

Activities relating to digital assets have attracted the interest of prospective and existing FINRA member firms.¹ Digital asset securities with their related innovative technologies raise novel, complex and challenging regulatory and compliance questions, and challenges for both prospective and existing FINRA members.

A prospective FINRA member firm must seek approval for new FINRA membership through the submission of a [New Membership Application \(NMA or Form NMA\)](#). An existing FINRA member firm that is contemplating a material change in business operations, among other changes specified by applicable FINRA rules, must submit a [Continuing Membership Application \(CMA or Form CMA\)](#).² Both types of applications are reviewed by FINRA's Membership Application Program (MAP) Group. MAP's review of Forms NMA and CMA are governed by Rules 1011 through 1019 (collectively, the MAP rules) under the FINRA Rule 1000 Series (Member Application and Associated Persons Registration). For purposes of this Guidance, a prospective applicant for new membership should carefully review, in particular, Rules 1012 (General Provisions), 1013 (New Member Application and Interview), 1014 (Department Decision), and for an existing member that is contemplating a business expansion involving digital asset securities, Rules 1012, 1014 and 1017 (Application for Approval of Change in Ownership, Control, or Business Operations).

Forms CMA and NMA are organized into sections that align with the standards for admission set forth under Rule 1014(a), followed by a series of questions related to that standard that are intended to help the applicant provide the responses needed to demonstrate that it can meet each of the Rule 1014(a) standards for FINRA membership, and to facilitate FINRA's review of the application. A common impediment to an efficient review of an application (NMA or CMA) pertains to missing or incomplete documentation and information in an application when it is first submitted to FINRA. This Guidance is intended to provide applicants basic information that may help prepare an application for submission to FINRA.

Forms NMA and CMA identify certain information as mandatory or required submissions in the applications. Please note that the information and documents listed in this Guidance are not exhaustive, and while there may be some items listed in this Guidance that may not be mandatory or required in the application, such information and documents are often provided to facilitate the review process. Rules 1013 and 1017 permit FINRA to request additional documents and information as necessary to render a decision on an application. In addition, applicants should review their submissions for consistency so that various documents, such as transaction flows, written procedures, customer disclosures and other written submissions reconcile to one another. Finally, please note that redacted documents will not be accepted, and that responses and documentation in a foreign language must be certified and translated to English, and all foreign currencies converted to US dollars. For additional guidance or questions concerning the CMA or NMA processes, a prospective applicant is encouraged to participate in a "pre-filing" meeting with MAP by contacting membership@finra.org or (212) 858-4000 – Option 5 – Membership Applications.

1. The term "digital asset" refers to an asset that is issued and transferred using distributed ledger or blockchain technology, including, but not limited to, so-called "virtual currencies," "coins," and "tokens." [SEC and FINRA Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities, \(July 2019\)](#).

2. When FINRA receives a CMA or NMA, it will conduct an initial review to determine whether the application is substantially complete in order for FINRA to begin a meaningful review of it. An application that is not substantially complete will be rejected, and the applicant will lose a portion of the application fee. For NMAs, there also may be additional consequences for the submission of an application that is not substantially complete, such as the inability to use the prospective firm's Central Registration Depository (CRD®) number or name.

1

STANDARD 1: OVERVIEW OF THE APPLICANT

Standard 1 requires an application and all supporting documents to be complete and accurate.



