



Response to Public Comment: NMLS Disclosure Questions

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Response to Public Comment Period on NMLS Disclosure Questions

June 22, 2022 – August 22, 2022

On behalf of the NMLS Policy Committee¹, the State Regulatory Registry LLC² (SRR) invited public comments and feedback on proposed revisions to the Disclosure Questions from June 22 - August 22, 2022. [Click here](#) to access the proposal.

Background

CSBS issued its Core Requirements Proposal³ in July 2020 in connection with NMLS modernization efforts. One of the questions asked in the proposal was whether the NMLS disclosure questions should be reviewed and updated holistically. Approximately 80% of the respondents said yes, as it has been several years since the disclosure questions have been updated.

Upon the close of the regulator comment period, CSBS staff reviewed the regulator comments received and vetted each comment with the SRR Lawyers Committee before presenting the comments to the NMLS Policy Committee with a recommended disposition for each comment received.

On June 22, CSBS invited public comment on the Disclosure Questions as further revised.

On July 28, CSBS conducted an Industry Town Hall to review the proposed revisions.

CSBS received responses from 8 companies. [Click here](#) to see the responses.

¹ Information about the NMLS Policy Committee can be found [here](#).

² Information about the State Regulatory Registry LLC can be found [here](#).

³ Information about the Core Requirements proposal can be found [here](#).

Summary of Public Comments

The SRR Lawyers Committee reviewed the comments and made recommendations as to the disposition of each comment. The recommendations were made, presented to and approved by the NMLS Policy Committee.

One respondent had no comments on the proposed changes to the disclosure questions.

General comments as well as comments pertaining to the questions themselves and the proposed glossary changes were received.

Summary of and Response to General Comments Received

Below is a summary of the general comments received.

1. There were general concerns raised as to the confidentiality of responses. Disclosure Question responses are not publicly available and can only be seen by those agencies that are relevant to a company (i.e., an agency that licenses a company or to which the company has applied for a license).
2. One company inquired as to when the new Disclosure Questions would be implemented. Companies will be given notice of the final version of the revised disclosure questions and will be given plenty of notice as to when the new questions will be implemented and requirements for completion.
3. Several companies stated it would be too burdensome to apply the questions retroactively.
4. There was concern that the questions exceed the scope of what is required for certain license types. The disclosure questions have not been greatly expanded.
5. Many comments suggested that disclosures should be limited to US located entities and/or U.S. activities.

Summary of and Response to Recommended Changes to the Disclosure Questions

Note: The questions shown below are the revised questions as presented for comment.

The revised Disclosure Questions can be found in [Appendix 1](#).

While the redlined changes are noted after each section herein, the complete Disclosure Questions redlined can be found in [Appendix 2](#).

Company Disclosure Questions as Revised

Company Civil Judicial Disclosure Questions

1. In the past 10 years, has any court:
 - a. found the entity or a control affiliate to have made a false statement or omission or been dishonest, unfair or unethical?
 - b. found the entity, or a control affiliate was involved in a violation of any financial services statute or regulation?
 - c. found the entity or a control affiliate to have been a cause of another financial services business having its license or authorization to conduct a business activity denied, suspended, revoked or restricted?
 - d. enjoined the entity or a control affiliate in connection with any financial services activity?
 - e. dismissed, pursuant to a settlement agreement, a financial services civil action brought against the entity or control affiliate by a federal, state, local or foreign financial regulatory authority or any consumer protection authority?
2. Are there any pending financial services civil actions against the entity or a control affiliate that allege the entity or control affiliate:
 - a. made a false statement or omission?
 - b. had been dishonest, unfair or unethical?
 - c. violated a financial services statute or regulation?
3. Are there any pending financial services civil actions against the entity or a control affiliate whereby the remedy being sought is to enjoin the entity or control affiliate in connection with any financial services activity?

Comments and Disposition:

Comment #1:

There were comments that question 1 (c) is a new concept and should be removed.

Response to Comment #1:

This does not impose a new disclosure obligation. Currently, under what is now Question 14 (c), companies must disclose this information. The identical question has been added to the civil disclosure question sections since in some states this type of matter is handled judicially rather than by a regulatory action.

Question 14 (c) as follows:

In the past 10 years, has any federal, state or local regulatory agency, governmental entity, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection authority ever:

c. found the entity or a control affiliate to have been a cause of another financial services business having its license or authorization to conduct a business activity denied, suspended, revoked or restricted?

Comment #2:

The current nor revised glossary of terms does not provide a definition of “financial services activity” or “financial services civil action.”

Question 2 does not provide a definition of “financial services civil action,” potentially opening up a broad interpretation that does little to advance the intent of the question. In the context of certain transactions, a business or consumer may allege that a finance company has made “unfair” or made false statements, but such allegation may have little merit. There is little benefit to disclose that a civil plaintiff “alleged” any of these things if a civil suit is still in litigation and no judgment has been entered.

The expansion of the civil judicial questions 2 and 3 should be limited to civil action brought against the entity or control affiliate “by a state or foreign financial regulatory authority” or Governmental entity. Alternatively, there should be some means by which the respondent can exclude consumer-initiated civil actions relating to foreclosures or civil litigation that has not agreed to dismiss. Otherwise, as currently proposed, the entity and control affiliate would need to report each and every litigation matter that alleges that the consumer was treated unfairly or alleges a violation of a law to delay a pending action, such as a standard judicial foreclosure proceeding.

Response to Comment #2:

Financial services are defined in the Glossary provided in the NMLS Policy Guidebook.

Item 2(b) has been removed, so a company will not need to disclose those pending financial services civil actions that allege the entity or control affiliate had been dishonest, unfair or unethical.

Actions brought by a regulatory authority are addressed under the Regulatory Action Disclosure questions.

Additional CSBS Commentary:

While not raised by industry the wording of question 3 has been changed to read more clearly.
The question will now read:

Are there any pending financial services civil actions against the entity or a control affiliate whereby the remedy being sought is an injunction?

Civil Judicial Questions Redlined Showing Changes After Consideration of Comments

1. In the past 10 years, has any court:

- a. found the entity or a control affiliate to have made a false statement or omission or been dishonest, unfair or unethical?
- b. found the entity, or a control affiliate was involved in a violation of any financial services statute or regulation?
- c. found the entity or a control affiliate to have been a cause of another financial services business having its license or authorization to conduct a business activity denied, suspended, revoked or restricted?
- d. enjoined the entity or a control affiliate in connection with any financial services activity?
- e. dismissed, pursuant to a settlement agreement, a financial services civil action brought against the entity or control affiliate by a federal, state, local or foreign financial regulatory authority or any consumer protection authority?

2. Are there any pending financial services civil actions against the entity or a control affiliate that allege the entity or control affiliate:

- a. made a false statement or omission?
- ~~b. had been dishonest, unfair or unethical?~~
- ~~b.e.~~ violated a financial services statute or regulation?

Are there any pending financial services civil actions against the entity or a control affiliate whereby the remedy being sought is an injunction? ~~to enjoin the entity or control affiliate in connection with any financial services activity?~~

Company Criminal Disclosure Questions

4. Has the entity or a control affiliate ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any felony?
5. Are there any pending charges against the entity or a control affiliate for any felony?
6. In the past 10 years has the entity or a control affiliate been convicted of or pled guilty or nolo contendere ("no contest") in any court to committing or conspiring to commit a misdemeanor involving:
 - a. a financial services business
 - b. fraud
 - c. false statements or omissions
 - d. theft or wrongful taking of property
 - e. bribery
 - f. perjury
 - g. forgery
 - h. counterfeiting
 - i. extortion
7. Are there any pending charges against the entity or a control affiliate for any misdemeanor specified in question 6?

Comments and Disposition:

There were no comments received on the proposed revisions to the Company Criminal Disclosure Questions.

Company Financial Disclosure Questions

8. In the past 10 years has the entity or a control affiliate filed or been the subject of a bankruptcy petition, whether voluntary or involuntary?
9. Has a bonding company ever denied issuance of, paid out on, or revoked a bond for the entity?
10. Does the entity have any unsatisfied judgments against it?
11. Does the entity have any unsatisfied liens against it?
12. Has a third-party service provider notified the entity or a control affiliate of its intent to modify or cancel an arrangement with the entity or a control affiliate that would materially alter the entity's ability to conduct its business activities for the license it holds or intends to hold?

13. In the past 10 years, has the entity or a control affiliate been involved in any material litigation?

Comments and Disposition:

Comment #1:

Question 9

Regarding the actions of a bonding company should not add the new question regarding denial of “issuance” of a surety bond. What constitutes a “denial” is vague and if an applicant can’t get a surety to agree to issue bonds on terms to which the person is willing to agree, the applicant would not be able to proceed with licensing.

Regarding the actions of a bonding company should not add the new question regarding denial of “issuance” of a surety bond, as what constitutes a “denial” is vague and undefined. For example, this can be a purely commercial matter (e.g., the surety’s pricing is not amenable to the entity) and should not be the subject of a disclosure as it does not directly implicate the safety and soundness of the licensee. If an applicant cannot get a surety to agree to issue bonds on terms to which the person is willing to agree, the applicant would not be able to proceed with licensing in any event.

Response to Comment #1:

This is not a new question.

The current question asks “Has a bonding company ever denied, paid out on, or revoked a bond for the entity?”

A bonding company does not deny a bond, but rather denies to issue a bond. Adding “issuance of” before denied merely clarifies what is being asked and specifically states what a bonding company does.

Comment #2:

Question 11

We believe this question should be reworded to say “unsatisfied, involuntary liens.” As currently written, “unsatisfied liens” would arguably include any pledge of collateral, including the chattel paper that a company has pledged to lenders as security for the company’s own lending activity.

Response to Comment #2:

The existing question is “Does the entity have any unsatisfied judgments or liens against it?” This question has been split into two, but the question has not changed.

The definition of a lien as shown below has been further revised to carve out liens that secure an obligation as long as the underlying debt is not in default.

Lien – The term lien includes, but is not limited to judgment liens, tax liens, child support liens, IRS liens, and items related to a collection account. The term does not include security interests or liens that merely secure an obligation, so long as the underlying

debt secured by the security interest or lien is not in default.

Comment #3:

Question 12

We received numerous comments on this question all stating that this is not an appropriate question.

Response to Comment #3:

This question has been removed from the Disclosure Questions; however, it is anticipated that the information being sought by this question will be incorporated into a new reporting requirement functionality called "Reportable Incidents." More detail on this will be provided in the near future.

Comment #4:

Question 13

The wording on this question ("involved in") is unclear. Is the question supposed to be limited to any litigation that was disclosed on an audited financial statement?

Response to Comment #4:

The question has been reworded as follows:

In the past 10 years, has the entity or a control affiliate been a party to any material litigation?

Financial Disclosure Questions Redlined Showing Changes After Consideration of Comments

8. In the past 10 years has the entity or a control affiliate filed or been the subject of a bankruptcy petition, whether voluntary or involuntary?
9. Has a bonding company ever denied issuance of, paid out on, or revoked a bond for the entity?
10. Does the entity have any unsatisfied judgments against it?
11. Does the entity have any unsatisfied liens against it?
- ~~12. Has a third-party service provider notified the entity or a control affiliate of its intent to modify or cancel an arrangement with the entity or a control affiliate that would materially alter the entity's ability to conduct its business activities for the license it holds or intends to hold?~~
- ~~13.~~ 12. In the past 10 years, has the entity or a control affiliate been a party to ~~involved in~~ any material litigation?

Regulatory Action Disclosure – Part I

14. In the past 10 years, has any federal, state or local regulatory agency, governmental entity, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection authority ever:
 - a. found the entity or a control affiliate to have made a false statement or omission or been dishonest, unfair or unethical?
 - b. found the entity or a control affiliate to have been involved in a violation of a financial services statute or regulation?
 - c. found the entity or a control affiliate to have been a cause of another financial services business having its license or authorization to conduct a business activity denied, suspended, revoked or restricted?
 - d. enjoined the entity or a control affiliate in connection with any financial services activity?
 - e. taken a regulatory action, whether administrative or civil, including entering an order or dismissing an action pursuant to a settlement agreement, against the entity or a control affiliate in connection with a financial services activity?
 - f. denied, suspended or revoked the entity's or a control affiliate's registration or license or otherwise prevented it from associating with a financial services business or restricted its activities?
15. Is there a pending regulatory action, either administrative or civil, against the entity or a control affiliate that alleges or could result in a finding that the entity or control affiliate has:

- a. made a false statement or omission or been dishonest, unfair or unethical?
- b. been involved in a violation of a financial services statute or regulation?
- c. caused a financial services business to have its license or authorization to conduct a business activity denied, suspended, revoked or restricted?

Comments and Disposition:

Comment #1:

The language “could result in a finding” is overly broad and very speculative. We suggest removing “or could result in a finding” from the question, leaving the question to focus on allegations.

We reiterate our comment above regarding the entity being a “cause” of (by implication) another financial services business having its license or authorization to conduct business being revoked, etc. It is also not clear how an applicant or licensee entity would be able to discern an answer to this question with respect to a pending action given the open-ended nature of the question.

Response to Comment #1:

The language “could result in a finding” has been removed everywhere it appears in the Disclosure Questions.

Given the removal of the “could result in a finding” language in this question and others, these questions are no longer open ended, and the questions can be answered by reviewing the allegations in the pending actions.

