

**AGENDA  
FINANCIAL SERVICES COMMISSION  
OFFICE OF FINANCIAL REGULATION**

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**January 26, 2010**

**MEMBERS**

Governor Charlie Crist  
Attorney General Bill McCollum  
Chief Financial Officer Alex Sink  
Commissioner Charlie Bronson

**Contact: Andrea Moreland (OFR)**  
**(850) 410-9601**

9:00 A.M.  
LL-03, The Capitol  
Tallahassee, Florida

<b>ITEM</b>	<b>SUBJECT</b>	<b>RECOMMENDATION</b>
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| 1. | The Office requests approval of the minutes of the November 17, 2009, meeting. |  |
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**(ATTACHMENT 1)**

**FOR APPROVAL**

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| 2. | The Office requests approval to file for final adoption Rule 69W-600.0021, relating to the effect of law enforcement records on applications for registration as associated persons. |  |
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This is a new rule that applies to registration requirements for associated persons (stock brokers). The proposed rule imposes disqualifying periods pursuant to which an applicant will be disqualified from eligibility for registration based upon criminal convictions, pleas of nolo contendere, or pleas of guilt for crimes involving fraud, dishonesty, or any other act of moral turpitude.

**(ATTACHMENT 2)**

**APPROVAL FOR FINAL ADOPTION**

# ATTACHMENT 1

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Financial Services Commission  
Office of Financial Regulation  
Meeting Minutes  
November 17, 2009

**FINANCIAL SERVICES COMMISSION  
OFFICE OF FINANCIAL REGULATION**

**November 17, 2009**

Members

Governor Charlie Crist  
Chief Financial Officer Alex Sink  
Attorney General Bill McCollum  
Agriculture Commissioner Charles Bronson

MINUTES

Governor Crist, Chief Financial Officer Sink, and Attorney General McCollum were present at the meeting, which was held in the Cabinet Meeting Room, Lower Level, The Capitol, Tallahassee, Florida, 32399. The following items were considered by the Commission, which were presented by J. Thomas Cardwell, Commissioner for the Office of Financial Regulation.

ITEM

1. Commissioner Cardwell requested approval of the minutes of the October 13, 2009, meeting.

Item was moved and seconded. Item was approved without objection.

2. Commissioner Cardwell requested approval to file a Notice of Proposed Rule for Rules 69V-560.1013 (money services businesses) and Rule 69V-40.003 (mortgage brokers and lenders), which relate to the electronic filing of forms and fees.

Item was moved and seconded. Item was approved without objection.

3. Commissioner Cardwell made a presentation on Small Business Lending.

Item was discussed.

Minutes Prepared by:

Andrea J. Moreland  
Director of Legislative and Cabinet Affairs  
Office of Financial Regulation

## ATTACHMENT 2

**Financial Services Commission  
Office of Financial Regulation  
Agenda Item #2**

**Action Requested**

The Office is requesting permission to file for final adoption with the Florida Department of State Rule 69W-600.0021, F.A.C., relating to effect of law enforcement records on applications for registration as associated persons. Associated persons are commonly referred to as stock brokers.

**Statement of Justification**

Section 517.1611(2), Florida Statutes, requires the Financial Services Commission to adopt by rule disqualifying periods pursuant to which an applicant who is seeking registration as an associated person (stock broker) will be disqualified from eligibility for registration based upon criminal convictions, pleas of nolo contendere, or pleas of guilt, regardless of whether adjudication was withheld. The statute imposes a disqualifying period of 15 years for certain felonies and 5 years for certain misdemeanors. The statute provides that the rule may also address mitigating factors, an additional waiting period based upon dates of imprisonment or community supervision, an additional waiting period based upon commitment of multiples crimes, and other factors reasonably related to the consideration of an applicant's criminal history. The proposed rule implements these provisions. The rule applies to persons applying for registration as an associated person.