Status
Completed
✓

- Provide a written narrative describing the scope of the applicant’s activities to be conducted. Proposed activities that involve digital asset securities include:
 - **Private Placement of Securities:** Applicant may act as placement agent of a digital asset securities offerings. Issuers and customers must settle transactions bilaterally, directly with each other, or through the use of an escrow account established by the Issuer, in each instance away from the applicant.
 - **Alternative Trading System (ATS):** System facilitates secondary transactions of digital asset securities in alignment with the four-step or three-step process.³
 - **Special Purpose Broker Dealer (SPBD):** Applicant seeks to custody digital asset securities.⁴ Activities for SPBD-applicants are limited to custodying digital asset securities and operating an ATS for digital asset securities.
 - **Applicant Practice Point: The written narrative should include an explanation of how the proposed business model comports with the requirements of the available SEC and FINRA guidance listed in footnotes 3-5 below.**⁵
- As part of the written narrative, include a detailed description identifying the specific planned roles and functions of the applicant as well as the relationship to, or interaction with, the blockchain and digital asset products to be offered. For example, discuss whether the blockchain is wholly redundant or duplicative of an official ledger that is maintained off the blockchain; whether the offered digital asset securities are exclusively on a blockchain (no off-chain record); or whether the digital assets securities are located off the blockchain.
- Provide a description of each step of a typical transaction to be conducted by the applicant, beginning with any initial customer contact. The applicant should describe the process by which orders are received, executed, cleared, and settled and identify the specific roles or function for each party involved in the process, including the applicant.
- Provide a detailed description of how a typical transaction will be settled and cleared, including handling of funds and securities. Indicate what, if any, exemption to [SEA Rule 15c3-3](#) will be claimed.
 - For all transactions to be conducted by the applicant that will not involve a clearing firm, provide a depiction of the steps involved in the transactions, including, but not limited to, flow of funds and securities through order receipt, execution, and clearance and settlement, and specific roles or functions for each party involved in the process, including the applicant.
 - If customers will be allowed to use cryptocurrencies to pay for securities transactions conducted through the applicant, provide a detailed step-by-step funds flow document for a sample transaction where cryptocurrency is used to purchase securities, which clearly identifies all parties involved in each step of the transaction including the name and functions performed by each such entity (including, but not limited to, the applicant) and systems to be used. To the extent that cryptocurrencies will be converted to fiat currency as part of this process, please ensure to include the steps of the conversion process as part of funds flow document.

3. If operating an ATS, the applicant’s ATS should be in alignment with the four-step process detailed in the [SEC and FINRA Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities](#) (July 2019), or the three-step process detailed in the [SEC’s No-Action Letter in the Role of an ATS in the Settlement of Digital Asset Security Trades](#) (September 2020). The applicant should also provide a copy of the most recent Form ATS (or draft Form ATS if it has yet to be filed with the SEC), including all agreements and documentation for the operation of the ATS, such as the Form ATS exhibits, subscriber agreement, and subscriber manual.

4. The SPBD-Applicant’s custodying of digital asset securities should be in alignment with the SEC’s Statement in [Custody of Digital Asset Securities by Special Purpose Broker-Dealers](#) (Issued – December 2020; Effective – April 2021).

5. If necessary, provide an analysis of whether the asset in question constitutes a “digital asset.” See [SEC and FINRA Joint Staff Statement on Broker-Dealer Custody of Digital Asset Securities](#) (July 2019). The applicant should also consider providing an analysis of whether the digital asset involved in the applicant’s business model constitutes a “security” under the [Framework for “Investment Contract” Analysis of Digital Assets](#) (April 2019).

- Identify which entity (applicant, issuer, transfer agent) has control over the definitive record of ownership, which may be on a distributed ledger or have a distributed ledger associated with it. As part of that analysis, note which entity (applicant, issuer, transfer agent) has control to enforce transfer restrictions, correct errors, or address lost or stolen tokens or keys.
- Provide a statement describing how the applicant and its associated persons, registered and unregistered, will be compensated for the proposed activities.
- Provide a detailed description of the type of customers and counterparties with which the applicant intends to conduct business as well as describe any minimum criteria the applicant intends to utilize to determine acceptability of customers or counterparties for the applicant. This description should also identify whether this activity will be solicited or unsolicited.⁶
- Provide a statement describing both the direct and indirect ownership structure of the applicant, including the percentage of direct and indirect ownership of the applicant held by each individual or entity.
 - Provide a business organizational chart, identifying the applicant's owners and affiliated entities. This chart should indicate all direct and indirect owners of the applicant and its affiliated entities and percentage of ownership for each, totaling 100 percent.
 - If direct and indirect owners consist of non-natural persons, such as corporations, partnership, trusts, provide formation documents for the applicant and all direct and indirect owners, including holding companies.
- Identify by name all entities, including other broker-dealers and investment advisory firms, under common control with the applicant, identify each entity's relationship to the applicant, describe the nature of each such entity's business including, but not limited to, whether they are securities or investment related or involve crypto, digital assets, distributed ledger, or related products, and any involvement or functions to be performed by these entities in the proposed business activities of the applicant including those involving customers of the application.
- **Applicant Practice Point – The application should be internally consistent. The representations in the applicant's proposed business plan should comport with the written supervisory procedures, supervisory systems, transaction flows, narratives, and operational and internal controls. The applicant should also consider whether it should provide a glossary of terms of art specific to the applicant's business model or define other commonly used terms in applications for digital asset securities, such as wallet, custody, digital asset, digital asset security, etc.**

2

STANDARD 2: LICENSES AND REGISTRATIONS

Standard 2 requires that an applicant and its associated persons to have all licenses and registrations required by FINRA, the SEC and state regulatory authorities.