Comment #2:

Question 15:

Wanted to bring to your attention that the use of the word “proceeding” does have meaning because it modifies the question concerning pending regulatory action. If you look at the definition of the term “proceeding” below, it limits the response to “formal” actions. By removing that term, it raises questions as to whether any possible regulatory action, no matter how formal, needs to be reported. This raises questions as to whether an entity has to disclose a preliminary examination report which suggest that an action could be taken because the revised question #15 includes an allegation that could result in a finding. Depending on the state, examination reports, whether in preliminary or final form, may be confidential. There is at least one state that issued guidance to remind licensees that exams are strictly confidential, and the contents of the report may not be shared, even with other regulators. Thus, it may not be the intent to report pending actions until it becomes a proceeding (i.e., the regulator has formally advised that administrative action will be taken).

[It] Should read:

Is there a pending regulatory action proceeding, either administrative or civil, against the entity or a control affiliate that alleges or could result in a finding that the entity or control affiliate has...

Response to Comment #2:

All questions that refer to a pending regulatory action have been amended to read a “pending regulatory action proceeding.”

Additional CSBS Commentary:

While not raised by industry, the word “ever” at the end of question 13 was deleted.

It was also determined that there is no inquiry as to pending actions against the entity or control affiliate seeking to revoke, suspend or restrict the entity’s or control affiliates’ financial services or any other professional license, therefore question 15 was added.

Question 16 captures that which was removed from question 14 f. The new question specifies the inquiry pertains to a financial services or any other professional license and goes beyond ten years. Secondly, rather than ask if a license has ever been denied, the question asks if an application for a financial services or any other professional license has been denied.

Regulatory Action Disclosure Part I Questions Redlined Showing Changes
After Consideration of Comments

~~14.~~ 13. In the past 10 years, has any federal, state or local regulatory agency, governmental entity, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection authority ~~ever~~:

- a. found the entity or a control affiliate to have made a false statement or omission or been dishonest, unfair or unethical?
- b. found the entity or a control affiliate to have been involved in a violation of a financial services statute or regulation?
- c. found the entity or a control affiliate to have been a cause of another financial services business having its license or authorization to conduct a business activity denied, suspended, revoked or restricted?
- d. enjoined the entity or a control affiliate in connection with any financial services activity?
- e. taken a regulatory action, whether administrative or civil, including entering an order or dismissing an action pursuant to a settlement agreement, against the entity or a control affiliate in connection with a financial services activity?
- f. ~~denied, suspended or revoked the entity's or a control affiliate's registration or license or otherwise prevented~~ the entity or a control affiliate ~~it~~ from associating with a financial services business or restricted its activities?

14. ~~15.~~ Is there a pending regulatory action proceeding, either administrative or civil, against the entity or a control affiliate that alleges ~~or could result in a finding that~~ the entity or control affiliate has:

- a. made a false statement or omission or been dishonest, unfair or unethical?
- b. been involved in a violation of a financial services statute or regulation?
- c. caused a financial services business to have its license or authorization to conduct a business activity denied, suspended, revoked or restricted?

15. Is there a pending regulatory action proceeding, either administrative or civil, against the entity or a control affiliate whereby the remedy being sought is the revocation, suspension or restriction of the entity's or a control affiliate's financial services license or any other professional license?

16. Has the entity or a control affiliate had a financial services license or any other professional license revoked, suspended or restricted or the application for such license denied?

Regulatory Action Disclosure – Part II

Questions 16 and 17 pertain to entities or control affiliates that currently hold or have ever held an authorization to act as a contractor on behalf of a federal, state or local government entity.

If the below questions are not applicable, applicant shall indicate they are not applicable.

16. Has the entity's or a control affiliate's ability to or authorization to act as a contractor on behalf of a federal, state or local government entity ever been revoked, debarred, suspended or restricted?
17. Is there a pending regulatory action, either administrative or civil, against the entity or a control affiliate whereby the remedy being sought is or could result in the revocation, debarment, suspension or restriction of an authorization to act as a contractor on behalf of a federal, state or local government entity?

Questions 18– 23 pertain to entities who have key individuals or control individuals who are or have ever been licensed as attorneys or accountants or who hold or have ever held a financial services professional license.

If the below questions are not applicable, applicant shall indicate they are not applicable.

18. Have any key individuals or control individuals as identified in the entity's NMLS record ever had their license to act as an attorney revoked, suspended, or restricted?
19. Is there a pending regulatory action, either administrative or civil, against any key individual or control individual as identified in the entity's NMLS record whereby the remedy being sought is or could result in the revocation, suspension, or restriction of such individual's license to act as an attorney?
20. Have any key individuals or control individuals as identified in the entity's NMLS record ever had their license to act as an accountant revoked, suspended, or restricted?
21. Is there a pending regulatory action, either administrative or civil, against any key individual or control individual as identified in the entity's NMLS record whereby the remedy being sought is or could result in the revocation, suspension, or restriction of such individual's license to act as an accountant?
22. Have any key individuals or control individuals as identified in the entity's NMLS record ever had a financial services license or any other professional license revoked, suspended or restricted?
23. Is there a pending regulatory action, either administrative or civil, against any key individual or control individual as identified in the entity's NMLS record whereby the remedy being

sought is or could result in the revocation, suspension or restriction of such individual's financial services license or any other professional license?

Comments and Disposition:

Comment #1:

The inclusion of "any other professional license" is overly broad. We suggest limiting the question to whether these individuals have ever had a financial services license revoked, suspended or restricted.

Response to Comment #1:

This question goes to character and fitness, which is a valid inquiry for regulators.

Comment #2:

In addition, while the term "financial services" is defined, the term "professional license" is not. If the intent is to capture only non-financial professional licenses that relate to attorneys or accountants, as mentioned in the header relating to Company Disclosure Questions, then that should be clarified by the addition of a definition of "professional license" that includes the same scope.

Without this clarification, the term "professional licenses" is quite broad and could include numerous licenses, and individuals would be left to decide what licenses qualify as "professional" licenses. This will result in unnecessarily inconsistent disclosures across individuals.

Response to Comment #2:

The term professional license is broader than attorney and accountant. The questions related to professional licenses go to character and fitness as the individual has obtained a license to engage in an industry that a governmental entity has determined needs to be regulated most likely due to the possibility of harm to consumers.

Comment #3:

We propose that questions 18-23 of the Company Disclosure Questions should be removed as they are duplicative in nature. The questions relate solely to individual disclosures. Each individual who is subject to these questions has already responded to these questions (or very similar questions) in their individual record and attested to their accuracy. The individuals are in the best position to answer these questions. The removal of the questions from the company disclosure would not remove any oversight by the regulatory agencies over the company or key individuals.

The scope of the individual disclosure obligation is large, and the amended disclosure questions only increase it. The ability of licensees to track individuals' records is limited and relies upon the individual. We recommend that the disclosure questions make clear that the obligation is on the individual and confirm that licensees are able to rely in good faith on attested individual records with respect to actions that occurred outside of the individual's relationship with the licensee.

Comment # 4:

The proposed revisions to the Disclosure Questions include the addition of several questions which “pertain to entities who have key individuals or control individuals who are or have ever been licensed as attorneys or accountants or who hold or have ever held a financial services professional license.” Specifically, Company MU1 would add the following questions as Questions 18, 20, and 22. Each of these questions are limited to key individuals or control individuals “identified in the entity’s NMLS record” and there are similar questions in the proposed Individual MU2 disclosures.

Comment # 5

Given the inclusion of these questions in the proposed Individual MU2 disclosure section, it seems redundant to include the same questions in the Company MU1 disclosure questions when the Individual MU2 Disclosure questions could be modified slightly to capture the same information.

Also, it seems more appropriate that these disclosure questions appear in the Individual MU2 disclosures section for several reasons. First, a Company may not have knowledge of events that occurred while a Control Person / Key Individual was employed with another entity. Second, if an entity reports such a matter on the Company MU1 Record, the individual may not have knowledge of the disclosure or be in a position to address any questions concerning the matter. Historically, questions relating to individuals have been separate from the company disclosure questions, which gives the individual the power to control any personal data that is reported. Third, if this information is reported in the Company MU1 Record it will remain on the Company MU1 Record for a ten (10) year period which would not necessarily be relevant to a regulator evaluating the Company MU1 after the individual is no longer associated with the entity.

If the SRR nevertheless determines that it is necessary and appropriate that Regulatory Action Disclosure – Part II, Questions 18 – 23 remain part of the Company MU1, the language should be similarly phrased to ensure that the responses are consistent. On the Company MU1, Questions 18-23 ask if a license has been “revoked, suspended, or restricted,” whereas the Individual MU2 asks if the individual has ever had a license “restricted, revoked, debarred or suspended”. In addition, it may be worth noting that governmental agencies typically take action to debar an individual or entity, as opposed to debarring a license.

Response to Comment #s 3, 4 and 5:

While these questions may be somewhat duplicative, these questions inquire into areas that, as a result of due diligence performed prior to putting an individual in control, a company should know about its key individuals and control persons. Companies should answer all questions to the best of their knowledge.

Secondly, the Company attestation has language indicating that the individual is attesting to accuracy based on their best knowledge, information, and belief.

If an individual that triggered an affirmative response to questions 18-23 leaves the Company, the Company could then amend their answer to the pertinent questions.

The language in the relevant Company and Individual questions have been amended to reflect that licenses are not debarred. The language has been amended to ensure consistency

between the Company and the Individual questions.

Comment #6:

We note that Questions 22 and 23 of the Company Disclosure Questions ask about the status of individual's professional licenses. While the heading that appears prior to Questions 18-23 indicates that they pertain to key individuals or control individuals who are or have ever been licensed as attorneys or accountants or hold or have ever held a financial services professional license, Questions 22 and 23, themselves both contain language with respect to "a financial services license or any other professional license." We note that the same issue is present within the Individual Disclosure Questions, specifically as relates to Question 20 and Question 21. However, the applicable header included prior to the Individual Disclosure Questions includes not only financial services professional licenses and authorization to act as an attorney or account, as in the mirrored Company Disclosure Questions, but also includes individuals that "are or have ever been authorized to act as a contractor on behalf of a federal, state or local government entity." If the duplicative Company Disclosure Questions are left in place, [see comments above suggesting removal], then, at a minimum, the introductory headers should match between the Company Disclosure Questions and the Individual Disclosure Questions.

Response to Comment # 6:

The headers have been changed so they are consistent.

Company Headers have been revised to read as follows (note the below has the new question numbers as a result of deleting question 12):

Questions 15 and 16 pertain to entities or control affiliates that currently hold or have ever held an authorization to act as a contractor on behalf of a federal, state or local government entity.

Questions 17– 22 pertain to entities who have key individuals or control persons who are or have ever been licensed as attorneys or accountants or who currently hold or have ever held a financial services license or any other professional license.

The pertinent individual header has been revised to read as follows:

These questions pertain to individuals who are or have ever been licensed to act as attorneys or accountants, who currently hold or have ever held an authorization to act as a contractor on behalf of a federal, state or local government entity or who currently hold or have ever held a financial services licenses or other professional license.

Comment # 7:

Finally, we note that "control individual" does not appear to be a defined term. If the term "control individual" is intended to mean something different than "key individual," which is a defined term, it should be specifically defined so as to make clear the distinction between key individuals and control individuals. Otherwise, it will serve to create more confusion.

Response to Comment # 7:

The term key individual is derived from the Key Individual Wizard Initiative (KIWI). A primary

objective of KIWI is to move beyond the traditional definition of control person. Instead, the KIWI identifies persons serving in specific areas of functional responsibility and those that are responsible for minimizing risks associated with the applicant's business activities. Another objective of KIWI is to identify those individuals who may have undue influence based upon percent of ownership.

As a practical matter the terms "control person" and "key individual" are synonymous.

Comment # 8:

With respect to the disclosure questions regarding key individuals and control individuals, the references to whether a pending action "could result" in a certain outcome is broad, vague, and ambiguous. The question should only be required to be answered with respect to whether the specific remedy is being sought, or else entities (and the relevant individuals) will be required to make unfounded and potentially baseless speculations.

Comment # 9:

With respect to the disclosure questions regarding key individuals and control individuals, the references to whether a pending action "could result" in a certain outcome is too broad and should be removed. (Questions 19, 21, and 23)

Response to Comments 8 and 9:

As noted above, the language "could result in a finding" has been removed everywhere it appears in the Disclosure Questions.

Additional CSBS Commentary:

As noted above, the word proceeding has been added back in after regulatory action in Questions 17, 19, 21, and 23.

Everywhere the term "control individuals" appears has been amended to read "control persons" as that is the common term today.

**Regulatory Action Disclosure Part II Questions Redlined Showing Changes After
Consideration of Comments**

Questions ~~175~~ and ~~186~~ pertain to entities or control affiliates that currently hold or have ever held an authorization to act as a contractor on behalf of a federal, state or local government entity.

If the below questions are not applicable, applicant shall indicate they are not applicable.

~~17.~~ ~~6.~~ Has the entity's or a control affiliate's ability to or authorization to act as a contractor on behalf of a federal, state or local government entity ever been revoked, debarred, suspended or restricted?

~~187.~~ —Is there a pending regulatory action proceeding, either administrative or civil, against the entity or a control affiliate whereby the remedy being sought is ~~or could result in~~ the revocation, debarment, suspension or restriction of an authorization to act as a contractor on behalf of a federal, state or local government entity?

