

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 99

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. \* SR 2021 - \* 020

Amendment No. (req. for Amendments \*)

Filing by Financial Industry Regulatory Authority

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial \*

☒

Amendment \*

☐

Withdrawal

☐

Section 19(b)(2) \*

☐

Section 19(b)(3)(A) \*

☒

Section 19(b)(3)(B) \*

☐

Pilot

☐

Extension of Time Period for  
Commission Action \*

☐

Date Expires \*

Rule

☐

19b-4(f)(1)

☐

19b-4(f)(4)

☐

19b-4(f)(2)

☐

19b-4(f)(5)

☐

19b-4(f)(3)

☒

19b-4(f)(6)

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010

Section 806(e)(1) \*

☐

Section 806(e)(2) \*

☐

Security-Based Swap Submission pursuant to the  
Securities Exchange Act of 1934

Section 3C(b)(2) \*

☐

Exhibit 2 Sent As Paper Document

☐

Exhibit 3 Sent As Paper Document

☐

## Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

A proposed rule change to: (1) amend Form CMA (Continuing Membership Application Form) required under Rule 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) to conform to amendments to the Membership Application Program rules as described in File No. SR-FINRA-2020-011, which become effective on September 1, 2021; and (2) make non-substantive and technical changes to Form CMA.

## Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \*

Ilana

Last Name \*

Reid

Title \*

Assistant General Counsel

E-mail \*

ilana.reid@finra.org

Telephone \*

(202) 728-8268

Fax

(202) 728-8264

## Signature

Pursuant to the requirements of the Securities Exchange of 1934, Financial Industry Regulatory Authority has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date

08/19/2021

(Title \*)

By

Patrice Gliniecki

(Name \*)

Senior Vice President and Deputy General Cou

Patrice  
Gliniecki

Digitally signed by Patrice  
Gliniecki  
Date: 2021.08.19 17:29:58  
-04'00'

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Required fields are shown with yellow backgrounds and astericks.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

**Form 19b-4 Information \***

Add Remove View

FINRA-2021-020 19b-4.docx

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

Add Remove View

FINRA-2021-020 Exhibit 1 .docx

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies \***

Add Remove View

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2- Notices, Written Comments, Transcripts, Other Communications**

Add Remove View

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

☐

Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

Add Remove View

FINRA-2021-020 Exhibit 3.docx

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

☐

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

Add Remove View

The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

**Partial Amendment**

Add Remove View

If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**1. Text of the Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> the Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to: (1) amend Form CMA (Continuing Membership Application Form) required under Rule 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) to conform to amendments to the Membership Application Program (“MAP”) rules<sup>2</sup> as described in File No. SR-FINRA-2020-011, which become effective on September 1, 2021;<sup>3</sup> and (2) make non-substantive and technical changes to Form CMA.<sup>4</sup>

The proposed rule change does not make any changes to the text of FINRA rules.

(b) Not applicable.

(c) Not applicable.

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> The MAP rules consist of Rules 1011 through 1019, which reside under the Rule 1000 Series (Member Application and Associated Person Registration).

<sup>3</sup> See Securities Exchange Act Release No. 90635 (December 10, 2020), 85 FR 81540 (December 16, 2020) (Order Approving File No. SR-FINRA-2020-011, as Modified by Amendment No. 1) (“SEC Order”). See also Regulatory Notice 21-09 (March 2021) (announcing September 1, 2021, as the effective date of the amendments to the MAP rules, and different effective dates of the amendments to other FINRA rules to address brokers with a significant history of misconduct).

<sup>4</sup> FINRA is separately developing comprehensive changes to the MAP rules in connection with the retrospective review of this rule set, which will also require conforming amendments to the standardized forms. See Regulatory Notice 18-23 (July 2018) (requesting comment on a proposal regarding the MAP rules).

**2. Procedures of the Self-Regulatory Organization**

The Chief Legal Officer of FINRA authorized the filing of the proposed rule change with the SEC pursuant to delegated authority. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change on September 1, 2021, to coincide with the effective date of the amendments to the MAP rules as announced in Regulatory Notice 21-09. The proposed changes to Form CMA conform to the recently amended MAP rules as described below. To facilitate member firm compliance with the amended rules on the date they become effective, it is necessary for the amendments to Form CMA to become effective on the same date.