- Provide a chart depicting names of supervisors and the corresponding reporting associated persons.
- Identify the applicant's management and registered principals.
 - The applicant should address the principals' direct or relevant experience and securities registrations, including registrations required to supervise that business.⁷ This is also addressed below in Standard 10.
- Where applicable, provide an attestation for officers, directors, owners and control persons who will not participate in the day-to-day securities or investment banking operations of the applicant or act in any capacity that would require that these individuals become registered.⁸

6. The applicant should be prepared to explain how it will determine whether they have "customers," as defined by relevant rules and regulations, such as the Customer Protection Rule, Customer Identification Program, and FINRA Rules [4512](#) and [2090](#).

7. See [FINRA Qualification and Registration Requirements Frequently Asked Questions](#).

8. See FINRA Rule [1200 Series](#) and [Notice To Members 99-49](#) (provides interpretive guidance on registration requirements).

3

STANDARD 3: COMPLIANCE WITH SECURITIES LAWS, JUST AND EQUITABLE PRINCIPLES OF TRADE

Standard 3 requires a determination as to whether an applicant and its associated persons are “capable of complying with” the federal securities laws, the rules and regulations thereunder, and FINRA rules. Standard 3 takes into consideration whether any persons associated with the applicant have any disciplinary actions taken against them by other industry authorities, customer complaints, adverse arbitrations, pending or unadjudicated matters, civil actions, remedial actions imposed, or other industry-related matters that could pose a threat to public investors.



- If applicable, provide an explanation of how the applicant may overcome the presumption to deny the CMA or NMA, notwithstanding the existence of the events set forth under Rule 1014(a)(3)(A), (C), (D), (E),⁹(F) and (G).¹⁰
 - The explanation should demonstrate how the applicant can comply with this standard in light of any pending or potential regulatory actions, including those initiated by the by the U.S. Securities and Exchange Commission, the Commodity Futures Trading Commission, a federal or state regulatory agency, a foreign financial regulatory authority, or a self-regulatory organization.
- If applicable, provide information related to:
 - Adjudicated and pending disciplinary and regulatory actions, including pending FINRA Enforcement actions and certain disciplinary and regulatory actions, which trigger the presumption to deny the application;
 - Pending and unpaid arbitrations for the applicant’s associated persons; and
 - An explanation of how the applicant intends to pay for any pending and unpaid awards, which includes documentation supporting that funds are available to cover the awards, *i.e.*, arbitration plans or escrow agreements.¹¹
- If applicable, identify any associated persons with a significant history of misconduct.
 - Providing details about any heightened supervisory plans for such associated persons; and
 - Addressing whether any natural person seeking to become an owner, control person, principal or registered person of your firm have, in the prior five years, one or more “final criminal matters” or two or more “specified risk events” and a heightened supervisory plan.¹²

9. The rebuttable presumption contained in [Rule 1014\(a\)\(3\)\(E\)](#) applies only to NMAs.

10. See [Regulatory Notice 20-15](#) (May 2020) (describing, among other things, the rebuttable presumption to deny an application); see also [Notice to Members 04-10](#) (February 2004).

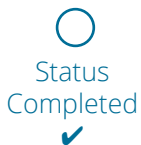
11. See [IM-1014-1](#) (Evidence of Ability to Satisfy Unpaid Arbitration Awards, Other Adjudicated Customer Awards, Unpaid Arbitration Settlements or, for New Member Applications, Pending Arbitration Claims); see also [Regulatory Notice 20-15](#) (FINRA Amends Governing its Membership Application Program to Incentivize Payment of Arbitration Awards).