Questions ~~198– 243~~ pertain to entities who have key individuals or control persons ~~individuals~~ who are or have ever been licensed as attorneys or accountants or who currently hold or have ever held a financial services license or any other professional license.

—If the below questions are not applicable, applicant shall indicate they are not applicable.

~~198.~~ —Have any key individuals or control persons ~~individuals~~ as identified in the entity's NMLS record ever ~~had~~ their license to act as an attorney revoked, suspended or restricted?

~~2049.~~ —Is there a pending regulatory action proceeding, either administrative or civil, against any key individual or control person ~~individual~~ as identified in the entity's NMLS record whereby the remedy being sought is ~~or could result in~~ the revocation, suspension or restriction of such individual's license to act as an attorney?

~~2120.~~ —Have any key individuals or control persons ~~individuals~~ as identified in the entity's NMLS record ever had their license to act as an accountant revoked, suspended or restricted?

~~224.~~ —Is there a pending regulatory action proceeding, either administrative or civil, against any key individual or control person ~~individual~~ as identified in the entity's NMLS record whereby the remedy being sought is ~~or could result in~~ the revocation, suspension or restriction of such individual's license to act as an accountant?

~~232.~~ —Have any key individuals or control persons ~~individuals~~ as identified in the entity's NMLS record ever had a financial services license or any other professional license revoked, suspended or restricted?

~~243.~~ —Is there a pending regulatory action proceeding, either administrative or civil, against any key individual or control person ~~individual~~ as identified in the entity's NMLS record whereby the remedy being sought is ~~or could result in~~ the revocation, suspension or restriction of such individual's financial services license or any other professional license?

Individual Disclosure Questions as Revised

Individual Civil Judicial Disclosure Questions

1. Has any court ever:
 - a. found that you made a false statement or omission or you were dishonest, unfair or unethical?
 - b. found that you were involved in a violation of any financial services statute or regulation?
 - c. enjoined you in connection with any financial services activity?
 - d. dismissed, pursuant to a settlement agreement, a financial services civil action brought against you by a federal, state, local or foreign financial regulatory authority or any consumer protection authority?
2. Are there any pending financial services civil actions against you that allege you:
 - a. made a false statement or omission?
 - b. were dishonest, unfair or unethical?
 - c. violated a financial services statute or regulation?
3. Are there any pending financial services civil actions against you whereby the remedy being sought is to enjoin you in connection with any financial services activity?

Comments and Disposition:

Comment #1:

Question 3:

It is not clear why this question is necessary when it is entirely repetitive of Question 2. The only difference is that it seeks to isolate a subset of actions already disclosed in the previous question. It is highly likely that an equitable remedy, such as an injunction, will be sought in virtually all cases. Moreover, the wording of the question is complicated “legalese” that many loan officers will not understand and could cause them to unintentionally answer incorrectly.

Response to Comment #1:

Question 2 and 3 are different. Question two is asking about allegations whereby question 3 is asking about remedies. Further, it has not been our experience that most civil actions seek injunctive relief.

Additional CSBS Commentary:

Just as in the Company questions, Item 2(b) has been removed, so an individual will not need to disclose those pending financial services civil actions that allege the individual was dishonest, unfair or unethical.

Just as in the Company questions, question 3 has been reworded so it reads more clearly. The question will now read:

Are there any pending financial services civil actions against you whereby the remedy being sought is an injunction?

Civil Judicial Questions Redlined Showing Changes After Consideration of Comments

1. Has any court ever:
 - a. found that you made a false statement or omission, or you were dishonest, unfair or unethical?
 - b. found that you were involved in a violation of any financial services statute or regulation?
 - c. enjoined you in connection with any financial services activity?
 - d. dismissed, pursuant to a settlement agreement, a financial services civil action brought against you by a federal, state, local or foreign financial regulatory authority or any consumer protection authority?
2. Are there any pending financial services civil actions against you that allege you:
 - a. made a false statement or omission?
 - ~~b. were dishonest, unfair or unethical?~~
 - b.e. violated a financial services statute or regulation?
3. Are there any pending financial services civil actions against you whereby the remedy being sought is an injunction ~~to enjoin you in connection with any financial services activity?~~

Criminal Disclosure

4. Have you ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any felony?
5. Are there any pending charges against you for any felony?
6. In the past 10 years, have you been convicted of or pled guilty or nolo contendere ("no contest") in any court to committing or conspiring to commit a misdemeanor involving:
 - a. a financial services business
 - b. fraud
 - c. false statements or omissions
 - d. theft or wrongful taking of property
 - e. bribery
 - f. perjury
 - g. forgery
 - h. counterfeiting
 - i. extortion
7. Are there any pending charges against you for any misdemeanor specified in question 6?

Comments and Disposition:

There were no comments received on the proposed revisions to the Individual Criminal Disclosure Questions.

Customer Arbitration/Civil Litigation Disclosure

8. Have you ever been named as a respondent or defendant in a financial services consumer-initiated arbitration or civil litigation which:
 - a. is still pending?
 - b. resulted in an arbitration award or civil judgment against you, regardless of amount, or that required corrective action?
 - c. was settled for any amount?

Comments and Disposition:

There were no comments received on the proposed revisions to the Individual Customer Arbitration/Civil Litigation Disclosure Questions.

Financial Disclosure

9. In the past 10 years have you filed or been the subject of a personal bankruptcy petition, whether voluntary or involuntary?
10. In the past 10 years, have you been the subject of any non-judicial or judicial efforts to foreclose on real property, either commercial or residential?
11. Has a bonding company ever denied issuance of, paid out on, or revoked a bond for you?
12. Do you have any unsatisfied judgments against you?
13. Do you have any unsatisfied liens against you?
14. Are you delinquent on any court ordered child support payments?

Comments and Disposition:

Other than those items noted in the Company financial disclosure questions, that are applicable to the individual questions (e.g., the comments as to question 11), there were no comments received on the proposed revisions to the Individual Financial Disclosure Questions.

Regulatory Action Disclosure – Part I

15. Has any federal, state or local regulatory agency, governmental entity, foreign financial regulatory authority, self- regulatory organization (SRO) or any consumer protection authority ever:
- found you to have made a false statement or omission or been dishonest, unfair or unethical?
 - found you to have been involved in a violation of a financial services statute or regulation?
 - found you to have been a cause of a financial services business having its license or authorization to conduct a business activity denied, suspended, revoked or restricted?
 - entered an order against you in connection with a financial services activity?
 - restricted or revoked your registration or license?
 - denied or suspended your registration or license or application for licensure, disciplined you, prevented you from associating with a financial services business or otherwise restricted your activities?
 - barred you from association with an entity regulated by such commissions, authority, agency, or officer or from engaging in a financial services business?
 - issued a final order against you based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct?
 - taken a regulatory action, whether administrative or civil, including entering an order or dismissing an action pursuant to a settlement agreement against you in connection with any license or registration?
16. Is there a pending regulatory action, either administrative or civil, against you that alleges or could result in a finding that you:
- made a false statement or omission or were dishonest, unfair or unethical?
 - violated a financial services statute or regulation?
 - were a cause of a financial services business having its authorization to do business denied, suspended, revoked or restricted?
 - violated a law or regulation that prohibits fraudulent, manipulative, or deceptive conduct?
17. Is there a pending regulatory action, either administrative or civil, against you whereby the remedy being sought is:
- restriction or revocation of a license or registration?
 - denial or suspension of a registration or license or application for licensure?
 - an injunction from association with a financial services business?
 - restriction of your ability to conduct financial services activities?
 - to bar you from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services business?

Comments and Disposition:

Comment #1:

Question 15(i).

The term “regulatory action” is not defined and is overbroad. Since the third clause does not limit “regulatory action” to certain types of actions due to the use of the term “including”, a “regulatory action” can be as insignificant as a deficiency placed on a license. Finally, civil

actions are already captured in the previous section.

Response to Comment #1:

The term regulatory action as a matter of practice refers to action more substantial than placing a deficiency on a license, but rather refers to actions (enforcement or otherwise) taken by a regulatory agency, such as a cease and desist or a MOU which may be obtained through judicial or quasi-judicial processes.

Secondly, there is no inquiry as to one's license or registration in the civil judicial disclosure questions.

Comment # 2:

Questions 16 and 17. Civil actions are previously covered in Questions 1-3.

Response to Comment #2:

This question was amended to account for how regulatory actions may be brought. While there may be some overlap, the burden to repeat an answer, if needed, is minimal.

The amendment merely acknowledges that these actions may be brought judicially or administratively and does not change the current disclosure requirement.

CSBS Commentary:

As noted above, the word proceeding has been added back in after regulatory action in Questions 16 and 17.

**Regulatory Action Disclosure Part I Questions Redlined Showing Changes After
Consideration of Comments**

15. Has any federal, state or local regulatory agency, governmental entity, foreign financial regulatory authority self- regulatory organization (SRO) or any consumer protection authority ever:
- a. found you to have made a false statement or omission or been dishonest, unfair or unethical?
 - b. found you to have been involved in a violation of a financial services statute or regulation?
 - c. found you to have been a cause of a financial services business having its license or authorization to conduct a business activity denied, suspended, revoked or restricted?
 - d. entered an order against you in connection with a financial services activity?
 - e. restricted or revoked your registration or license?
 - f. denied or suspended your registration or license or application for licensure, disciplined you, prevented you from associating with a financial services business or otherwise restricted your activities?
 - g. barred you from association with an entity regulated by such commissions, authority, agency, or officer or from engaging in a financial services business?
 - h. issued a final order against you based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct?
 - i. taken a regulatory action, whether administrative or civil, including entering an order or dismissing an action pursuant to a settlement agreement against you in connection with any license or registration?
16. Is there a pending regulatory action proceeding, either administrative or civil, against you that alleges or could result in a finding that you:
- a. made a false statement or omission or were dishonest, unfair or unethical?
 - b. violated a financial services statute or regulation?
 - c. were a cause of a financial services business having its authorization to do business denied, suspended, revoked or restricted?
 - d. violated a law or regulation that prohibits fraudulent, manipulative, or deceptive conduct?
17. Is there a pending regulatory action proceeding, either administrative or civil, against you whereby the remedy being sought is:
- a. restriction or revocation of a license or registration?
 - b. denial or suspension of a registration or license or application for licensure?
 - c. an injunction from association with a financial services business?
 - d. restriction of your ability to conduct financial services activities?
 - e. to bar you from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services business?

Regulatory Action Disclosure – Part II

Questions for individuals that currently hold or have ever held a financial services professional license or are or have ever been authorized to act as a contractor on behalf of a federal, state or local government entity, authorized to act as an attorney or authorized to act as an accountant.

If the below questions are not applicable, applicant shall indicate they are not applicable.

18. Have you ever had an ability to or authorization to act as an attorney, accountant, or a contractor on behalf of a federal, state or local government entity restricted, revoked, debarred or suspended?
19. Are there any pending regulatory actions against you whereby the remedy being sought is or could result in the restriction, revocation, debarment or suspension of your authorization to act as an attorney, accountant or a contractor on behalf of a federal, state or local government entity?
20. Have you ever had a financial services license, or any other professional license restricted, revoked, debarred or suspended?
21. Are there any pending regulatory actions against you whereby the remedy being sought is or could result in the restriction, revocation, debarment or suspension of your financial services license or any other professional license?

Comments and Disposition:

Comment #1:

With request to the questions in Part II of the regulatory action disclosures, we reiterate our comments above that asking whether a matter “could result” in a particular outcome is too speculative and ambiguous and should not be part of the relevant questions.

Response to Comment #1:

As stated above the “could result in” language has been removed.

Comment # 2:

Similar to the Company Question #23 discussed above, this question is duplicative, and overly broad in that it seeks any and all professional licensing information regardless of whether it is relevant. Again, why should a prior barber’s license or pilot’s license be required? Additionally, the reason that has been provided in the explanation document seems inadequate and does not provide sufficient rationale for the proposed revision.

Response to Comment #2:

This question goes to character and fitness, which is a valid inquiry for regulators.

Comment #3:

Question 21:

It is not feasible to ask the LO to determine what sanctions might result (“could result”) from a pending action unless that remedy is specifically sought.

Similar to the Company Question 24, this question is also overly broad and will result in burdensome reporting. Most all regulatory actions hold the potential of the possible sanctions of revocation, suspension or restrictions of one's license; notwithstanding that such remedy is remote, it is set forth pro forma in nearly any complaint. Additionally, the reason that has been provided in the explanation document seems inadequate and does not provide sufficient rationale for the proposed revision.

Response to Comment #3:

As stated above, the "could result in" language has been removed.

CSBS Commentary:

As noted above, the word proceeding has been added back in after regulatory action in Questions 19 and 21.

Debarment has been removed from Questions 20 and 21.

Regulatory Action Disclosure Part II Questions Redlined Showing Changes After Consideration of Comments

These questions pertain to individuals who are or have ever been licensed to act as attorneys or accountants, who currently hold or have ever held an authorization to act as a contractor on behalf of a federal, state or local government entity or who currently hold or have ever held a financial services license or other professional license.

~~that currently hold or have ever held a financial services professional license or are or have ever been authorized to act as a contractor on behalf of a federal, state or local government entity, authorized to act as an attorney or authorized to act as an accountant.~~

If the below questions are not applicable, applicant shall indicate they are not applicable.