**Summary of the Rule**

The rule sets forth the policies of the Office of Financial Regulation with respect to processing registration applications for persons who have been found guilty of, or who have pled guilty or nolo contendere to, certain crimes. The rule makes a general classification of crimes into two classes: Class A and Class B. Class A crimes address felonies involving fraud, dishonesty or any other act of moral turpitude; and Class B crimes address misdemeanors involving those same issues. Under the proposed rule, the disqualification period for a Class A crime is 15 years. For Class B crimes, the disqualification period is 5 years. The rule provides that the disqualification

period will be extended if the applicant has multiple Class A or B crimes, and it provides that mitigating factors may be considered to reduce disqualifying periods. The disqualifying periods established in the rule do not give an applicant a right to registration after any set period of time. Regardless of the expiration of any disqualifying period imposed by the rule, the burden to prove entitlement to registration remains on the applicant. Other factors related to the consideration of the applicant's criminal history are also addressed.

### **Federal Standards**

Section 3(a)(39)(F) of the Securities Exchange Act of 1934, 15 U.S.C. § 78c(a)(39)(F), provides that, a person is subject to a “statutory disqualification” if, among other things, such person has been convicted of a felony within ten years of the date of the filing of an application to become associated with a member firm. A statutory disqualification constitutes an encumbrance to self-regulatory organization membership, or participation or association with a member, but does not necessarily preclude an entity or person from participating in the securities industry. There is a process by which an applicant may seek to be approved for registration despite the criminal event. The rules of the Financial Industry Regulatory Association (FINRA) extend the statutory disqualification to securities-related misdemeanors.

### **Procedural History**

On August 21, 2009, a Notice of Rule Development was published in the Florida Administrative Weekly (FAW). On October 13, 2009, the Financial Services Commission approved the proposed rule for publication in the FAW. On October 23, 2009, a Notice of Proposed Rulemaking was published in the FAW. In response to comments from the staff of the Joint Administrative Procedures Committee, the Office made changes to the rule, which were published in a Notice of Change in the January 8, 2010, edition of the FAW. The Office filed a Notice of Final Hearing, which was published in the January 15, 2010, edition of the FAW. Also published in the January 15, 2010, edition was a Notice of Correction, which provided a summary of the statement of estimated regulatory costs. The final hearing for the rule is noticed for the Financial Services Commission meeting to be held on January 26, 2010, at the regularly scheduled cabinet meeting in Tallahassee.

Rule Text

THE FULL TEXT OF THE PROPOSED RULE IS:

69W-600.0021 Effect of Law Enforcement Records on Applications for Registration as Associated Persons.

(1) General Procedure Regarding Law Enforcement Records. As part of the application review process, the Office is required to consider an applicant's law enforcement record when deciding whether to approve an application for registration as an associated person. When conducting this review, the Office reviews the applicant's Form U-4 responses, criminal history information derived from the fingerprint check, and information from other resources such as the Financial Industry Regulatory Authority. In the event of a question regarding the applicant's criminal history, the Office may request additional information from the applicant to determine the status of a criminal event, the specific facts and circumstances surrounding a criminal event, or to address other issues determined relevant to the review of the law enforcement record. The Office will notify the applicant of any specific documents that it requires in order to complete its review.

Documentation that is typically requested includes:

- (a) A copy of the police arrest affidavit, arrest report or similar document.
- (b) A certified copy of the charges.
- (c) A certified copy of the plea, judgment, and sentence where applicable.
- (d) A certified copy of an order of entry into pre-trial intervention, and the order of termination of pre-trial intervention showing dismissal of charges where applicable.
- (e) A certified copy of an order of termination of probation or supervised release, if applicable.

If the requested documentation cannot be obtained, the applicant shall submit evidence of that fact in order for the application to be deemed complete. Evidence that documentation cannot be obtained shall consist of a written statement on the letterhead of the agency that would be the custodian of the documents, signed by a representative of that agency, stating that they have no record of such matter, or that the record is lost or was damaged or destroyed, or otherwise stating why the document cannot be produced.

(2) Effect of Failure to Fully Disclose Law Enforcement Record on Application.

(a) The omission of any part of a law enforcement record required to be disclosed on the Form U-4 is a material misrepresentation or material misstatement on the application and the application shall be denied pursuant to Section 517.161(1)(b), F.S.