12. See [Regulatory Notice 21-09](#) (FINRA Adopts Rules to Address Brokers With a Significant History of Misconduct).

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STANDARD 4: CONTRACTUAL AND BUSINESS RELATIONSHIPS

Standard 4 requires that, at the time the application is submitted or shortly thereafter, the applicant should be in a position to describe the contractual or other arrangements and other business relationships that will allow the applicant to operate in accordance with the business plan as submitted. The applicant is also required to submit copies of all draft or final agreements for the proposed business, including those with banks, clearing entities, or service bureaus.

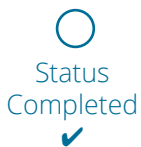


- Provide a detailed description of each contractual, business, or other arrangement that the applicant has, or will enter into, as it relates to the proposed business activities including those involving the digital asset securities. In doing so, the applicant should describe how each agreement supports the applicant's ability to conduct the proposed business including those involving digital asset securities.
- Provide copies of any service agreements or business contracts that the applicant will execute, such as expense sharing agreements, clearing agreements, and technology service agreements, which includes arrangements with third-party providers of electronic storage media pursuant to SEA Rule [17a-4](#).
- Provide all exhibits, schedules, disclosure schedules, addenda, and relevant materials for the documents noted above.

5

STANDARD 5: FACILITIES

Standard 5 requires that the applicant has facilities that are sufficient to initiate the operations described in the applicant's business plan, considering the nature and scope of operations and the number of personnel.

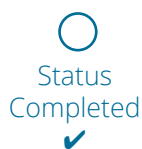


- Provide a statement regarding the adequacy of the applicant's facilities to conduct the proposed business activities and meet the applicant's personnel needs. The statement should address:
 - The designated supervisor for each office;
 - The total number of associated persons that will be located in each office;
 - The business activities to be conducted from each location;
 - The business equipment and secure storage for books and records; and
 - Whether the applicant, at any of its locations, will share office space with an entity, or an individual, conducting activities other than the applicant's business activities.

6

STANDARD 6: COMMUNICATIONS AND OPERATIONAL SYSTEMS

Standard 6 requires that the communications and operational systems that the applicant intends to employ for the purpose of conducting business with customers and other members must be adequate and provide reasonably for business continuity with respect to: system capacity to handle the anticipated level of usage; contingency plans in the event of systems or other technological or communications problems or failures that may impede customer usage or firm order entry or execution; system redundancies; disaster recovery plans; system security; disclosures to be made to potential and existing customers who may use such systems; and supervisory or customer protection measures that may apply to customer use of, or access to, such systems.

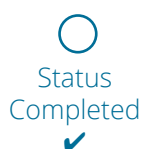


- If the application includes a communication platform, the applicant may be expected to present a demonstration of the functionality of the online platform as part of the application review process.¹³
- In addition to the demonstration of the communication platform, during the membership interview, or during a separate meeting, the applicant is expected to demonstrate:
 - Onboarding of customers;
 - Flow of a typical transaction from start to finish, including funding of brokerage account, order placement, and execution, clearance, and settlement;
 - Trade reporting, if applicable; and
 - Risk management controls.
- Provide an overview of the applicant's surveillance and reporting functionality for the platform.
- If the application is an NMA, include a business continuity plan (BCP). If the application is a CMA include an updated or amended BCP, if applicable. The BCP plan should be appropriate to the scale and scope of the applicant's business and contain information on how the applicant will contact customers in the event of an emergency or significant business disruption including systems outages; and how the customer can access their funds or securities in such an event (*i.e.*, a phone number customers can call.¹⁴)

7

STANDARD 7: MAINTAINING ADEQUATE NET CAPITAL

Standard 7 provides that FINRA may impose a reasonably determined higher net capital requirements beyond the minimum requirements after considering specified factors. An applicant must meet the provisions of SEA Rules 15c3-1 and 17a-11, the SEC's net capital rule and early warning rule, respectively, two of several financial responsibility rules of the SEC.