18. Have you ever had an ability to or authorization to act as an attorney, accountant, or a contractor on behalf of a federal, state or local government entity restricted, revoked, debarred or suspended?
19. Are there any pending regulatory action proceedings against you whereby the remedy being sought is ~~or could result in~~ the restriction, revocation, debarment, or suspension of your authorization to act as an attorney, accountant or a contractor on behalf of a federal, state or local government entity?
20. Have you ever had a financial services license or any other professional license revoked, suspended or restricted, ~~revoked, debarred or suspended~~?
21. Are there any pending regulatory action proceedings against you whereby the remedy being sought is ~~or could result in~~ the ~~restriction,~~ revocation, ~~debarment or~~ suspension or restriction of your financial services license or any other professional license?

Termination Disclosure

22. Have you ever voluntarily resigned, been discharged, or permitted to resign after allegations were made that accused you of:
- a. violating a statute, regulation, rule, or industry standard of conduct?
 - b. fraud, dishonesty, theft, or the wrongful taking of property?

Comments and Disposition:

There were no comments received on the proposed revisions to the Individual Termination Disclosure Questions.

Individual Disclosures Pertaining to Control Activities

If an individual does not or has never exercised control over an organization, these questions would not be applicable.

General Comments:

As a general comment, these questions have a timing incongruity in the sense that they ask whether, based on activities that occurred when a person exercised control over an organization, there are currently certain pending actions. If the individual is no longer affiliated with the relevant organization, the individual may not have a basis to answer or answer with certainty; certain matters may be confidential and not disclosable to former employees, even high-level employees. These questions should therefore be amended to include a knowledge qualifier, e.g., “Based on activities that occurred while you exercised control over an organization, are you aware of ...”

On questions pertaining to control activities, we would like to request clarity on the timeframe to disclose actions that are “based on activities that occurred while you exercised control over an organization.” Without a clearly defined timeframe, there is uncertainty over the information a former control person would have to address. For example, if an organization faced civil action on a matter decided by a former president months after he or she left the company, would the former president need to address this, even if they do not have access to full information on the suit due to no longer being with the company?

Questions around Individual Disclosures Pertaining to Control Activities should be amended to include a qualifier that indicates knowledge at the time.

Response to General Comments:

As stated above, the Company attestation has language that the individual is attesting to accuracy based on their best knowledge, information and belief.

Added the word “such” to modify organization where appropriate to make it clear the questions refer to the organization over which an individual had control.

Civil Judicial Disclosure

23. Based on activities that occurred while you exercised control over an organization:
- is there a pending financial services civil action against such organization which alleges a violation of a financial services statute or regulation?
 - was the organization found to have violated a financial services statute or regulation?
24. Based on activities that occurred while you exercised control over an organization:
- is there a pending financial services civil action in which such organization is named for which the remedy being sought is an injunction in connection with a financial services activity?
 - has such organization ever been enjoined in connection with a financial services activity?

Comments and Disposition:

Comment #1

Questions 23a and 24a are overly broad. See comments to Questions 2 and 3 above.

Response to Comment #1:

Questions 23a and 24a have not changed.

Comment #2:

We request clarity over the definition of “financial services activity”, echoing our concerns around common business practices like vehicle repossession, as outlined above regarding company disclosure questions 1 and 3.

Response to Comment #2:

The term “financial services” is adequately defined in the NMLS Policy Guidebook Glossary.

Comment #3:

Question 23(b) is over broad and will also result in burdensome reporting. In addition, it would seem that the answer to this question will nearly always be ‘yes,’ as over time all organizations undergoing a regulatory examination or action will have violated a financial services statute or regulation. No doubt the follow-up question will be to list them, which would result in a listing of all such past actions being recited each year. Additionally, the explanation document provides no reasons or justification for adding 23(b).

Response to Comment #3:

This question does not require exam findings to be disclosed, but rather requires disclosure, if as a result of a civil action, you were found to have violated a financial services statute or regulation.

To clarify the above, Question 23 has been revised as follows:

23. Based on activities that occurred while you exercised control over an organization:
- is there a pending financial services civil action against such organization which alleges a violation of a financial services statute or regulation?
 - was such organization found to have violated a financial services statute or regulation as a result of a civil action?

CSBS Commentary:

As noted in the Control Civil Judicial Disclosure Questions redlined below, Questions 23 c and d have been added as a result of the deletion of Question 28 a(iii). The rationale for this addition is found under Question 28.

**Control Civil Judicial Disclosure Questions Redlined Showing Changes After
Consideration of Comments**

Note: The addition of Questions 23 (c) and (d) are discussed below in connection with Question 28.

23. Based on activities that occurred while you exercised control over an organization:
- a. was ~~such~~ the organization found to have violated a financial services statute or regulation as a result of a civil action?
 - b. is there a pending financial services civil action against such organization which alleges a violation of a financial services statute or regulation?
 - c. is there a pending financial services civil action against such organization seeking to enjoin the organization from association with a financial services business?
 - d. was such organization ever enjoined from associating with a financial services business?
24. Based on activities that occurred while you exercised control over an organization:
- a. in connection with a financial services civil action, has such organization ever been enjoined ~~in connection with a financial services activity~~?
 - b. is there a pending financial services civil action in which such organization is named for which the remedy being sought is an injunction in connection with a financial services activity?

Criminal Disclosure

25. Based on activities that occurred while you exercised control over an organization:
- has any organization ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any felony?
 - are there any pending charges against any organization for any felony?
 - has any organization ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any misdemeanor specified in question 6 in the past 10 years?
 - are there any pending charges against any organization for any misdemeanor specified in question 6?

CSBS Commentary:

There were no specific comments received on this section, however as noted above the word "such" was added to modify organization to make it clear the questions refer to the organization over which an individual had control.

Control Criminal Disclosure Questions Redlined Showing Changes After Consideration of Comments

25. Based on activities that occurred while you exercised control over an organization:
- has ~~any~~ such organization ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any felony?
 - are there any pending charges against such ~~any~~ organization for any felony?
 - has such ~~any~~ organization ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any misdemeanor specified in question 6 in the past 10 years?
 - are there any pending charges against such ~~any~~ organization for any misdemeanor specified in question 6?

Financial Disclosure

26. Based on events that occurred while you exercised control over an organization:
- has any organization filed or been the subject of a bankruptcy petition, whether voluntary or involuntary, within the past 10 years?
 - has any bonding company ever denied issuance of, paid out on, or revoked a bond for any organization?

CSBS Commentary:

There were no specific comments received on this section, however as noted above the word “such” was added to modify organization to make it clear the questions refer to the organization over which an individual had control.

Control Financial Disclosure Questions Redlined Showing Changes After Consideration of Comments

26. Based on events that occurred while you exercised control over an organization:
- has such ~~any~~ organization filed or been the subject of a bankruptcy petition, whether voluntary or involuntary, within the past 10 years?
 - has any bonding company ever denied issuance of, paid out on, or revoked a bond for such ~~any~~ organization?

Regulatory Action Disclosure

27. Based on activities that occurred while you exercised control over an organization, has any federal, state or local regulatory agency or foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection agency ever:
- found the organization to have made a false statement or omission or been dishonest, unfair or unethical?
 - found the organization to have been involved in a violation of a financial services statute or regulation?
 - found the organization to have been a cause of another financial services business having its license or other authorization to conduct a business activity denied, suspended, revoked or restricted?
28. Based on activities that occurred while you exercised control over an organization:
- has any federal, state or local regulatory agency, foreign financial regulatory authority self-regulatory organization (SRO) or any consumer protection agency ever taken any of the below actions against any organization:
 - restriction or revocation of a registration or license?
 - denial or suspension of a registration or license or application for licensure?

- iii. entered an injunction from association with a financial services business?
 - iv. restricted the organization's financial services activities?
 - v. barred the organization from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services business?
 - vi. taken a regulatory action, whether administrative or civil including entering an order or dismissing an action pursuant to a settlement agreement against the entity or a control affiliate in connection with a financial services activity?
- b. are there any pending regulatory actions against any organization that alleges or could result in a finding that the organization:
- i. made a false statement or omission or been dishonest, unfair or unethical?
 - ii. was involved in a violation of a financial services statute or regulation?
- c. is there a pending regulatory action against the organization that alleges or could result in a finding that the organization caused another financial services business to have its license or other authorization to conduct a business activity denied, suspended, revoked or restricted?

Comments and Disposition:

Comment #1:

Questions 28a and b

The use of the term “any organization” does not follow and, if meant to be included, is vastly overly broad.

Comment #2:

The introductory language of Question 28 should be clarified to reflect that it is asking about the organization over which the individual exercised control. The remainder of Question 28 and its subparts lack clarity and should be reviewed before finalized.

Comment #3:

The introductory language of Question 28 should be clarified to reflect that it is asking about the organization over which the individual exercised control, and not “any organization.”

Response to Comments 1, 2 and 3:

As noted above, the word “such” has been added to modify organization where appropriate to make it clear the questions refer to the organization over which an individual had control.

Comment #4:

Question 28(a)(iii) is unclear. It asks whether a regulatory agency, etc., has ever “entered an injunction from association with a financial services business.” We request that CSBS revise and clarify what is contemplated by this question.

Response to Comment #4:

A regulatory agency cannot grant injunctive relief, so 28(a)(iii) has been deleted, however a court may grant injunctive relief, so the inquiry was added to Question 23 with the addition of items c and d:

- c. Is there a pending financial services civil action against such organization seeking to enjoin the organization from association with a financial services business?
- d. was such organization ever enjoined from associating with a financial services business?

Comment #5

Similarly, Questions 28(a)(v) and (vi) are broadly drafted, use language that does not map to either of the introductory provision (i.e., with respect to the types of relevant authorities), and appears to overlap with the other questions. We request that CSBS revise and clarify what is contemplated by this question as well.

Response to Comment #5:

Whether or not an organization has been barred from engaging in a financial services business is straight forward. Although there is potential overlap with other questions, the questions are designed to ensure that all relevant information to make a proper licensing decision is obtained.

Comment #6:

With respect to Question 28(b) and (c), we reiterate our opposition to the use of the speculative language “could result” in a finding and believe it should be deleted.

Response to Comment #6

The “could result in” language has been removed from the questions.

Comment #7:

The revised proposal questions ask that individuals disclose regulatory actions taken against companies they exercised control over. We understand that these amendments are generally clarifying in nature and that these obligations exist at present.

However, we recommend that these disclosure questions be eliminated, or limited to actions of which they are informed by the applicable regulatory agencies. Outside of actions that occur while an individual is with a company, individuals would typically not be aware of actions taken against prior companies they exercised control over. Once an individual takes a new position, they are not typically monitoring whether regulatory actions have been taken against one or more of their prior employees by state regulatory actions. In addition, some state agencies do not publicize the actions beyond their own websites. As a result, this question places individuals in a position where they are likely unable to answer accurately. We believe this is unnecessary.

Accordingly, we recommend these questions be eliminated, or limited to actions individuals are informed of by the applicable regulatory agency during the time frame that the individual served as a control person for the prior entity. For example, we would suggest that the phrase “while you exercised control over an organization” be replaced with “at the time you exercised control over an organization.” Given that the agencies are the ones taking these actions, and also have a complete record of all control persons, the agencies themselves are the only parties that actually have sufficient accurate data to answer these questions.

Response to Comment #7:

As stated above, the Company attestation has language that the individual is attesting to accuracy based on their best knowledge, information and belief.

There is no difference between while you exercised control over an organization” and “at the time you exercised control over an organization.”

Control Regulatory Action Disclosure Questions Redlined Showing Changes
After Consideration of Comments

27. Based on activities that occurred while you exercised control over an organization, has any federal, state or local regulatory agency or foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection agency ever:
- a. found such ~~the~~ organization to have made a false statement or omission or been dishonest, unfair or unethical?
 - b. found such ~~the~~ organization to have been involved in a violation of a financial services statute or regulation?
 - c. found such ~~the~~ organization to have been a cause of another financial services business having its license or other authorization to conduct a business activity denied, suspended, revoked or restricted?
28. Based on activities that occurred while you exercised control over an organization:
- a. Has any federal, state or local regulatory agency, foreign financial regulatory authority self-regulatory organization (SRO) or any consumer protection agency ~~ever~~ taken any of the below actions against such ~~any~~ organization:
 - i. restriction or revocation of a registration or license?
 - ii. denial or suspension of a registration or license or application for licensure?
 - ~~iii. entered an injunction from association with a financial services business?~~
 - ~~iiiv.~~ restricted the organization's financial services activities?
 - ~~iv.~~ barred the organization from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services business?
 - ~~vi.~~ taken a regulatory action, whether administrative or civil including entering an order or dismissing an action pursuant to a settlement agreement against the entity or a control affiliate in connection with a financial services activity?
 - b. Are there any pending regulatory action proceedings against the ~~any~~ organization that alleges ~~or could result in a finding~~ that the organization:
 - i. made a false statement or omission or been dishonest, unfair or unethical?
 - ii. was involved in a violation of a financial services statute or regulation?
 - c. ~~Are~~ ~~Is~~ there any pending regulatory action proceedings against the organization that alleges ~~or could result in a finding, that~~ the organization caused another financial services business to have its license or other authorization to conduct a business activity denied, suspended, revoked or restricted?

Questions for individuals that exercised control over an organization that currently holds or has ever held a financial services professional license or is or has ever been authorized to act as a contractor on behalf of a federal, state or local government entity. If the below questions are not applicable, state so.