**3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) Purpose

Background

The MAP rules require an applicant for continuing membership to file an application that includes a Form CMA.<sup>5</sup> Form CMA is organized into sections that align with the standards for admission set forth in Rule 1014(a) (Standards for Admission). Each section begins with a description of the applicable standard in Rule 1014(a), followed by a series of questions related to that standard that are intended to help the

---

<sup>5</sup> See Rule 1017(b)(2).

applicant provide the responses needed to demonstrate that it can meet each of the standards described under Rule 1014(a), and to facilitate FINRA’s review of the application.<sup>6</sup> An applicant is able to provide its documents and information by attaching files in various formats (e.g., .docx, .pdf, .xlsx) or by entering free form text in text boxes, and making selections through screen components such as drop-down menus and radio buttons, among others.

#### Recent Amendments to the MAP Rules

On December 10, 2020, FINRA amended the MAP rules, among other FINRA rules, to address the issue of persons with a significant history of misconduct and the member firms that employ them.<sup>7</sup> As amended, Rule 1017 includes new paragraph (a)(7), which requires a member to file a continuing member application (“CMA”) whenever a natural person seeking to become an owner,<sup>8</sup> control person,<sup>9</sup> principal or registered person of a member has, in the prior five years, one or more “final criminal matters” (as defined in new Rule 1011(h)<sup>10</sup>) or two or more “specified risk events” (as

---

<sup>6</sup> The sections of Form CMA that are marked with a red asterisk require the applicant to provide a response.

<sup>7</sup> See supra note 3.

<sup>8</sup> For purposes of Rule 1017(a)(7) only, the term “owner” has the same meaning as “direct owner” and “indirect owner” on the Uniform Application for Broker-Dealer Registration (“Form BD”) Schedules A and B, as amended from time to time. See Rule 1017(a)(7).

<sup>9</sup> For purposes of Rule 1017(a)(7), the term “control person” means a person who would have “control” as defined on Form BD, as amended from time to time. See Rule 1017(a)(7).

<sup>10</sup> See paragraph (h) under Rule 1011 (defining “final criminal matter”) as amended by SR-FINRA-2020-011, supra note 3.

defined in new Rule 1011(p)<sup>11</sup>), and the member is not otherwise required to file a Form CMA in accordance with Rule 1017, unless the member has submitted a written request to FINRA seeking a materiality consultation for such contemplated activity. As part of the materiality consultation, Rule 1017(a)(7) also provides that FINRA will determine in the public interest and the protection of investors that either the member is not required to file a Form CMA and may effect the contemplated activity, or the member is required to file a Form CMA in accordance with Rule 1017 and the member may not effect the contemplated activity unless FINRA approves the Form CMA. In addition, Rule 1017(a)(7) provides that Interpretative Material (“IM”)-1011-1 (Safe Harbor for Business Expansions) is not available to the member when a materiality consultation is required under Rule 1017(a)(7).<sup>12</sup>

#### Proposed Conforming Amendments to Form CMA

As a result of the recent amendments to the MAP rules, FINRA is proposing to amend Form CMA to: (1) list in the section of the form entitled “Type of Continuing Membership Application” all of the events under Rule 1017(a) that require a member to file Form CMA; (2) incorporate questions into Form CMA that relate specifically to Rule

---

<sup>11</sup> See paragraph (p) under Rule 1011 (defining “specified risk event”) as amended by SR-FINRA-2020-011, supra note 3. See also Securities Exchange Act Release No. 92710 (August 19, 2021) (Order Approving Filing of File No. SR-FINRA-2021-011) (amendment to the “specified risk event” definition).

<sup>12</sup> Relatedly, new IM-1011-3 (Business Expansions and Persons with Specified Risk Events) provides that IM-1011-1 is not available to any member that is seeking to add a natural person who has, in the prior five years, one or more final criminal matters or two or more specified risk events and seeks to become an owner, control person, principal, or registered person of the member. In general, IM-1011-1 creates a safe harbor for specified categories of business expansions, subject to certain thresholds, that a member may undergo without filing a CMA.

1017(a)(7); and (3) make other non-substantive and technical changes in the form for clarity and consistency, and to promote efficiency. FINRA believes that these proposed conforming changes to Form CMA and the non-substantive and technical changes will help guide an applicant to provide the responses needed to demonstrate that it can meet the standards set forth under Rule 1014(a), and to facilitate FINRA's review of the application in light of the recent amendments to the MAP rules.