- Identify the applicant's statutory minimum net capital requirement.
- If the application is an NMA, provide a detailed description of the sources and flow of the funds to be used for capitalization of the applicant, as well as evidence of the source of funds (*e.g.*, three months trail of account statements). The information submitted must provide MAP with a clear picture of the movement of funds from its ultimate source of origin to the applicant.
- The applicant should provide evidence of financial wherewithal to fund proposed business activities including those involving digital asset securities and, if applicable, demonstrate an ability to meet any increases to the applicant's minimum net capital requirements (*i.e.*, account statements).
- Provide evidence of financial wherewithal to sustain the applicant's intended business operations on a continuing basis for 12 months, where financial wherewithal is, at a minimum, calculated as 12 months fixed expenses minus reasonable projected revenue plus the amount of net capital sufficient to avoid early level reporting requirements, such as SEA Rule [17a-11](#).
- Provide pro forma financial statements indicating 12-month projected revenue from the applicant's business activities or any expenses the applicant anticipates in connection with the proposed business including those involving digital asset securities, such as vendor agreements to be signed or systems to be used.
- Applicant may not submit redacted documents or responses and documentation, including account statements, in a foreign language. Responses and documentation must be accompanied by a certified English translation, and all foreign currencies converted to U.S. dollars.

13. See MAP [Guidance for Operational Readiness for Online Platforms and Mobile Applications](#).

14. See [FINRA guidance related to business continuity planning](#).

8

STANDARD 8: FINANCIAL CONTROLS

Standard 8 requires the applicant to have financial controls to ensure compliance with the federal securities laws, the rules and regulations thereunder, and FINRA rules.



Status
Completed
✓

- Provide a detailed description of the prior work experience of the applicant's financial and operational principal (FinOp) in support of that individual's ability to maintain and oversee financial compliance of the applicant given the applicant's proposed business activities.
- Provide a detailed description of the financial controls to be employed by the applicant.
- Provide a description of the procedures the applicant will follow in the event the applicant encounters a situation that may cause a net capital deficiency, including describing what action will be taken to comply with SEA Rules [17a-5](#) and [17a-11](#).

9

STANDARD 9: WRITTEN PROCEDURES

Standard 9 requires the applicant to have compliance, supervisory, operational, and internal control practices and standards that are consistent with practices and standards regularly employed in the investment banking or securities business, taking into account the nature and scope of the applicant's proposed business.



Status
Completed
✓

- If applicable, the applicant should provide an acknowledgement that heightened supervisory procedures and special educational programs may be required pursuant to *Notice to Members 97-19* for an associated person whose record reflects disciplinary actions or sales practice events.¹⁵
- Provide written supervisory procedures (WSPs), which include written supervisory control procedures, anti-money laundering procedures, financial control procedures, internal operating procedures, and internal control procedures.
 - Ensure that the WSPs contain a designation of principals identifying the principal(s) responsible for each area (e.g., AML, Supervisory Controls) and type of business.
 - Ensure that the WSPs are tailored to the specific activities in which the applicant plans to engage, and that they clearly and accurately describe how the proposed business activities including those involving digital asset securities will be conducted at the applicant.¹⁶
- Confirm that all WSPs clearly state:
 - Who – Identify the principal or supervisor responsible for conducting the subject procedure;
 - What – Provide a description of the specific procedure that is to be conducted by the principal or supervisor;
 - When – State when or how often the specific procedure is to be conducted; and
 - How Evidenced – Address how your firm will evidence the fact that the procedure has been conducted.
- The applicant should provide a description of its due diligence review process and indicate where, in the WSPs, the due diligence review process is detailed. Due diligence reviews should cover, but not be limited to, the following areas:
 - The type of blockchain to be used;
 - The storage solution for the blockchain tokens;
 - Any third parties contracted to perform technical, legal, or investigative work pertaining to the blockchain;
 - Personnel with experience in blockchain including resumes and explanations of experience;
 - Experience of officers/directors/key persons with blockchain; and
 - Work reports or examinations performed of the blockchain.

15. See [Notice to Members 97-19](#) (April 1997), NASD Regulation And New York Stock Exchange Memorandum Discusses Sweep Report And Provides Guidance On Heightened Supervision Recommendations

16. For example, an SPBD-applicant should identify in its WSPs where the specific requirements of the SEC's December 2020 Statement have been addressed.

10

STANDARD 10: SUPERVISORY STRUCTURE

Standard 10 requires the applicant to have a supervisory system, including written supervisory procedures, internal operating procedures (including operational and internal controls), and compliance procedures designed to prevent and detect, to the extent practicable, violations of the federal securities laws, the rules and regulations thereunder, and FINRA rules.



