State Regulators expressed the need for the following types of reporting functionality: auto-prompt filtering, drill-down to details, saving custom reports, sharing saved reports, and displaying reports in non-editable formats

Facilitated Discussion #6 – 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:
- State Regulators indicated that NMLS is "A legal system of record" but not "The legal system of record
- State Regulators expressed the need for the following functionality:
  - Ability to classify documents and data fields as private or public
  - Ability to edit a mistake with an audit trail, reason code and free form notes to further describe the nature of the change
  - Ability to view the history of edits made to records in the system
  - Ability to not show mistakes to the public, but allow State Regulators, LO, and those who have been granted access to the record to see the history of changes (i.e., the public should only see the most recent, up-to-date record)

Facilitated Discussion #7 – 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:
- Possibly future-state scenario where another regulator could help another state (i.e., may start to do regional pooling of allow state regulators to support each other)
- Another possible scenario is allowing contracted third parties to support different states
- State Regulators seem to support sole proprietors having one login

Facilitated Discussion #8 – Data Reuse

Problem Statement: NMLS 1.0 requests companies and individuals applying for licenses to obtain a license in multiple states to submit duplicative data, and the data formatted slightly differently. For example, States request business plans but require business plans in different formats, which creates challenges (i.e., changing something for one state caused an issue with another state).

Goal: NMLS 2.0 aims to facilitate the exchange of a uniform set of applicant data consistent across the state agencies that can be reused when applying for licenses in multiple states and reduce data redundancy.

Common Themes Heard During Session:
- State Regulators seemed open to the idea of providing a guided workflow that would ask companies basic questions with contextual help, and capture common data as well as state-specific data, that would be used to create a document such as the business plan, ownership, and organizational structure
- When a relationship is created, auto-populate the MU2 and employment section to reflect the relationship and name change

Facilitated Discussion #9 – Invoice Management

Problem Statement: NMLS users currently experience pain with the inability to make bulk payments and the difficulty of searching for invoices, and many companies complain about having to make some licensing payments outside NMLS.

Goal: Get all licensing fees within NMLS, and understand the full inventory of invoices that must be paid and what invoices are sent through ad-hoc invoice tools.

Common Themes Heard During Session:
- State Regulators identified multiple fees (e.g., change of control, late penalties, exams, failure to notify) paid outside the system, and some seemed open to moving these into the system
- State Agency fees are currently tied to filings, but these fees should be tied to the entity
- Meeting attendees seemed comfortable with a license fee from a state regulator being paid by the company as long as the invoices is tagged to the LO much like a corporate credit card where the employee has ultimate responsibility if the company does not pay
- ACH payments could benefit from upfront account validation and more near real-time notifications from ACI Worldwide Inc.

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
- During Phase 1, and possibly before Phase 1, a working group should be stood up to start thinking about what information could be consistent / core for things such as the filings, business plans, etc.