29. Based on activities that occurred while you exercised control over an organization, has any federal, state or local regulatory agency, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection authority ever restricted, revoked or suspended the organization's financial services professional license or the organization's ability to act as a contractor on behalf of a federal, state or local government entity?
30. Based on activities that occurred while you exercised control over an organization, are there any pending regulatory actions against such organization whereby the remedy being sought is described in question 29?

Comments and Disposition:

Comment #1:

Question 29 asks whether, in relevant part, there has "ever" been any of the enumerated actions. The inclusion of "ever" is inconsistent with the time-bar based on when the person exercised control over the organization, and therefore should not be included.

Comment #2:

Question 29 asks whether there has "ever" been any of the listed actions. The inclusion of "ever" should not be included as the relevant information is pegged to when the person exercised control over the organization.

Response to Comments 1 and 2:

The word "ever" has been removed.

CSBS Commentary:

The phrase "pending regulatory actions" has been amended to read "pending regulatory action proceedings" as noted above

Disclosure Questions Numbered 29 and 30 Redlined Showing Changes
After Consideration of Comments

Questions for individuals that exercised control over an organization that currently holds or has ever held a financial services license or any other professional license or is or has ever been authorized to act as a contractor on behalf of a federal, state or local government entity. If the below questions are not applicable, state so.

29. Based on activities that occurred while you exercised control over an organization, has any federal, state or local regulatory agency, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection authority ~~ever~~ restricted, revoked or suspended the organization's financial services license or other professional license or the organization's ability to act as a contractor on behalf of a federal, state or local government entity?
30. Based on activities that occurred while you exercised control over an organization, are there any pending regulatory action proceedings against such organization whereby the remedy being sought is described in question 29?

New Glossary Terms

Consumer Protection – Consumer protection or Consumer protections refer to laws or regulations designed to protect a consumer, including but not limited to, laws or regulations which limit or prohibit unfair, deceptive, abusive or fraudulent practices, or require disclosures to consumers.

Comment #1:

One respondent stated the inclusion of the term “consumer protection” both separately and as now included in the definition of “financial services” is ambiguous and far too broad. “Consumer protection” is defined as “Consumer protection or Consumer protections refer to laws or regulations designed to protect a consumer, including but not limited to, laws or regulations which limit or prohibit unfair, deceptive, abusive or fraudulent practices, or require disclosures to consumers.” Financial services is a more tailored definition which lists specific categories. “Consumer protection”, as defined, is embedded in literally every action and/or complaint brought against a mortgage banker by a consumer because a consumer believes he/she has been harmed and/or a regulatory entity believes that a consumer has been harmed.

Response to Comment #1:

As noted in the definition of financial services, consumer protection is limited to those consumer protection laws and regulations that pertain to the specifically enumerated financial services.

Court – The term court includes, but is not limited, to a domestic, foreign, military, or tribal court.

Comment #1:

The term “any court” has replaced the list of courts within several disclosure questions. The term “court” is now defined to include, but is not limited, to a domestic, foreign, military or tribal court. We believe that the change to this term has not substantively changed the questions. However, we request confirmation that there is no expected effect on previous disclosure questions resulting from this change.

Response to Comment #1:

This has not substantively changed the questions.

Governmental entity – A department or agency of the United States, any state or political subdivision thereof or of a locality that regulates financial services activity. The term also includes a department or agency or the equivalent of a foreign state, nation, country, government or the like.

Comment #1:

The definition of a “governmental entity” (relevant to items including Question 14 of the Company disclosures) includes any entity that “regulates financial services activity.” This definition creates a redundancy because the relevant question asks about both a “regulatory agency” or a “governmental entity.” An entity that regulates financial services activity is a regulatory agency and the definition (and the corresponding question) should be streamlined accordingly.

Response to Comment#1:

While this may appear to be redundant, the term was meant to provide clarity in that only those governmental entities that regulate financial services are within the scope of the question. Not all entities that regulate financial services are regulatory agencies.

Key Individual - A key individual within an entity includes the Highest-Ranking Executive and individuals who can exercise control by virtue of ownership, a leadership role, or responsibility for establishing, maintaining, and approving policies and procedures for denoted functional areas.

Comment #1:

This definition is very broad. While licensed entities generally monitor the activities of their senior leadership and senior management personnel, including those who maintain policies and procedures could bring employees within the purview of the question who do not have key or senior roles within the company.

Comment #2:

A “key individual” is a newly defined term, which expands the disclosure obligations beyond disclosed control persons. This definition includes, notably, any individual who can exercise control within an organization by virtue of responsibility for establishing, maintaining, and approving policies and procedures for denoted functional areas. This extends the reach of disclosure questions broadly, as many individuals are tasked with maintaining policies and procedures, but who in no way exercise control over an organization, and thus extends the question to include individuals not presently included in the control person definitions. We recommend this definition be eliminated, and the questions be limited to disclosed control persons. Alternatively, we recommend clarification be provided that this does not extend to individuals who are not control persons.

The addition of the term “key individual” is helpful and appreciated. However, the definition seems to introduce the concept of a ‘leadership role’ that is likely to create confusion. The MSB Model Law defines “key individual” as an “individual ultimately responsible for establishing or directing policies and procedures of the licensee, such as an executive officer, manager, director, or trustee.” In the commentary to the MSB Model Law, it makes clear that key individuals are limited to the natural persons responsible for establishing or approving policies and procedures relating to material functional areas of the licensee or applicant, such as compliance, finance, information security, and operations, and strongly encourage states to utilize the NMLS Key Individual Wizard to ensure consistency, including that only the minimum number of key individuals with ultimate responsibility for policies and procedures are identified.

On the Contrary, the definition of key individual for purposes of the NMLS Policy Guidebook Glossary defines the term to include the ‘Highest-Ranking Executive’ and individuals who can exercise control by virtue of ownership, a leadership role, or responsibility for establishing, maintaining, and approving policies and procedures for denoted functional areas. The reference to leadership role is very broad and is likely to capture lower level officers, team leaders, supervisors and even branch managers. Also, it is our understanding that the Key Individual Wizard seeks to identify those individuals who are ultimately responsible for establishing or directing the policies and procedures of the licensee. By adding the term “maintaining,” the question may cause entities to go beyond the highest-ranking officers or individuals with ultimate responsibility to establish and direct the entity’s policies and procedures.

We note that “control individual” does not appear to be a defined term. If the term “control individual” is intended to mean something different than “key individual,” which is a defined term, it should be specifically defined so as to make clear the distinction between key individuals and control individuals. Otherwise, it will serve to create more confusion.

Response to Comments 1 and 2:

The term key individual is derived from the Key Individual Wizard Initiative (KIWI). A primary objective of KIWI is to move beyond the traditional definition of control person. Instead, the KIWI identifies persons serving in specific areas of functional responsibility and those that are responsible for minimizing risks associated with the applicant’s business activities. Another objective of KIWI is to identify those individuals who may have undue influence based upon percent of ownership.

There are specific questions developed by the KIWI Working Group, comprised of regulators and industry that will drive an applicant to identify the appropriate individual.

As a practical matter the terms “control person” and “key individual” are synonymous.

The definition of a key individual provided is merely meant to capture at a high level the areas of inquiry in the Key Individual Wizard. The applicant responds to specific questions in the Wizard to identify the individuals. Below is an overview of the KIWI sections:

1. Highest Ranking Executive
 - a. The applicant will identify the Highest-Ranking Executive of the applicant
2. Management Structure
 - a. The applicant will be asked to identify the company’s management structure. A drop down will be provided (e.g., Board, General Partners, Members)
 - b. The Applicant will identify how many individuals are in the management structure
3. Ownership Hierarchy
 - a. The Wizard using built-in business rules will drive the Applicant to identify those owners that have a 10% or more interest in the Applicant
 - b. The Applicant will account for 100 percent ownership, using a minority interest entry for those owners that own less than 10 percent
4. Affiliate and Subsidiary Information
5. Functional Areas
 - a. Using specific questions, the KIWI will drive the applicant to identify key individuals in the areas of operations, finance, information security and compliance
 - b. Without mentioning titles, the questions are designed to drive the applicant to identify the CFO, CISO, CCO, COO or their functional equivalent
6. Identification of Business Activity Managers
 - a. While the KIWI will drive the identification of business activity managers, these individuals are merely identified and will not rise to the level of key individuals

Lien – The term lien includes, but is not limited to judgment liens, tax liens, child support liens, IRS liens, liens related to a collection account and mechanics/materialmen's liens. The term does not include a mortgage lien.

Comment #1:

These terms "unsatisfied" and "lien" are newly defined. The term "lien" lists different types of liens, but the definition also states that it is not limited to this list, other than excluding mortgage liens. The term "unsatisfied" incorporates any item that is not paid in full. We believe these definitions are overbroad and should be amended to exclude all security interests or liens that merely secure an obligation, where the obligation is not in default. For example, if there was a fixture filing financed purchase of installed goods, this would need to be reported since payments are being made, and the underlying obligation has not yet been paid off in full. As another example, construction and mechanics liens are filed, or exist as a matter of law in some cases, with respect to in-progress construction. Lien waivers are routinely obtained during the construction process, but disclosures could be required under the present definition. However, a definitional change that speaks to a default on an underlying obligation, rather than simply "not paid in full", would clarify the intended, more limited, scope of the disclosure question.

Response to Comment #1:

The definition of a lien as shown above has been further revised to carve out liens that secure an obligation as long as the underlying debt is not in default.

Lien – The term lien includes, but is not limited to judgment liens, tax liens, child support liens, IRS liens, and items related to a collection account. The term does not include security interests or liens that merely secure an obligation, so long as the underlying debt secured by the security interest or lien is not in default.

Material litigation – Litigation that according to generally accepted accounting principles is significant to an applicant's or a licensee's financial health and would be required to be disclosed in the applicant's or licensee's annual audited financial statements, report to shareholders, or similar records.

Comment #1:

We appreciate the addition of the term "Material litigation" because it provides a uniform standard. However, this could present challenges for control affiliates, sole proprietors or smaller organizations that do not have audited financial statements prepared because these entities, which may include sole proprietors, may not be familiar with or have on staff someone with the necessary credentials to render an opinion that requires an interpretation of an accounting standards.

Response to Comment #1:

The definition is the same definition that appears in the model law. As a practical matter if a licensee is not required to obtain audited financials and is unsure whether a piece of litigation should be disclosed or not, they can disclose out of an abundance of caution.

Amended Glossary Terms

FINANCIAL SERVICES – The term includes those activities that are financial services or financial services related. ~~OR FINANCIAL SERVICES RELATED—~~ and p Pertaining to securities, commodities, banking, insurance, consumer lending, money services businesses, consumer debt management or real estate (including, but not limited to; acting as or being associated with a bank or savings association, credit union, Farm Credit System institution, mortgage lender, mortgage broker, real estate salesperson or agent or broker-, appraiser, closing agent, title company, escrow agent, payday lender, money transmitter, check casher, pawnbroker, collection agent, debt management company or title lender). The term also includes consumer protection laws or regulations that pertain to the financial services items enumerated herein.

Comment #1:

The definition of “financial services” is expanded to include “consumer protection laws,” which is defined to include “laws or regulations . . . [that] require disclosure to consumers.” This is too broad and should be limited to commonly accepted understanding of consumer protection laws.

Comment #2:

The definition of “financial services” is expanded to include “consumer protection laws,” which is in turn defined to include “laws or regulations . . . [that] require disclosure to consumers.” There may be countless laws or regulations that impose requirements to make disclosures to consumers and it is not practical to expect covered entities to be able to ascertain whether any particular law could be deemed to constitute a “consumer protection law” by virtue of requiring something to be incidentally disclosed. This definition should be limited to the more common understanding of consumer protection laws as laws preventing unfair, abusive, and deceptive practices only.

Response to Comments 1 and 2:

In the financial services space, most laws designed to protect consumers are based on full and adequate disclosure, so consumers can make informed decisions. Failure or alleged failure to provide required disclosures is relevant to a licensing determination.

FOUND –

Includes:

A determination that led to the issuance of one or more of the following:

- adverse final actions
- consent decrees/orders, including those in which the respondent has neither admitted nor denied the findings
- agreements or settlements that are a matter of public record, including agreements or settlements in which the respondent has neither admitted nor denied the findings.

Does not include the issuance or imposition of:

- agreements or settlements that are not a matter of public record
- late fees

- deficiency letters
- examination reports
- memoranda of understanding
- letters of caution
- admonishments, or
- similar informal resolutions of matters.

“Settlement” often falls under the “included” category like consent decrees and final actions. However, in jurisdictions that use “settlement” to be synonymous with “agreement” such settlements would fall under the “not included” batch with other agreements, unless the agreement was a matter of public record. ~~One possibility that may be relevant in determining where a “settlement” fits in your jurisdiction is to the determination of whether it is a public record or not. In this analysis, if it is a public record then it should be included and if it is not a public record, it should not be included.~~

Comment #1:

[...] believes that the definition of “found” is very confusing as it relates to a settlement agreement. Whether a settlement agreement is a matter of public record is often hard to determine. For example, if a court approves a settlement agreement, does that make it a matter of public record even though the parties intended for the settlement agreement to be confidential? This is particularly troublesome where the company specifically does not admit or deny guilt and/or liability. In that sense, the agreement is not a finding.