A. Amend Form CMA's "Type of Continuing Membership Application" Section to List All of the Events Specified in Paragraphs (a)(1) through (a)(7) under Rule 1017

As noted above, Form CMA is organized into sections that correspond to the standards for admission set forth in Rule 1014(a), with each section containing its own set of questions, some of which are mandatory, related to that particular standard for admission.<sup>13</sup> But before an applicant proceeds with completing those sections, Form CMA requests the applicant to identify all applicable types of changes in ownership, control, or business operations in the section titled, "Type of Continuing Membership Application." This section currently bears two headers that categorize some Rule 1017(a) events as either "Ownership of asset transfer changes," covering the events described under Rule 1017(a)(1) through Rule 1017(a)(4), or "Change(s) in business operations," covering the events described under Rule 1017(a)(5).<sup>14</sup> Currently, Form

---

<sup>13</sup> See supra note 6.

<sup>14</sup> Rule 1017(a)(5) provides that a member shall file a CMA for approval of a "material change in business operations," which is defined in Rule 1011(m). Currently on Form CMA, the "Change(s) in business operations" category lists five options that an applicant may select to further identify the type of material change involved. Three of those options correspond to changes that are set forth in subparagraphs (1), (2) and (3) under the definition of "material change in business operations" in Rule 1011(m). A fourth option describes an expansion of

CMA’s “Type of Continuing Membership Application” section presents the events under Rule 1017(a)(1) through Rule 1017(a)(5), some of which appear in a summary fashion, without rule references.<sup>15</sup> FINRA is proposing to amend this section of Form CMA so that all the events described under Rule 1017(a), including those set forth in paragraphs (a)(6) and (a)(7), and their respective rule references would be listed in the form. In addition, FINRA is proposing to delete the two headers—“Ownership of asset transfer changes” and “Change(s) in business operations”—for clarity and to facilitate presenting the events under Rule 1017(a)(1) through 1017(a)(7) sequentially.

Specifically, the proposed changes to Form CMA’s “Type of Continuing Membership Application” section would add the following three types of changes in

---

Associated Persons, offices, or number of markets made. A fifth “other” option also is included because the definition of “material change in business operations” is not exhaustive. See generally paragraph (m) under Rule 1011 as amended by SR-FINRA-2020-011 (renumbering from paragraph (l) to paragraph (m)), supra note 3; IM-1011-1; Rule 1017(b)(2)(C).

<sup>15</sup> For example, Rule 1017(a)(1) provides that a CMA is required for “a merger of the member with another member, unless both are members of the New York Stock Exchange, Inc. or the surviving entity will continue to be a member of the New York Stock Exchange, Inc[.]” Form CMA, in the Type of Continuing Membership Application section, summarizes this event as “Merger of the member with another member.” In another example, while Rule 1017(a)(2) states that a CMA is required for “a direct or indirect acquisition by the member of another member, unless the acquiring member is a member of the New York Stock Exchange, Inc[.]” Form CMA summarizes such event as a “[d]irect or indirect acquisition by the member of another member.” Except for one technical change pertaining to the event that corresponds to Rule 1017(a)(3), FINRA is not proposing to change the descriptions of Rule 1017(a)(1) through Rule 1017(a)(5) as they currently appear in Form CMA.



ownership, control, or business operations that an applicant may select, as applicable, with references to the corresponding provisions in Rule 1017(a)(6)<sup>16</sup> and (a)(7):

- ☐ Any direct or indirect acquisition or transfer of a member's assets or any asset, business or line of operation where the transferring member or an Associated Person of the transferring member has a "covered pending arbitration claim," an unpaid arbitration award or an unpaid settlement related to an arbitration (FINRA Rule 1017(a)(6)(A))
- ☐ Business expansion to add one or more Associated Persons involved in sales and one or more of those Associated Persons has a "covered pending arbitration claim," an unpaid arbitration award or an unpaid settlement related to an arbitration (FINRA Rule 1017(a)(6)(B))
- ☐ Natural person seeks to become an owner, control person, principal or registered person of a member and has, in the prior five years, one or more "final criminal matters" or two or more "specified risk events" (FINRA Rule 1017(a)(7))

These proposed conforming changes to this section of Form CMA will list all of the events under Rule 1017(a). Additionally, the specific references on Form CMA to the applicable subsections of Rule 1017 will give applicants clarity about which events require them to submit Form CMA to FINRA for approval.