Status
Completed
✓

- Explain the one year direct, or two years related, experience in the activity the individual(s) intend to supervise including, but not limited to, those involving digital asset securities.
- Explain any remedial action(s), such as heightened supervision.
- Provide a detailed description of the direct experience of the proposed chief compliance officer including, but not limited to, experience related to digital asset securities.

11

STANDARD 11: BOOKS AND RECORDS

Standard 11 requires the applicant to have a recordkeeping system that enables the applicant to comply with federal, state, and self-regulatory organization recordkeeping requirements and a staff that is sufficient in qualifications and number to prepare and preserve required records.



Status
Completed
✓

- If the applicant records transactions on the blockchain, provide a description of the manner in which the transactions will be recorded that is specific to each type of digital asset in which the applicant seeks to engage. If the applicant will not record transactions on the blockchain, note that fact.
 - In connection with this requisite, if a blockchain will be used to record transactions, describe the following:
 - Role of the applicant in the process;
 - Whether the blockchain will be redundant to, or duplicative of, an off-chain shareholder registry that is maintained by, and is in exclusive control of, the Issuer or Transfer Agent and will serve as the authoritative record; and
 - Whether the blockchain is public or private.
- Describe the applicant's recordkeeping system, specifically identifying:
 - Procedures;
 - Books and records;
 - Communication systems; and
 - The software and systems used to prepare business and financial records, including general ledger, trial balance, balance sheet, and net capital computation (e.g., PeopleSoft, ADP, Creative Solutions).
- Describe the entities and the scope of services provided by any recordkeeping services used by the applicant, specifically identifying any service bureaus, clearing or correspondent arrangements, or other arrangements involving the creation and retention of books and records.
- Describe how the applicant's records, including, but not limited to, email, will be stored.
- List the types of proposed records to be maintained by the applicant.
- If the applicant will have a foreign main office, if possible, provide a statement to confirm that it will remain in compliance with Standard 11, and FINRA will have access to all books and records.¹⁷

17. Standard 12 requires that the applicant complete a training needs assessment and has a written training plan that complies with the continuing education requirements imposed by the federal securities laws, the rules and regulations thereunder, and FINRA's rules. Standard 13 requires FINRA to assess whether it possesses any information indicating that the applicant may circumvent, evade, or otherwise avoid compliance with the federal securities laws, the rules and regulations thereunder, or FINRA rules. Standard 14 requires that the applicant's application and supporting documents are consistent with the federal securities laws, the rules and regulations thereunder, and FINRA's rules. Although this guidance does not address Standards 12-14, FINRA may nevertheless require the applicant to provide materials to address Standards 12-14.

FINRA Compliance Tool Disclaimer

This optional tool is provided to assist member firms in fulfilling their regulatory obligations. This tool is provided as a starting point and you must tailor this tool to reflect the size and needs of your firm. Using this tool does not guarantee compliance with or create any safe harbor with respect to FINRA rules, the federal securities laws or state laws, or other applicable federal or state regulatory requirements. This tool does not create any new legal or regulatory obligations for firms or other entities.

Updates – This tool was last reviewed and updated, as needed, on January 31, 2025. This tool does not reflect any regulatory changes since that date. FINRA periodically reviews and updates these tools. FINRA reminds member firms to stay apprised of new or amended laws, rules and regulations, and update their WSPs and compliance programs on an ongoing basis.

Additional Guidance – Member firms seeking additional guidance on certain regulatory obligations should review the [Broker-Dealer Registration Topic Page](#) and other relevant FINRA [Topic Pages](#). Applicants are also encouraged to avail themselves of MAP's pre-filing meeting process by contacting MAP at membership@finra.org or (212) 858-4000 – Option 5 – Membership Applications.

Staff Contact(s) – FINRA's Office of General Counsel (OGC) staff provides broker-dealers, attorneys, registered representatives, investors and other interested parties with interpretative guidance relating to FINRA's rules. Please see [Interpreting the Rules](#) for more information.

OGC staff contacts:

[Kosha Dalal](#), and [Sarah Kwak](#)
1700 K Street, NW
Washington, DC 20006
(202) 728-8000

MAP staff contacts:

[Jante Turner](#)
(202) 728-8317

[MAP Intake](#)
membership@finra.org
(212) 858-4000 (Option 5 – Membership Applications)