(b) If the Office discovers the applicant's failure to disclose any part of a law enforcement record required to be disclosed on the Form U-4 after a registration has been granted, the Office will suspend or revoke each registration currently held by the applicant as follows:

1. Suspension for 12 months if, had the application been accurate, the application would have been granted, based on the statutes and rules applicable to the application at the time the Office granted registration.

2. Revocation if, had the application been accurate, the application would have been denied, based on the statutes and rules applicable to the application at the time the Office granted registration.

(3) Classification of Crimes.

(a) The Office makes a general classification of crimes into two classes: A and B, as listed in subsections (14) and (15), of this rule.

(b) These classifications reflect the Office's evaluation of various crimes in terms of moral turpitude and the seriousness of the crime as such factors relate to the prospective threat to public welfare typically posed by a person who would commit such a crime.

(c) The names or descriptions of crimes, as set out in the classification of crimes, are intended to serve only as generic names or descriptions of crimes and shall not be read as legal titles of crimes, or as limiting the included crimes to crimes bearing the exact name or description stated.

(d) For purposes of this rule, "trigger date" means the date on which an applicant was found guilty, or pled guilty, or pled nolo contendere to a crime.

(e) A charge in the nature of attempt or intent to commit a crime, or conspiracy to commit a crime, is classified the same as the crime itself.

(4) Applicants with a Single Crime. The Office finds it necessary to implement the following standards for applicants whose law enforcement record includes a single crime, subject to the mitigating factors set forth in this rule before registration. All periods referenced in this rule run from the trigger date.

(a) Class A Crime. The applicant will not be granted a registration until 15 years have passed since the trigger date.

(b) Class B Crime. The applicant will not be granted registration until 5 years have passed since the trigger date.

(5) Applicants With Multiple Crimes.

(a) The Office construes Section 517.161, F.S., to require that an applicant whose law enforcement record includes multiple class "A" or "B" crimes, or any combination thereof, wait longer than those whose law enforcement record includes only a single crime before becoming eligible for registration in order to assure that such applicant's greater inability or unwillingness to abide by the law has been overcome. Therefore, the Office finds it necessary that a longer disqualifying period be utilized in such instances, before registration can safely be granted. Accordingly, where the applicant has been found guilty or pled guilty or pled nolo contendere to more than one crime, the Office shall add 5 years to the disqualifying period for each additional crime.

(b) The additional periods are added to the disqualifying period for the one most serious crime, and the combined total disqualifying period then runs from the trigger date of the most recent crime.

(c) Classification as "Single Crime" versus "Multiple Crimes." For purposes of this rule, two (2) or more offenses are considered a single crime if they are based on the same act or transaction or on two (2) or more connected acts or transactions.

(6) Mitigating Factors.

(a) The disqualifying period for a Class "A" or "B" crime or crimes shall be shortened upon proof of one or more of the following factors. Where more than one factor is present the applicant is entitled to add together all of the applicable mitigation amounts and deduct that total from the usual disqualifying period, provided that an applicant shall not be permitted an aggregate mitigation of more than three (3) years for the following factors:

1. One year is deducted if the probation officer or prosecuting attorney in the most recent crime states in a signed writing that the probation officer or prosecuting attorney believes the applicant would pose no significant threat to public welfare if registered as an associated person.

2. One year is deducted if restitution or settlement has been made for all crimes in which restitution or settlement was ordered by the court, and proof of such restitution or settlement is shown in official court documents or as verified in a signed writing by the prosecuting attorney or probation officer.

3. One year will be deducted if the applicant was under age 21 when the crime was committed and there is only one crime in the applicant's law enforcement record.

4. One year is deducted if the applicant furnishes proof that the applicant was at the time of the crime addicted to drugs or suffering active alcoholism. The proof must be accompanied by a written letter from a properly licensed doctor, psychologist, or therapist licensed by a duly constituted state licensing body stating that the licensed person has examined or treated the applicant and that in his or her professional opinion the addiction or alcoholism is currently in remission and has been in remission for the previous 12 months. The professional opinion shall be dated within 45 days of the time of application.

5. Other Mitigating Factors. An applicant is permitted to submit any other evidence of facts that the applicant believes should decrease the disqualifying period before registration is allowed and one additional year shall be deducted if the Office agrees the facts have a mitigating effect on the registration decision.