Comment #2:

The term “found” has been newly defined to provide that it expressly includes agreements or settlements that are a matter of public record. What is a matter of public record has not been defined, and without clarity, it will be difficult for an entity to identify what must be disclosed. Although many state regulatory agencies clearly and consistently identify to the parties whether an agreement is a matter of public record, not all do so. In addition, some regulatory agencies have initially not disclosed actions publicly and subsequently made public disclosure. Although some regulatory agencies have informed the companies when they are doing so, again, not all do so.

As a result, we have concern that this change will place companies in a position of being unable to control when the answer is correct or be forced to unnecessarily disclose non-public actions for fear of a subsequent publication of the order. We also believe that this definition is unnecessarily difficult. We propose that a licensee should be able to rely on whether or not the regulatory agency has uploaded the action to Regulatory Actions section of the NMLS separately. Ideally, actions uploaded by the regulatory agency would automatically tie to the appropriate disclosure question(s). Absent the addition of such system functionality, allowing the licensee to rely on the presence of uploaded actions retains the ability of the regulatory agency to make a determination of whether the action should be public, but also ensures that the company will have notice of such publication and be able to adjust appropriate responses to disclosure questions. If the agency consistently does so, the entity’s record should be considered accurate.

Response to Comments 1 and 2:

This is not a material change. Currently, if a settlement is a public record, it must be disclosed. Given FOIA laws, determining whether something is a public record should not be too burdensome.

Comment #3:

As SRR is likely aware, there are many circumstances where the licensee adamantly disagrees with the alleged findings but due to the time and expense associated with defending and appealing regulatory actions, both the regulator and the entity mutually agree not to devote time and resources to debating the matter. In these circumstances, the licensee should not have to answer affirmative to a question that suggests that a final determination was made with respect to violations of law or any of the other questions that use the term “found” because it is inherently inaccurate regardless of how the term “found” is defined. Rather than altering the definition of “found” as proposed, SRR could create a distinct set of questions that asks whether the entity, control affiliate or key individual on or after [date new questions are added to the NMLS] has entered into an agreement or settlement that is a matter of public record in which the respondent has neither admitted nor defined the findings, where a Governmental Entity alleged [insert variations of the questions that contain the word ‘found’].

Response to Comment #3:

Notwithstanding the fact that a company or individual elected to settle an item despite disagreeing with the allegations, the current and proposed definition of found requires disclosure of these items. Any affirmative response to a disclosure question requires an explanation in which the respondent can provide any detail they wish.

ORDER – A written directive issued pursuant to statutory authority and procedures, including orders of denial, suspension, or revocation and temporary or permanent orders to cease and desist. This An order includes orders agreed to by the parties, including consent orders and stipulated orders. An order does not include ~~special stipulations, undertakings or~~ agreements ~~that relate relating~~ to payments, limitations on activity, or other restrictions unless ~~they such~~ agreements are included in ~~an order a~~ a written directive that otherwise qualifies as an order. ~~Orders include temporary and permanent cease and desist orders.~~ Orders that must be disclosed are limited in Disclosure Question (C)(4) to orders directed to applicant or control affiliate. See definitions of control affiliate to understand the extent of required disclosures in this regard

Comment#1:

The proposed definitional changes state that an “order” now includes orders agreed to by the parties, including consent orders and stipulated orders. The former definition excluded special stipulations, undertakings or agreements relating to payments, limitations on activity, or other restrictions unless they are included in an order. Based upon the new definition, companies or individuals could believe that they would now need to disclose previously excluded stipulations. We recommend that the definition be amended to clarify that stipulations remain excluded, unless they otherwise qualify as an order. Otherwise, this would be a material change and companies would have challenges in accurately answering the relevant disclosure questions if they have not specifically tracked voluntary stipulations that previously did not qualify as an order.

The definition of an “Order” should be revised to expressly confirm that a memorandum of understanding is not an order. This clarification is consistent with the statement that an order does not include “agreements that related to . . . restrictions unless such agreements are

included in a written directive that otherwise qualifies as an order.”

Response to Comment # 1:

The revised definition of an order merely clarifies the definition. Stipulations, unless special stipulations related to payments, limitations on activity, or other restrictions are currently required to be disclosed.

A Memorandum of Understanding is typically not disclosable but depending on the content and intents of the parties (i.e., if a cease and desist is part of the MOU) it could meet the definition of an order.

Guidebook Changes

Although not mentioned in any of the comments received, it is recommended that the following change be made to the below:

Disclosure of a sealed or expunged conviction or item is not required if relevant state law or a court order does not require or prohibits disclosure.

Disclosure of a felony or misdemeanor case disposed of in juvenile court is not required if relevant state law or a court order does not require or prohibits disclosure.

Retroactive Analysis

There were several comments expressing concern that to require the questions to be retroactive would be burdensome.

The Policy Committee had extensive discussions on this concern. To aid the Committee in its deliberations, a retroactive analysis was done to help determine how burdensome it would be to answer the questions retroactively. Among other items, the high-level analysis lead to the following conclusions:

1. A large percentage of the disclosure questions inquire about pending matters, such as pending litigation or pending charges. Given these questions focus on pending matters, there is no retroactive consideration or analysis needed.
2. There are a number of disclosure questions where the revisions are not viewed as substantive but instead simply clarify the scope of the currently existing question. An example is the question related to bankruptcy filings which clarifies that it is inquiring about voluntary or involuntary bankruptcy filings.
3. The individual questions with substantive changes are topics for which an individual should be very well aware. For example, most people will remember if a court had ever found that the individual made a false statement or omission or was dishonest, unfair, or unethical. At a minimum, a natural person should remember litigation had been filed and review any final order in responding to the question.
4. Requiring companies to go back and review the responses to their questions will require some work on behalf of the company. For example, determining whether a regulatory action related to providing financial services was ever dismissed pursuant to a settlement agreement will require some digging by the company. As responding to these questions will require review of old information, the concern was expressed that companies may miss responsive events in the course of review in responding to these questions. However, an individual who is answering the questions on behalf of a company provides an attestation stating that after engaging in due diligence, the responses are true and accurate to the best of the affiants "knowledge, information, and belief."
5. The revisions to the definition of found have the greatest impact on answering the questions retroactively. As stated herein, the change to the definition of found is not viewed as a material revision.

While legal advice cannot be provided, as part of the implementation of the revised Disclosure Questions, an analysis will be provided for each question. Attached as Appendix 3 and as an example, detail is provided for the Individual Civil Judicial Disclosure Questions.

Appendix 1

Disclosure Questions as Revised

Company Disclosure Questions

Company Disclosure Questions
Civil Judicial Disclosure

1. In the past 10 years, has any court:
 - a. found the entity or a control affiliate to have made a false statement or omission or been dishonest, unfair or unethical?
 - b. found the entity or a control affiliate was involved in a violation of any financial services statute or regulation?
 - c. found the entity or a control affiliate to have been a cause of another financial services business having its license or authorization to conduct a business activity denied, suspended, revoked, or restricted?
 - d. enjoined the entity or a control affiliate in connection with any financial services activity?
 - e. dismissed, pursuant to a settlement agreement a financial services civil action brought against the entity or control affiliate by a federal, state, local or foreign financial regulatory authority or any consumer protection authority?
2. Are there any pending financial services civil actions against the entity or a control affiliate that allege the entity or control affiliate:
 - a. made a false statement or omission?
 - b. violated a financial services statute or regulation?
3. Are there any pending financial services civil actions against the entity or a control affiliate whereby the remedy being sought is an injunction?

Criminal Disclosure

4. Has the entity or a control affiliate ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any felony?
5. Are there any pending charges against the entity or a control affiliate for any felony?
6. In the past 10 years has the entity or a control affiliate been convicted of or pled guilty or nolo contendere ("no contest") in any court to committing or conspiring to commit a misdemeanor involving:
 - a. a financial services business
 - b. fraud
 - c. false statements or omissions
 - d. theft or wrongful taking of property
 - e. bribery
 - f. perjury
 - g. forgery

- h. counterfeiting
- i. extortion

7. Are there pending charges against the entity or a control affiliate for any misdemeanor specified in question 6?

Financial Disclosure

8. In the past 10 years has the entity or a control affiliate filed or been the subject of a bankruptcy petition, whether voluntary or involuntary?
9. Has a bonding company ever denied issuance of, paid out on, or revoked a bond for the entity?
10. Does the entity have any unsatisfied judgments against it?
11. Does the entity have any unsatisfied liens against it?
12. In the past 10 years, has the entity or a control affiliate been a party to any material litigation?

Regulatory Action Disclosure – Part I

13. In the past 10 years, has any federal, state or local regulatory agency, governmental entity, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection authority:
- a. found the entity or a control affiliate to have made a false statement or omission or been dishonest, unfair or unethical?
 - b. found the entity or a control affiliate to have been involved in a violation of a financial services statute or regulation?
 - c. found the entity or a control affiliate to have been a cause of another financial services business having its license or authorization to conduct a business activity denied, suspended, revoked or restricted?
 - d. enjoined the entity or a control affiliate in connection with any financial services activity?
 - e. taken a regulatory action, whether administrative or civil, including entering an order or dismissing an action pursuant to a settlement agreement, against the entity or a control affiliate in connection with a financial services activity?
 - f. prevented the entity or control affiliate from associating with a financial services business or restricted its activities?
14. Is there a pending regulatory action proceeding, either administrative or civil, against the entity or a control affiliate that alleges the entity or control affiliate has:
- a. made a false statement or omission or been dishonest, unfair or unethical?
 - b. been involved in a violation of a financial services statute or regulation?
 - c. caused a financial services business to have its license or authorization to conduct a business activity denied, suspended, revoked or restricted?

15. Is there a pending regulatory action proceeding, either administrative or civil, against the entity or a control affiliate whereby the remedy being sought is the revocation, suspension or restriction of the entity's or a control affiliate's financial services license or any other professional license?
16. Has the entity or a control affiliate had a financial services license or any other professional license revoked, suspended or restricted or the application for such license denied?

Regulatory Action Disclosure – Part II

Questions 17 and 18 pertain to entities or control affiliates that currently hold or have ever held an authorization to act as a federal, state or local contractor on behalf of a federal, state or local government entity.

If the below questions are not applicable, applicant shall indicate they are not applicable.

17. Has the entity's or a control affiliate's ability to or authorization to act as a contractor on behalf of a federal, state or local government entity ever been revoked, debarred, suspended or restricted?
18. Is there a pending regulatory action proceeding, either administrative or civil, against the entity or a control affiliate whereby the remedy being sought is the revocation, debarment, suspension or restriction of an authorization to act as a contractor on behalf of a federal, state or local government entity?

Questions 19 – 24 pertain to entities who have key individuals or control persons who are or have ever been licensed as attorneys or accountants or who currently hold or have ever held a financial services license or any other professional license.

If the below questions are not applicable, applicant shall indicate they are not applicable.

19. Have any key individuals or control persons as identified in the entity's NMLS record ever had their license to act as an attorney revoked, suspended or restricted?
20. Is there a pending regulatory action proceeding, either administrative or civil, against any key individual or control person as identified in the entity's NMLS record whereby the remedy being sought is the revocation, suspension or restriction of such individual's license to act as an attorney?
21. Have any key individuals or control persons as identified in the entity's NMLS record ever had their license to act as an accountant revoked, suspended or restricted?
22. Is there a pending regulatory action proceeding, either administrative or civil, against any key individual or control person as identified in the entity's NMLS record whereby the remedy being sought is the revocation, suspension or restriction of such individual's license to act as an accountant?

23. Have any key individuals or control persons as identified in the entity's NMLS record ever had a financial services license or any other professional license revoked, suspended or restricted?
24. Is there a pending regulatory action proceeding, either administrative or civil, against any key individual or control person as identified in the entity's NMLS record whereby the remedy being sought is the revocation, suspension or restriction of such individual's financial services license or any other professional license?

Individual Disclosure Questions

Individual Disclosure Questions

Civil Judicial Disclosure

1. Has any court ever:
 - a. found that you made a false statement or omission or you were dishonest, unfair or unethical?
 - b. found that you were involved in a violation of any financial services statute or regulation?
 - c. enjoined you in connection with any financial services activity?
 - d. dismissed, pursuant to a settlement agreement, a financial services civil action brought against you by a federal, state, local or foreign financial regulatory authority or any consumer protection authority?
2. Are there any pending financial services civil actions against you that allege you:
 - a. made a false statement or omission?
 - b. violated a financial services statute or regulation?
3. Are there any pending financial services civil actions against you whereby the remedy being sought is an injunction?

Criminal Disclosure

4. Have you ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any felony?
5. Are there any pending charges against you for any felony?
6. In the past 10 years, have you been convicted of or pled guilty or nolo contendere ("no contest") in any court to committing or conspiring to commit a misdemeanor involving:
 - a. a financial services business
 - b. fraud
 - c. false statements or omissions
 - d. theft or wrongful taking of property
 - e. bribery
 - f. perjury
 - g. forgery
 - h. counterfeiting
 - i. extortion
7. Are there any pending charges against you for any misdemeanor specified in question 6?

Customer Arbitration/Civil Litigation Disclosure

8. Have you ever been named as a respondent or defendant in a financial services consumer-initiated arbitration or civil litigation which:
 - a. is still pending?
 - b. resulted in an arbitration award or civil judgment against you, regardless of amount, or that required corrective action?
 - c. was settled for any amount?