B. Incorporate Questions to Conform Form CMA to Rule 1017(a)(7)

Rule 1017(i) provides that in rendering a decision on a CMA, FINRA must consider whether the applicant and its associated persons meet each of the standards in

---

<sup>16</sup> FINRA recently made changes to Form CMA to account for Rule 1017(a)(6). See Securities Exchange Act Release No. 89867 (September 15, 2020), 85 FR 58404 (September 18, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-028).

Rule 1014(a). FINRA is proposing to amend two sections in Form CMA, which are “Standard 1: Overview of the Applicants,” corresponding to Rule 1014(a)(1) (“Standard 1”), and “Standard 3: Compliance with securities laws, just and equitable principles of trade,” corresponding to Rule 1014(a)(3) (“Standard 3”). FINRA believes that these proposed changes would conform Form CMA to, and are necessary to effectively account for, Rule 1017(a)(7). The proposed amendments to Form CMA are described in further detail below.

1. Form CMA’s “Standard 1: Overview of the Applicants” Section

Standard 1 requires FINRA to determine whether the application and all supporting documents are complete and accurate. Form CMA’s Standard 1 section has several questions that, in general, focus on understanding the circumstances surrounding the contemplated change or event set forth under Rule 1017(a), and are intended to elicit from the applicant the information necessary for FINRA to assess whether Standard 1 is met. For example, the applicant is required to provide a complete description of the contemplated change, the persons or entities that will become associated or affiliated with the applicant as a result of the contemplated change, and to the extent applicable, a description of the liabilities that will not be included in a transfer of assets or a line of business.<sup>17</sup>

FINRA is proposing to add several new questions to this section that would require the applicant to provide information necessary to support compliance with Rule

---

<sup>17</sup> See generally Exhibit 3 (Form CMA, Standard 1, Questions 1, 2, and 3, within the category titled “Overview of the proposed change”).

1017(a)(7). These proposed questions are intended to collect the necessary information in an efficient manner, as further explained below.

Proposed new Question 5 would require, as marked by the asterisk, the applicant to provide a “yes” or “no” answer to the following question:

5. Is this application required because the Applicant seeks to add a natural person as an owner, control person, principal or registered person who, in the prior five years, has one or more “final criminal matters” or two or more “specified risk events” (as defined in FINRA Rule 1011)?\* (As Rule 1017(a)(7) provides, the term “owner” has the same meaning as “direct owner” and “indirect owner” on Form BD Schedules A and B, as amended from time to time, and the term “control person” means a person who would have “control” as defined on Form BD, as amended from time to time.)

If the applicant’s answer to proposed Question 5 is “yes,” proposed Question 5.a. would prompt the applicant to identify in a chart, for each “final criminal matter” or “specified risk event,” the subject party, that person’s CRD number, and, if the matter or event has not been reported on a Uniform Registration Form, a description of the nature of the activity, any findings, any fine or other dispositions.<sup>18</sup>

---

<sup>18</sup> See Exhibit 3 (Form CMA, Standard 1, chart accompanying Proposed Question 5.a., within the category titled “Overview of the proposed change”). This proposed chart would be similar to how members, when submitting a request for a materiality consultation pursuant to Rule 1017(a)(7), would need to provide information about individuals’ “final criminal matters” and “specified risk events.” See Rule 1017(a)(7) (providing that the member’s written request for a materiality consultation “must address the issues that are central to the materiality consultation”); Securities Exchange Act Release No. 88600 (April 8, 2020), 85 FR 20745, 20753 (April 14, 2020) (Notice of Filing of File No. SR-FINRA-2020-011) (explaining that a member submitting a request for a materiality consultation would need to provide information relating to the individuals’ “final criminal matters” and “specified risk events”).

Specifically, proposed Question 5.a. would ask:<sup>19</sup>

- a. If the answer to Question 5 is “yes,” for each “final criminal matter” or “specified risk event,” if the matter or event has been reported on a Uniform Registration Form (i.e., Forms U4, U5, U6, BD), please provide the subject party and that person’s CRD number. If the matter or event has not been reported on a Uniform Registration Form, please also provide a description of the nature of the activity, any findings, any fine or other dispositions.

If the applicant’s answer to proposed Question 5 is “no,” the applicant would not be prompted to answer proposed Question 5.a.