(b) The burden is upon the applicant to establish these mitigating factors. Where the mitigating factor relates to or requires evidence of government agency or court action, it must be proved by a certified true copy of the agency or court document.

(7) Circumstances Not Constituting Mitigation. The Office finds that no mitigating weight exists, and none will be given, for the following factors:

(a) Type of Plea. The Office draws no distinction among types of plea, e.g., found guilty; pled guilty; pled nolo contendere.

(b) Collateral Attack on Criminal Proceedings. The Office will not allow or give any weight to an attempt to re-litigate, impeach, or collaterally attack judicial criminal proceedings or their results wherein the applicant was found guilty or pled guilty or nolo contendere. Thus the Office will not hear or consider arguments such as: the criminal proceedings were unfair; the judge was biased; the witnesses or prosecutor lied or acted

improperly; the defendant only pled guilty due to financial or mental stress; the defendant was temporarily insane at the time of the crime; or the defendant had ineffective counsel.

(c) Subjective Factors. The Office finds that subjective factors involving state of mind have no mitigating weight.

(8) Effect of Pending Appeal in Criminal Proceedings; Reversal on Appeal.

(a) The Office interprets the statutory grounds for denial of registration as arising immediately upon a finding of guilt, or a plea of guilty or nolo contendere, regardless of whether an appeal is or is not allowed to be taken. The Office will not wait for the outcome of an appeal to deny registration, unless a Florida court specifically stays the Office's adverse action.

(b) If on appeal the conviction is reversed, the Office shall immediately drop the said crime as grounds for denial of registration.

(9) Pre-Trial Intervention. If at the time of application an applicant is participating in a pre-trial intervention program based upon a charge of criminal conduct that would authorize denial of a registration under Section 517.161(1), F.S., the Office will deny the application for registration. The Office considers participation in a pre-trial intervention program to be a pending criminal prosecution under Section. 517.161(6), F.S., and finds it necessary to the public welfare to wait until final disposition of all charges of criminal conduct that would authorize denial of a registration under Section 517.161(1), F.S., before an application for registration may be considered.

(10) Effect of Sealing or Expunging of Criminal Record.

(a) An applicant is not required to disclose or acknowledge, and is permitted in fact to affirmatively deny, any arrest or criminal proceeding, the record of which has been legally and properly expunged or sealed by order of a court of competent jurisdiction prior to the time of application, and such denial or failure to disclose is not grounds for adverse action by the Office.

(b) Matters Sealed or Expunged Subsequent to Application. Occasionally an applicant will have a matter sealed or expunged after submitting his or her application, but before a registration decision is made by the Office. In such situations the Office policy is as follows:

1. If the applicant properly revealed the matter on the application, and thereafter has the record sealed or expunged, the Office will not consider the matter in the application decision.

2. However, if the applicant did not reveal the matter on the application and the matter had not been sealed or expunged at the time of making the application, the Office will construe the failure to disclose the matter on the application as a material misrepresentation or material misstatement, and the application shall be denied pursuant to Section 517.161(1)(b), F.S.

(11) Effect of Varying Terminology.

(a) With regard to the following six subparagraphs, the Office treats each phrase in a particular subparagraph as having the same effect as the other phrases in that same subparagraph:

1. Adjudicated guilty; convicted.

2. Found guilty; entered a finding of guilt.

3. Pled guilty; entered a plea of guilty; admitted guilt; admitted the charges.

4. Nolo contendere; no contest; did not contest; did not deny; no denial.

5. Adjudication of guilt withheld; adjudication withheld; no adjudication entered; entry of findings withheld; no official record to be entered; judgment withheld; judgment not entered.

6. Nolle prosequere; nolle prosequi; charges withdrawn; charges dismissed; charges dropped.

(b) In all other instances the Office will look to the substantive meaning of the terminology used in the context in which it was used under the law of the jurisdiction where it was used.

(12) Imprisoned Persons and Community Supervision.