Financial Disclosure

9. In the past 10 years have you filed or been the subject of a personal bankruptcy petition, whether voluntary or involuntary?
10. In the past 10 years, have you been the subject of any non-judicial or judicial efforts to foreclose on real property, either commercial or residential?
11. Has a bonding company ever denied issuance of, paid out on, or revoked a bond for you?
12. Do you have any unsatisfied judgments against you?
13. Do you have any unsatisfied liens against you?
14. Are you delinquent on any court ordered child support payments?

Regulatory Action Disclosure – Part I

15. Has any federal, state or local regulatory agency, governmental entity, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection authority ever:
 - a. found you to have made a false statement or omission or been dishonest, unfair or unethical?
 - b. found you to have been involved in a violation of a financial services statute or regulation?
 - c. found you to have been a cause of a financial services business having its license or authorization to conduct a business activity denied, suspended, revoked or restricted?
 - d. entered an order against you in connection with a financial services activity?
 - e. restricted or revoked your registration or license?
 - f. denied or suspended your registration or license or application for licensure, disciplined you, prevented you from associating with a financial services business or otherwise restricted your activities?
 - g. barred you from association with an entity regulated by such commissions, authority, agency, or officer or from engaging in a financial services business?
 - h. issued a final order against you based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct?
 - i. taken a regulatory action, whether administrative or civil, including entering an order

or dismissing an action pursuant to a settlement agreement against you in connection with any license or registration?

16. Is there a pending regulatory action proceeding, either administrative or civil, against you that alleges you:
- a. made a false statement or omission or were dishonest, unfair or unethical?
 - b. violated a financial services statute or regulation?
 - c. were a cause of a financial services business having its authorization to do business denied, suspended, revoked or restricted?
 - d. violated a law or regulation that prohibits fraudulent, manipulative, or deceptive conduct?
17. Is there a pending regulatory action proceeding, either administrative or civil, against you whereby the remedy being sought is:
- a. restriction or revocation of a license or registration?
 - b. denial or suspension of a registration or license or application for licensure?
 - c. an injunction from association with a financial services business?
 - d. restriction of your ability to conduct financial services activities?
 - e. to bar you from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services business?

Regulatory Action Disclosure – Part II

These questions pertain to individuals who are or have ever been licensed to act as attorneys or accountants, who currently hold or have ever held an authorization to act as a contractor on behalf of a federal, state or local government entity or who currently hold or have ever held a financial services license or any other professional license.

If the below questions are not applicable, applicant shall indicate they are not applicable.

18. Have you ever had an ability to or authorization to act as an attorney, accountant, or a contractor on behalf of a federal, state or local government entity restricted, revoked, debarred or suspended?
19. Are there any pending regulatory action proceedings against you whereby the remedy being sought is the restriction, revocation, debarment or suspension of your authorization to act as an attorney, accountant or a contractor on behalf of a federal, state or local government entity?
20. Have you ever had a financial services license or any other professional license revoked, suspended or restricted?
21. Are there any pending regulatory action proceedings against you whereby the remedy being sought is the revocation, suspension or restriction of your financial services license or any other professional license?

Termination Disclosure

22. Have you ever voluntarily resigned, been discharged, or permitted to resign after allegations were made that accused you of:
- a. violating a statute, regulation, rule, or industry standard of conduct?
 - b. fraud, dishonesty, theft, or the wrongful taking of property?

Individual Disclosures Pertaining to Control Activities

If an individual does not or has never exercised control over an organization, these questions would be not applicable.

Civil Judicial Disclosure

23. Based on activities that occurred while you exercised control over an organization:
- a. was such organization found to have violated a financial services statute or regulation as a result of a civil action?
 - b. is there a pending financial services civil action against such organization which alleges a violation of a financial services statute or regulation?
 - c. is there a pending financial services civil action against such organization seeking to enjoin the organization from association with a financial services business?
 - d. was such organization ever enjoined from associating with a financial services business?
24. Based on activities that occurred while you exercised control over an organization:
- a. in connection with a financial services civil action, has such organization ever been enjoined?
 - b. is there a pending financial services civil action in which such organization is named for which the remedy being sought is an injunction in connection with a financial services activity?

Criminal Disclosure

25. Based on activities that occurred while you exercised control over an organization:
- a. has such organization ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any felony?
 - b. are there any pending charges against such organization for any felony?
 - c. has such organization ever been convicted of or pled guilty or nolo contendere ("no contest") in any court to any misdemeanor specified in question 6 in the past 10 years?
 - d. are there any pending charges against such organization for any misdemeanor specified in question 6?

Financial Disclosure

26. Based on events that occurred while you exercised control over an organization:
- a. has such organization filed or been the subject of a bankruptcy petition, whether voluntary or involuntary, within the past 10 years?
 - b. has any bonding company ever denied issuance of, paid out on, or revoked a bond for such organization?

Regulatory Action Disclosure

27. Based on activities that occurred while you exercised control over an organization, has any federal, state or local regulatory agency or foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection agency ever:
- a. found such organization to have made a false statement or omission or been dishonest, unfair or unethical?
 - b. found such organization to have been involved in a violation of a financial services statute or regulation?
 - c. found such organization to have been a cause of another financial services business having its license or other authorization to conduct a business activity denied, suspended, revoked or restricted?
28. Based on activities that occurred while you exercised control over an organization:
- a. has any federal, state or local regulatory agency, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection agency taken any of the below actions against such organization:
 - i. restriction or revocation of a registration or license?
 - ii. denial or suspension of a registration or license or application for licensure?
 - iii. entered an injunction from association with a financial services business?
 - iv. restricted the organization's financial services activities?
 - v. barred the organization from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services business?
 - vi. taken a regulatory action, whether administrative or civil including entering an order or dismissing an action pursuant to a settlement agreement against the entity or a control affiliate in connection with a financial services activity?
 - b. are there any pending regulatory action proceedings against the organization that allege the organization:
 - i. made a false statement or omission or had been dishonest, unfair or unethical?
 - ii. was involved in a violation of a financial services statute or regulation?
 - c. are there any pending regulatory action proceedings against the organization that allege the organization caused another financial services business to have its license or other authorization to conduct a business activity denied, suspended, revoked or restricted?

Questions for individuals that exercised control over an organization that currently holds or has ever held a financial services license or any other professional license or is or has ever been authorized to act as a contractor on behalf of a federal, state or local government entity. If the below questions are not applicable, state so.

29. Based on activities that occurred while you exercised control over an organization, has any federal, state or local regulatory agency, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection authority restricted, revoked or suspended the organization's financial services license or any other professional license or the organization's ability to act as a contractor on behalf of a federal, state or local government entity?
30. Based on activities that occurred while you exercised control over an organization, are there any pending regulatory action proceedings against any organization whereby the remedy being sought is described in question 29?

Appendix 2

Company Disclosure Questions

Civil Judicial Disclosure

1. ~~In the past 10 years, Has~~ any ~~domestic or foreign~~ court:
 - a. found the entity or a control affiliate to have made a false statement or omission or been dishonest, unfair or unethical?
 - b. ~~in the past ten years~~ found the entity or a control affiliate was involved in a violation of – any financial services ~~related~~ statute ~~(s)~~ or regulation ~~(s)~~?
 - c. ~~e. found the entity or a control affiliate to have been a cause of another financial services business having its license or authorization to conduct a business activity denied, suspended, revoked, or restricted?~~
 - d. ~~in the past ten years~~ enjoined the entity or a control affiliate in connection with any financial services ~~related~~ activity?
 - e. ~~in the past ten years~~ dismissed, pursuant to a settlement agreement a financial services ~~related~~ civil action brought against the entity or control affiliate by a federal, sState, local or foreign financial regulatory authority or authority any consumer protection authority?
2. ~~Is Are~~ there any pending financial services ~~related~~ civil actions against in which the entity or a control affiliate that allege the entity or control affiliate:
 - a. made a false statement or omission?
 - b. violated a financial services statute or regulation? ~~is named for any alleged violation described in question 1?~~

Are there any pending financial services civil actions against the entity or a control affiliate whereby the remedy being sought is an injunction?

Criminal Disclosure

4. ~~Has the entity or a control affiliate ever been convicted of or pled guilty or nolo contendere ("no contest") in any domestic, foreign or military court to any felony?~~
5. Are there any pending charges ~~Has the entity or a control affiliate ever been charged with any felony? against the entity or a control affiliate for any felony?~~
6. In the past 10 years has the entity or a control affiliate been convicted of or pled guilty or nolo contendere ("no contest") in any ~~domestic, foreign or military~~ court to committing or conspiring to commit a misdemeanor involving:
 - a. a financial services ~~or a financial services related~~ business
 - b. fraud

- c. false statements or omissions
- d. theft or wrongful taking of property
- e. bribery
- f. perjury
- g. forgery
- h. counterfeiting
- i. extortion

7. Are there pending charges against the entity or a control affiliate for any misdemeanor specified in question 6?

Financial Disclosure

8. In the past 10 ~~ten~~ years has the entity or a control affiliate filed or been the subject of a bankruptcy petition, whether voluntary or involuntary?

9. Has a bonding company ever denied issuance of, paid out on, or revoked a bond for the entity?

10. Does the entity have any unsatisfied judgments ~~or liens~~ against it?

11. Does the entity have any unsatisfied liens against it?

123. In the past 10 years, has the entity or a control affiliate been a party to any material litigation?

Regulatory Action Disclosure – Part I

134. In the past 10 years, has any federal, s~~State or local or federal~~ regulatory agency, governmental entity, or foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection authority~~ever~~:

- a. —found the entity or a control affiliate to have made a false statement or omission or been dishonest, unfair or unethical?
- b. —found the entity or a control affiliate to have been involved in a violation of a financial services-related statute or -regulation(s) or statute(s)?
- c. found the entity or a control affiliate to have been a cause of a another financial services - financial services-related business having its license or /authorization to de-conduct a business activity -denied, suspended, revoked or restricted?
- d. enjoined the entity or a control affiliate in connection with any financial services activity?
- e. entered an order taken a regulatory action, whether administrative or civil, including entering an order or dismissing an action pursuant to a settlement agreement, against the entity or a control affiliate in connection with a financial services-~~related~~ activity?
- f. by order denied, suspended or revoked the entity's or a control affiliate's registration or license or otherwise by order prevented the entity or control affiliate from associating with a financial services-~~related~~ business or restricted its activities?

145. Is there a pending regulatory action proceeding, either administrative or civil, action proceeding against against the entity or a control affiliate for any alleged violation in (C) through (D)?that

~~alleges makes allegations of the entity or control affiliate has or could result in a finding of:-~~

- ~~a. made a false statement or omission or been dishonest, unfair or unethical?~~
- ~~b. been involved in a violation of a financial services statute or regulation?~~
- ~~a-c. caused a financial services business to have its license or authorization to conduct a business activity denied, suspended, revoked or restricted?~~

15. Is there a pending regulatory action proceeding, either administrative or civil, against the entity or a control affiliate whereby the remedy being sought is the revocation, suspension or restriction of the entity's or a control affiliate's financial services license or any other professional license?

16. Has the entity or a control affiliate had a financial services license or any other professional license revoked, suspended or restricted or the application for such license denied?

Regulatory Action Disclosure – Part II

Questions 17 and 18 pertain to entities or control affiliates that currently hold or have ever held an authorization to act as a contractor on behalf of a federal, state or local government entity

If the below questions are not applicable, applicant shall indicate they are not applicable.

17. Has the entity's or a control affiliate's ability to or authorization to act as ~~an attorney, accountant, or contractor on behalf of a federal, state or local government entity~~ ~~or federal contractor ever~~ been revoked, debarred, ~~or~~ suspended or restricted?

18. Is there a pending regulatory action proceeding, either administrative or civil, against the entity or a control affiliate whereby the remedy being sought is the revocation, debarment, suspension or restriction of an authorization to act as a contractor on behalf of a federal, state or local government entity?

Questions 198 – 234 pertain to entities who have key individuals or control persons who are or have ever been licensed as attorneys or accountants or who currently hold or have ever held a financial services license or any other professional license.

If the below questions are not applicable, applicant shall indicate they are not applicable.

198. Have any key individuals or control persons as identified in the entity's NMLS record ever had their license to act as an attorney revoked, suspended or restricted?

209.-9. Is there a pending regulatory action proceeding, either administrative or civil, against any key individual or control person as identified in the entity's NMLS record for any alleged violation described in question 15- whereby the remedy being sought is the revocation, suspension or restriction of such individual's license to act as an attorney?

2120. Have any key individuals or control persons as identified in the entity's NMLS record ever had their license to act as an accountant revoked, suspended or restricted?

224. Is there a pending regulatory action proceeding, either administrative or civil, against any key individual or control person as identified in the entity's NMLS record whereby the remedy being sought is -the revocation, or suspension or restriction of such individual's license to act as an accountant?for any alleged violation described in question 17

232. Have any key individuals or control persons as identified in the entity's NMLS record ever -had a their financial services license or any other professional license revoked, suspended or restricted?

243. Is there a pending regulatory action proceeding, either administrative or civil, against any key individual or control person as identified in the entity's NMLS record for any alleged violation described in question 15whereby the remedy being sought is- the revocation, -or suspension or restriction of such individual's financial services license or any other or financial services-related professional license?