The proposed conforming changes to Standard 1 of Form CMA are intended to collect necessary information efficiently. Proposed Question 5.a. would reduce the burden on firms to provide FINRA with duplicate information by not requiring applicants to describe each “final criminal matter” or “specified risk event” that was already described on a Uniform Registration Form. Thus, if the matter or event has already been reported on a Uniform Registration Form, the applicant would only need to provide the subject party and that person’s CRD number. If the matter or event has not been reported on a Uniform Registration Form, the applicant also would be required to provide a description of the nature of the activity, any findings, any fine or other dispositions, to support compliance with Rule 1017(a)(7). Further, requiring firms to provide the subject party’s CRD number would facilitate FINRA’s coordination of information entered on Form CMA with information that has been entered on a Uniform Registration Form or

---

<sup>19</sup> The following quoted material includes references to the Uniform Application for Securities Industry Registration or Transfer (“Form U4”), the Uniform Termination Notice for Securities Industry Registration (“Form U5”), the Uniform Disciplinary Action Reporting Form (“Form U6”), and the Central Registration Depository (“CRD”).

provided in a related materiality consultation, and thus enable FINRA to more efficiently monitor for compliance with Rule 1017(a)(7).

Form CMA's Standard 1 section also requests the applicant to provide information on contemplated changes in direct ownership and indirect ownership. For example, the applicant is currently prompted to provide, as applicable, the proposed direct or indirect owner's CRD number, name, roles, the date the role was acquired, the person's ownership percentage, and whether the person is a "control person," among other information. Rule 1017(a)(7) applies when a natural person seeking to become an "owner" or "control person" (among other roles) has, in the prior five years, "one or more final criminal matters or two or more specified risk events." Rule 1017(a)(7) further provides that, for purposes of Rule 1017(a)(7), the term "owner" has the same meaning as "direct owner" and "indirect owner" on Form BD Schedules A and B, as amended from time to time. To conform with Rule 1017(a)(7), FINRA is proposing to add a question about whether the contemplated direct or indirect owner of the applicant is a "FINRA Rule 1017(a)(7) Person (i.e., whether such person has one or more 'final criminal matters' or two or more 'specified risk events' in the prior five years)." <sup>20</sup>

---

<sup>20</sup> Member firms also would identify these direct and indirect owners in materiality consultations pursuant to Rule 1017(a)(7). See Rule 1017(a)(7) (providing that a written request for a materiality consultation "must address the issues that are central to the materiality consultation"); Securities Exchange Act Release No. 88600 (April 8, 2020), 85 FR 20745, 20753 (April 14, 2020) (Notice of Filing of File No. SR-FINRA-2020-011) (explaining that a member submitting a request for a materiality consultation would need to provide information relating to the subject person), supra note 18.

2. Form CMA’s “Standard 3: Compliance with securities laws, just and equitable principles of trade” Section

Standard 3 requires FINRA to determine whether an applicant and its associated persons “are capable of complying with” the applicable securities laws and regulations, and with applicable FINRA rules. Standard 3 sets forth several factors, including past and current disciplinary actions and customer claims, that FINRA must consider in making that determination. The existence of certain factors that “[raise] a question of capacity to comply with the federal securities laws and the rules of [FINRA]” results in a rebuttable presumption to deny the application.<sup>21</sup> In general, Form CMA’s Standard 3 section currently includes questions that require an applicant to indicate whether it or any of its associated persons are subject to any of the specified factors described in Standard 3, direct the applicant to provide additional information about those factors, require the applicant to explain, even with the existence of the specified factors, how it will be able to comply with applicable securities laws and regulations and with applicable FINRA rules, ask arbitration-related questions, and prompt the applicant to provide supporting documents.<sup>22</sup>

FINRA is proposing to add new questions to Form CMA’s Standard 3 section for the same reason that FINRA is proposing new questions to Form CMA’s Standard 1

---

<sup>21</sup> See Notice to Members 04-10 (February 2004) (announcing amendments to Rules 1011, 1014, and 1017); and Rule 1017(i) (setting forth the events that create a rebuttable presumption to deny a CMA).

<sup>22</sup> See generally Form CMA, Standard 3, Questions 1, 2, 3, and 4 (within the category titled “Explain how this Standard is met.”). In 2020, some questions in Form CMA’s Standard 3 section underwent adjustments to align with the arbitration-related amendments to the MAP rules as described in File No. SR-FINRA-2019-030. See supra note 16.

section, which is to require the applicant to provide information necessary to support compliance with Rule 1017(a)(7). These proposed questions are intended to collect the necessary information in an efficient manner, as further explained below.