(a) Imprisonment. Notwithstanding any provision to the contrary in this rule, the Office shall not register any applicant under Chapter 517, F.S., while the applicant is imprisoned, under arrest, or serving a sentence for any crime. Further, the Office shall not register any applicant who has been released from imprisonment until the later of the period otherwise set out in these rules or five (5) years after the date of release. The Office finds it necessary that the person be released from imprisonment and thereafter

demonstrate an ability to abide by the law by passage of at least five (5) years on good behavior, before registration can be granted without undue risk to the public welfare.

(b) Community Supervision. The Office shall not grant registration to any person who at the time of application or at any time during the pendency of the application is under supervision as the result of the commission of a criminal offense and released to the community under the jurisdiction of the courts, paroling authorities, correctional agencies, or other criminal justice agencies for any felony crime or any misdemeanor crime involving fraud, dishonest dealing, or moral turpitude.

(13) Effect of Disqualifying Periods. The disqualifying periods established in this rule do not give an applicant a right to registration after any set period of time. Regardless of the expiration of any disqualifying period imposed by these rules, the burden to prove entitlement to registration remains on the applicant.

(14) Class "A" Crimes include felonies involving an act of fraud, dishonesty, or a breach of trust, or money laundering, and the Office finds that such crimes constitute crimes of moral turpitude. The Office finds the following list of crimes are Class "A" crimes. This list is representative only and shall not be construed to constitute a complete or exclusive list of all crimes that are Class "A" crimes. Crimes similar to the crimes on this list may also be considered Class "A" crimes, and no inference should be drawn from the absence of any crime from this list.

(a) Any type of fraud, including but not limited to Fraud, Postal Fraud, Wire Fraud, Securities Fraud, Welfare Fraud, Defrauding the Government, Credit Card Fraud, Defrauding an Innkeeper, Passing worthless check(s) with intent to defraud.

(b) Perjury.

(c) Armed robbery.

(d) Robbery.

(e) Extortion.

(f) Bribery.

(g) Embezzlement.

(h) Grand theft.

(i) Larceny.

(j) Burglary.

- (k) Breaking and entering.
- (l) Identity Theft.
- (m) Any type of forgery or uttering a forged instrument.
- (n) Misuse of public office.
- (o) Racketeering.
- (p) Buying, receiving, concealing, possessing or otherwise dealing in stolen property.
- (q) Treason against the United States, or a state, district, or territory thereof.
- (r) Altering public documents.
- (s) Witness tampering.
- (t) Tax evasion.
- (u) Impersonating or attempting to impersonate a law enforcement officer.
- (v) Money laundering.
- (w) Murder in all degrees.
- (x) Arson.
- (y) Sale, importation, or distribution of controlled substances (drugs); or possession for sale, importation or distribution.
- (z) Aggravated Assault (e.g., as with a deadly weapon).
- (aa) Aggravated Battery (e.g., as with a deadly weapon).
- (bb) Rape.
- (cc) Sexually molesting any minor.
- (dd) Sexual battery.
- (ee) Battery of or threatening a law enforcement officer or public official in the performance of his/her duties.
- (ff) Kidnapping.
- (15) Class "B" Crimes include any misdemeanor that involves fraud, dishonest dealing or any other act of moral turpitude.
- (16) Foreign Law Enforcement Records. If a law enforcement record includes convictions, charges, or arrests outside the United States, the Office shall consider the following factors to reduce, eliminate, or apply a disqualifying period:
  - (a) Whether the crime in the criminal record would be a crime under the laws of the United States or any state within the United States;

(b) The degree of penalty associated with the same or similar crimes in the United States; and

(c) The extent to which the foreign justice system provided safeguards similar to those provided criminal defendants under the Constitution of the United States; for example, the right of a defendant to a public trial, the right against self-incrimination, the right of notice of the charges, the right to confront witnesses, the right to call witnesses, and the right to counsel.

(17) Form U-4 is incorporated by reference in subsection 69W-301.002(7), F.A.C.

(18) For purposes of this rule, “certified” means that there must be a certification or attestation by the issuer of the record that the document is a true copy of a record contained in the issuer's office and the issuer's seal, if any.

Rulemaking Authority 517.1611(2) FS. Law Implemented 517.12, 517.161 FS. History—  
New\_\_\_\_\_.