Individual Disclosure Questions

Civil Judicial Disclosure

1. Has any ~~domestic or foreign~~ court ever:

- a. found that you made a false statement or omission or you were dishonest, unfair or unethical?
- b. found that you were involved in a violation of any ~~financial services-related~~ statute ~~(s)~~ or regulation ~~(s)~~?
- c. enjoined you in connection with any financial services ~~related~~ activity?
- d. dismissed, pursuant to a settlement agreement a financial services ~~related~~ civil action brought against you by a federal, state, ~~federal local~~, or foreign financial regulatory authority or any consumer protection authority?

2. -Are there any pending financial services civil actions against you that allege you:

- a. made a false statement or omission?
- b. violated a financial services statute or regulation?

3. Are ~~Is~~ there any pending financial pending financial services ~~related~~ civil actions against you in which you are named whereby the remedy being sought is an injunction? for any alleged violation described in item 1 above?

Criminal Disclosure

4. Have you ever been convicted of or pled guilty or nolo contendere ("no contest") in any ~~domestic, foreign, or military~~ court to any felony?

5. Are there any pending charges against you for any felony?

6. In the past 10 years, have you ~~ever~~ been convicted of or pled guilty or nolo contendere ("no contest") in any ~~domestic, foreign, or military~~ court to committing or conspiring to commit a misdemeanor involving:

- a. a financial services ~~or a financial services-related~~ business
- b. fraud
- c. false statements or omissions
- d. theft or wrongful taking of property
- e. bribery
- f. perjury
- g. forgery
- h. counterfeiting
- i. extortion

7. Are there any pending charges against you for any misdemeanor specified in question 6 above??

Customer Arbitration/Civil Litigation Disclosure

8. Have you ever been named as a respondent or /defendant in a financial services ~~related~~ consumer-initiated arbitration or civil litigation which:
- is still pending?
 - resulted in an arbitration award or civil judgment against you, regardless of amount, or that required corrective action?
 - was settled for any amount?

Financial Disclosure

9. In the past 10 years ~~h~~Have you filed or been the subject of a personal bankruptcy petition, whether voluntary or been the subject of an involuntary or involuntary- ~~bankruptcy petition within the past 10 years?~~
10. In the past 10 years have you been the subject of a foreclosure action, any non-judicial or judicial efforts to foreclose on real property, either commercial or residential ~~within the past ten years?~~
11. Has a bonding company ever denied issuance of, paid out on, or revoked a bond for you?
12. Do you have any unsatisfied judgments ~~or liens~~ against you?
13. Do you have any unsatisfied liens against you?
14. Are -you delinquent on any court ordered child support payments?

Regulatory Action Disclosure – Part I

15. Has any federal, ~~-state or local~~ ~~federal~~ regulatory agency, governmental entity, ~~or~~ foreign financial regulatory authority ~~or~~, self-regulatory organization (SRO) or any consumer protection authority ever:
- found you to have made a false statement or omission or been dishonest, unfair ~~or unethical~~ or unethical?
 - found you to have been involved in a violation of a financial services statute or regulation? ~~financial – services-related business regulation(s) or statute(s)?~~
 - found you to have been a cause of a financial services ~~-related~~ business having its license or authorization to conduct a de ~~-business~~ activity denied, suspended, revoked or restricted?
 - entered an order against you in connection with a financial -services ~~-related~~ activity?
 - restricted or revoked your registration or license?
 - denied or suspended your registration or license or application for licensure, disciplined you, ~~or otherwise by order~~, prevented you from associating with a

- financial services-~~related~~ business or ~~otherwise-~~restricted your activities?
- g. barred you from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services-~~related~~ business?
- h. issued a final order against you based on violations of any law or regulation ~~s~~ that prohibits fraudulent, manipulative, or deceptive conduct?
- i. taken a regulatory action, whether administrative or civil, including entering an order or dismissing an action pursuant to a settlement agreement against ~~concerning~~ you in connection with any license or registration?

16. Is there a pending regulatory action proceeding, either administrative or civil, against you for any alleged violation described in 15 that alleges you:
- a. ~~made a false statement or omission or were having been~~ dishonest, unfair or unethical?
- b. violated a financial services statute or regulation?~~financial services-related business-regulation(s) or statute(s)?~~
- c. were a cause of a financial services-~~related~~ business having its authorization to do business denied, suspended, revoked or restricted?
- d. violated a law or regulation that prohibits fraudulent, manipulative, or deceptive conduct?
17. Is there a pending regulatory action proceeding, either administrative or civil, against you whereby the remedy being sought is:
- a. restriction or revocation of a license or registration?
- b. denial or suspension of a registration or license or application for licensure?
- c. an injunction from association with a ~~financial services-related~~ business?
- d. restriction of your ability to conduct financial services-~~related~~ activities?
- e. to bar you from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services-~~related~~ business?

~~c. for any alleged violation described in item 13 above?~~

Regulatory Action Disclosure – Part II

These questions pertain to individuals who are or have ever been licensed to act as attorneys or accountants, who currently hold or have ever held an authorization to act as a contractor on behalf of a federal, state or local government entity or who currently hold or have ever held a financial services license or any other professional license.

If the below questions are not applicable, applicant shall indicate they are not applicable.

18. Have you ever had an ability to or authorization to act as an attorney, accountant or ~~State or federal~~ contractor on behalf of a federal, state or local government entity~~-contractor that was restricted,~~ revoked, debarred or suspended?
19. Are ~~Is~~ there any pending regulatory action proceedings ~~proceeding~~ against you whereby the

remedy being sought is the restriction, revocation, debarment or suspension of your authorization to act as an attorney, accountant or a contractor on behalf of a federal, state or local government entity? ~~for any alleged violation described in item 17 above?~~

~~17. Based upon activities that occurred while you exercised control over an organization, has any State or federal regulatory agency or foreign financial regulatory authority or self-regulatory organization (SRO) ever taken any of the actions listed in item 17 against any organization?~~

~~18. Based upon activities that occurred while you exercised control over an organization, is there a pending regulatory action proceeding against any organization for an alleged violation described in item 17?~~

20. Have you ever had a financial services license or any other professional license revoked, suspended or restricted?

21. Are there any pending regulatory action proceedings against you whereby the remedy being sought is the revocation, suspension or restriction of your financial services license or any other professional license?

Termination Disclosure

22. Have you ever voluntarily resigned, been discharged, or permitted to resign after __ allegations were made that accused you of:

- a. violating a statute(s), regulationn(s), rule(s), or industry standards of conduct?-(2)
- b. fraud, dishonesty, theft, or the wrongful taking of property?

Individual Disclosures Pertaining to Control Activities

If an individual does not or has never exercised control over an organization, these questions would not be applicable.

Civil Judicial Disclosure

23. Based on activities that occurred while you exercised control over an organization:

- a. was such organization found to have violated a financial services statute or regulation as a result of a civil action?
- b. is there a pending financial services civil action against such organization which alleges a violation of a financial services statute or regulation?
- c. is there a pending financial services civil action against such organization seeking to enjoin the organization from association with a financial services business?
- ~~db. was such organization found to have violated a financial services statute or regulation as a result of a civil action?ever enjoined from associating with a financial services business?~~

241. Based upon activities that occurred while you exercised control over an organization:

~~has such organization ever been enjoined in connection with a financial services activity, has such organization ever been enjoined?~~

~~a.~~

~~a.b. is —there a pending financial services -related-civil action in which such organization is named for which the remedy being sought is an injunction in connection with a financial services activity? for any alleged violation described in item 11 above?~~

~~b.a. has such organization ever been enjoined in connection with a financial services activity?~~

Criminal Disclosure

252. Based upon activities that occurred while you exercised control over an organization:

a. ~~h~~Has such organization ever been convicted of or pled guilty or nolo contendere ("no contest") in any domestic, foreign, or military court to any felony?

b. ~~a~~Are there any pending charges against such organization for any felony?

c. ~~h~~Has such organization ever been convicted of or pled guilty or nolo contendere ("no contest") in any domestic, foreign, or military court to any misdemeanor specified in item question 6 in the past 10 years ~~above~~?

~~d.~~ Are there any pending charges against such organization for any misdemeanor specified in question item 6 ~~above~~?

Financial Disclosure

26. Based upon events that occurred while you exercised control over an organization:

d. ~~h~~Has any such organization filed a bankruptcy petition or been the subject of an involuntary bankruptcy petition, whether voluntary or involuntary, within the past 10 years?

e. ~~h~~Has any bonding company ever denied issuance of, paid out on, or revoked a bond for any such organization?

Regulatory Action Disclosure

27. Based upon activities that occurred while you exercised control over an organization, has any federal, Sstate or federal local regulatory agency or foreign financial regulatory authority or self-regulatory organization (SRO) or any consumer protection agency ever: taken any of the actions listed in items 15-21 above against any organization?

a. found such organization to have made a false statement or omission or been dishonest, unfair or unethical?

- b. found such organization to have been involved in a violation of a financial services statute or regulation?
- c. found such organization to have been a cause of another financial services business having its license or other authorization to conduct a business activity denied, suspended, revoked or restricted?

28. Based ~~up~~on activities that occurred while you exercised control over an organization:

- a. has any federal, state or local regulatory agency, foreign financial regulatory authority, self-regulatory organization (SRO) or any consumer protection agency taken any of the below actions against such organization:
 - i. restriction or revocation of a registration or license?
 - ii. denial or suspension of a registration or license or application for licensure?
 - iii. entered an injunction from association with a financial services business?
 - iv. restricted the organization's financial services activities?
 - v. barred the organization from association with an entity regulated by such commissions, authority, agency, or officer, or from engaging in a financial services business?
 - vi. taken a regulatory action, whether administrative or civil including entering an order or dismissing an action pursuant to a settlement agreement against the entity or a control affiliate in connection with a financial services activity?
- b. ~~are is~~ there ~~any~~ pending regulatory action proceedings against ~~the any~~ organization that ~~allege the organization~~ for any ~~alleged~~ violation described in items 15-21 above?
 - i. made a false statement or omission or had been dishonest, unfair or unethical?
 - ii. was involved in a violation of a financial services statute or regulation?
- c. are there any pending regulatory action proceedings against the organization that allege the organization caused another financial services business to have its license or other authorization to conduct a business activity denied, suspended, revoked or restricted?

Questions for individuals that exercised control over an organization that currently holds or has ever held a financial services license or any other professional license or is or has ever been authorized to act as a contractor on behalf of federal, state or local government entity. If the below questions are not applicable, state so.

29. Based on activities that occurred while you exercised control over an organization, has any ~~State or~~ federal, ~~state or local~~ regulatory agency, ~~or~~ foreign financial regulatory authority, ~~or~~ self-regulatory organization (SRO) ~~or any consumer protection authority ever taken any of the action listed in question 18~~ restricted, revoked or suspended the organization's financial services license or any other professional license or the organization's ability to act as a

contractor on behalf of a federal, state or local government entity?

307. Based upon activities that occurred while you exercised control over an organization, is-are there any pending regulatory action proceedings against such organization whereby the remedy being sought is described in question item-29?

Appendix 3

Individual Civil Judicial Disclosure Questions

1. Has any court ever:
 - a. found that you made a false statement or omission or you were dishonest, unfair or unethical?
 - b. found that you were involved in a violation of any financial services statute or regulation?
 - c. enjoined you in connection with any financial services activity?
 - d. dismissed, pursuant to a settlement agreement, a financial services civil action brought against you by a federal, state, local or foreign financial regulatory authority or any consumer protection authority?
2. Are there any pending financial services civil actions against you that allege you:
 - a. made a false statement or omission?
 - b. violated a financial services statute or regulation?
3. Are there any pending financial services civil actions against you whereby the remedy being sought is an injunction?

Revised Questions Redlined

1. Has any ~~domestic or foreign~~ court ever:
 - a. found that you made a false statement or omission or you were dishonest, unfair or unethical?
 - b. found that you were involved in a violation of any ~~financial services-related~~ statute ~~(s)~~ or regulation ~~(s)~~?
 - c. enjoined you in connection with any financial services ~~related~~ activity?
 - d. dismissed, pursuant to a settlement agreement a financial services ~~related~~ civil action brought against you by a federal, state, ~~federal local~~, or foreign financial regulatory authority or any consumer protection authority?
2. Are there any pending financial services civil actions against you that allege you:
 - a. made a false statement or omission?
 - b. violated a financial services statute or regulation ~~financial services-related statute(s) or regulation(s)?~~
3. Are ~~Is~~ there any ~~pending financial~~ pending financial services ~~related~~ civil actions against you in which you are named whereby the remedy being sought is an injunction? for any alleged violation described in item 1 above?

Individual Civil Judicial Disclosure Questions

Retroactive Analysis

The definition of found has been amended. Currently, all consent decrees/orders must be disclosed. The addition of "including those" merely clarifies the existing disclosure obligation. When a consent decree/order does not state the respondent has neither admitted nor denied the findings, it is deemed an adverse final action. Secondly, currently, one must disclose settlements that are public, so the revised definition of found also requires the disclosure of agreements that are also public.

Question 1a is new. This will entail going back to determine if a court found that you made a false statement or omission or you were dishonest, unfair or unethical.

In connection with Question 1b and as a result of the revised definition of found, this will entail going back to determine if there are any public agreements whereby the individual was found to have been involved in a violation of any financial services statute or regulation; public settlements are already required to be disclosed.

Under Question 1d language was added so the inquiry extends to a financial services civil action brought by a local financial regulatory authority or brought by a consumer protection authority. This will entail going back to determine if there was any litigation brought by any of these additional authorities where the same was dismissed.

Questions 2 and 3 inquire about pending actions, therefore retroactive analysis is not needed.