FINRA is proposing to add new Question 5 to Form CMA's Standard 3 section, using language similar to proposed Question 5 in Form CMA's Standard 1 section. A similar question in Form CMA's Standard 3 section is needed because information concerning a person described in Rule 1017(a)(7) would be relevant to a CMA filed pursuant to other subparagraphs of Rule 1017(a).<sup>23</sup> Specifically, proposed Question 5 would require the applicant to provide a "yes" or "no" answer to the following:

5. Does this application propose to add a natural person as an owner, control person, principal or registered person who, in the prior five years, has one or more "final criminal matters" or two or more "specified risk events"?\* See FINRA Rule 1017(a)(7). (For purposes of Rule 1017(a)(7), the term "owner" has the same meaning as "direct owner" and "indirect owner" on Form BD Schedules A and B, as amended from time to time, and the term "control person" means a person who would have "control" as defined on Form BD, as amended from time to time.)

If the applicant answers "yes," the applicant would then be asked in proposed Question 5.a. whether the information was provided above in the section concerning Standard 1, Question 5.a. If the answer to Standard 3, Question 5.a. is "yes," then the applicant would not be required to complete Question 5.b. If the answer to Standard 3, Question 5.a. is "no," then the applicant would be required to respond to proposed Question 5.b.:

- b. If the answer to Question 5.a. is "no," for each "final criminal matter" or "specified risk event," if the matter or event has been reported on a Uniform Registration

---

<sup>23</sup> Rule 1017(a)(7) requires a member to file a CMA only when "the member is not otherwise required to file a Form CMA in accordance with Rule 1017."

Form (i.e., Forms U4, U5, U6, BD), please provide the subject party and that person's CRD number. If the matter or event has not been reported on a Uniform Registration Form, please also provide a description of the nature of the activity, any findings, any fine or other dispositions.

The applicant would be able to provide the information requested in proposed Question 5.b. in a chart identical to the chart proposed to follow Question 5.a. in Form CMA's Standard 1 section.<sup>24</sup>

The proposed conforming changes to Standard 3 of Form CMA are intended to collect necessary information efficiently. Proposed Questions 5.a. and 5.b. and the accompanying chart to Form CMA's Standard 3 section would reduce the burden on firms to provide FINRA with duplicate information already provided earlier on Form CMA or separately in a Uniform Registration Form. If the matter or event has already been described in Form CMA's Standard 1 section, the applicant would be able to cross-reference that description. If the matter or event was not already described in Form CMA's Standard 1 section but was already reported on a Uniform Registration Form, the applicant would only need to provide the subject party and that person's CRD number. If the matter or event has not been reported in Form CMA's Standard 1 section or on a Uniform Registration Form, the applicant would also be required to provide a description of the nature of the activity, any findings, any fine or other dispositions, to support compliance with Rule 1017(a)(7). Further, requiring firms to provide a CRD number would enable FINRA to facilitate FINRA's coordination of information entered on Form CMA with information that has been entered on a Uniform Registration Form or

---

<sup>24</sup> See Exhibit 3 (Form CMA, Standard 3, chart accompanying Proposed Question 5.b., within the category titled "Explain how this Standard is met").



provided in a related materiality consultation, and therefore enable FINRA to more efficiently gather relevant information.

C. Other Proposed Non-Substantive, Technical Amendments to Form CMA

FINRA is also proposing several non-substantive, technical changes to Form CMA. First, FINRA is proposing to include in Form CMA's Standard 1 section and Standard 3 section a reminder to the applicant that, "[e]very Form U4 shall be kept current at all times by supplementary amendments to the original Form U4. See FINRA By-Laws, Art. V, Sec. 2(c)." Form U4 is one of the "Uniform Registration Forms," as defined by amendments to the MAP rules.<sup>25</sup> Second, FINRA is proposing to amend Form CMA's "Type of Continuing Membership Application" section to change "comprising" to "composing" to match the language used in Rule 1017(a)(3).<sup>26</sup>

Finally, FINRA is proposing to add within Form CMA's Standard 1 section new Questions 4.a., 4.b. and 4.c that would efficiently collect the information needed to monitor for compliance with Rule 1017(a)(6). Proposed Questions 4.a. and 4.b. would ask the applicant to indicate whether the CMA is required under Rule 1017(a)(6)(A) or Rule 1017(a)(6)(B), respectively.<sup>27</sup> If the applicant answers "yes" to either question, then

---

<sup>25</sup> See paragraph (r) under Rule 1011 (defining "Uniform Registration Forms") as amended by SR-FINRA-2020-011, supra note 3.

<sup>26</sup> See Rule 1017(a)(3) (requiring, in pertinent part, a member to file an application for approval of "direct or indirect acquisitions or transfers of 25 percent or more in the aggregate of the member's assets or any asset, business or line of operation that generates revenues composing 25 percent or more in the aggregate of the member's earnings measured on a rolling 36-month basis") (Emphasis added).

<sup>27</sup> See generally Exhibit 3 (Form CMA, Standard 1, proposed Questions 4, 4.a., 4.b., 4.c. and accompanying chart, within the category titled "Overview of the proposed change").

proposed Question 4.c. would prompt the applicant to list, for each covered pending arbitration claim, unpaid arbitration award, or unpaid settlement related to an arbitration, the subject party and that person's CRD number in a chart. FINRA believes that adding these proposed questions and the accompanying chart to Form CMA's Standard 1 section would efficiently collect the information needed to monitor for compliance with Rule 1017(a)(6).<sup>28</sup> The proposed questions would also achieve parity with the manner FINRA is proposing to elicit information needed to monitor for compliance with Rule 1017(a)(7). Additionally, proposed Question 4 would allow FINRA to readily coordinate information entered on Form CMA with information that may have been entered on a Uniform Registration Form or provided in a materiality consultation.

As noted in Item 2, FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change on September 1, 2021, to coincide with the effective date of the amendments to the MAP rules as announced in Regulatory Notice 21-09.<sup>29</sup>

---

<sup>28</sup> The requested information is similar to the information that member firms would provide in a materiality consultation pursuant to Rule 1017(a)(6). See Rule 1017(a)(6)(A) and (B) (providing that the written request for a materiality consultation "must address the issues that are central to the materiality consultation"); see also Checklist for Mandatory Materiality Consultations Under Rule 1017(a)(6), <https://www.finra.org/rules-guidance/guidance/materiality-consultation-process/checklist-under-rule-1017a6> (providing guidance to firms to provide, among other things, the name, title and CRD number of associated persons with a covered pending arbitration claim, unpaid arbitration award or unpaid settlement related to an arbitration).

<sup>29</sup> FINRA notes that the proposed rule change would impact all members, including members that have elected to be treated as capital acquisition brokers ("CABs"), given that CAB Rule 116 (Application for Approval of Change in Ownership, Control, or Business Operations) incorporates, by reference, Rule 1017, which

The proposed changes to Form CMA conform to the recently amended MAP rules. To facilitate member firm compliance with the amended rules on the date they become effective, it is necessary for the amendments to Form CMA to become effective on the same date.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>30</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

The proposed changes to Form CMA will conform the form to the amendments to Rule 1017(a)(7), as described in the SEC Order. The proposed changes to Form CMA will also help ensure that applicants for continuing membership provide the information and documentation to produce a complete application package for FINRA's review.

**4. Self-Regulatory Organization's Statement on Burden on Competition**

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. FINRA's recent amendments to the MAP rules, which specify additional events that require a CMA for FINRA's approval, necessitate conforming changes to the sections of Form CMA pertaining to the type of CMA, Standard 1 and Standard 3. The proposed

---

requires that a member's application for approval of changes to its ownership, control, or business operations include a Form CMA. See Rule 1017(b)(2).

<sup>30</sup> 15 U.S.C. 78o-3(b)(6).

conforming changes—i.e., listing in Form CMA’s “Type of Continuing Membership Application” section all of the events under Rule 1017(a) that require a member to file Form CMA, and incorporating in Form CMA’s Standard 1 and Standard 3 sections questions that would require the applicant to provide information about an individual’s “final criminal matters” and “specified risk events” that is necessary to support compliance with Rule 1017(a)(7)—are derived from, and effectuate, recent amendments to the MAP rules concerning persons with a significant history of misconduct and the broker-dealers that employ them, as described in the SEC Order. In addition, the proposed changes to Form CMA’s Standard 1 section pertaining to Rule 1017(a)(6) would efficiently collect the information needed to monitor for compliance with that rule in the same manner that FINRA proposes to collect information needed to monitor for compliance with Rule 1017(a)(7). FINRA considered and discussed the potential economic impact of the recent amendments in File No. SR-FINRA-2020-011, including the burden imposed on some applicants to seek a materiality consultation with FINRA, and noted the potential requirement to file a Form CMA and certain associated costs.<sup>31</sup> FINRA believes that the proposed conforming changes to Form CMA and the proposed technical changes described herein would not result in new material economic effects.

**5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

Written comments were neither solicited nor received.

**6. Extension of Time Period for Commission Action**

Not applicable.

---

<sup>31</sup> See Securities Exchange Act Release No. 88600 (April 8, 2020), 85 FR 20745, 20755-62 (April 14, 2020) (Notice of Filing of File No. SR-FINRA-2020-011).

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)**

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act<sup>32</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>33</sup> in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

FINRA requests that the Commission waive the requirement that the rule change, by its terms, not become operative for 30 days after the date of the filing as set forth in Rule 19b-4(f)(6)(iii).<sup>34</sup> Waiver of the operative delay would allow the proposed changes to be implemented on September 1, 2021, consistent with the effective date for the amendments to the MAP rules.<sup>35</sup> As discussed above, the amendments to the MAP rules address brokers with a significant history of misconduct and the broker-dealers that employ them and require, among other things, a member to file a Form CMA under certain circumstances. The proposed changes to Form CMA conform to the recently amended MAP rules. To facilitate member firm compliance with the amended rules on the date they become effective, it is necessary for the amendments to Form CMA to become effective on the same date.

---

<sup>32</sup> 15 U.S.C. 78s(b)(3).

<sup>33</sup> 17 CFR 240.19b-4(f)(6).

<sup>34</sup> 17 CFR 240.19b-4(f)(6)(iii).

<sup>35</sup> See supra note 3.

In accordance with Rule 19b-4(f)(6),<sup>36</sup> FINRA submitted written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing, or such shorter time as the Commission may designate, as specified in Rule 19b-4(f)(6)(iii) under the Act.<sup>37</sup>

**8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

**9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act**

Not applicable.

**10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act**

Not applicable.

**11. Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3. Amended Form CMA.

---

<sup>36</sup> 17 CFR 240.19b-4(f)(6).

<sup>37</sup> 17 CFR 240.19b-4(f)(6)(iii).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2021-020)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend Form CMA (Continuing Membership Application Form)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on , the Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to (1) amend Form CMA (Continuing Membership Application Form) required under Rule 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) to conform to amendments to the

---

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

Membership Application Program (“MAP”) rules<sup>4</sup> as described in File No. SR-FINRA-2020-011, which become effective on September 1, 2021;<sup>5</sup> and (2) make non-substantive and technical changes to Form CMA.<sup>6</sup> The proposed rule change does not make any changes to the text of FINRA rules.

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org>, at the principal office of FINRA and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

---

<sup>4</sup> The MAP rules consist of Rules 1011 through 1019, which reside under the Rule 1000 Series (Member Application and Associated Person Registration).

<sup>5</sup> See Securities Exchange Act Release No. 90635 (December 10, 2020), 85 FR 81540 (December 16, 2020) (Order Approving File No. SR-FINRA-2020-011, as Modified by Amendment No. 1) (“SEC Order”). See also Regulatory Notice 21-09 (March 2021) (announcing September 1, 2021, as the effective date of the amendments to the MAP rules, and different effective dates of the amendments to other FINRA rules to address brokers with a significant history of misconduct).

<sup>6</sup> FINRA is separately developing comprehensive changes to the MAP rules in connection with the retrospective review of this rule set, which will also require conforming amendments to the standardized forms. See Regulatory Notice 18-23 (July 2018) (requesting comment on a proposal regarding the MAP rules).



A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Background

The MAP rules require an applicant for continuing membership to file an application that includes a Form CMA.<sup>7</sup> Form CMA is organized into sections that align with the standards for admission set forth in Rule 1014(a) (Standards for Admission). Each section begins with a description of the applicable standard in 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 standards described under Rule 1014(a), and to facilitate FINRA's review of the application.<sup>8</sup> An applicant is able to provide its documents and information by attaching files in various formats (e.g., .docx, .pdf, .xlsx) or by entering free form text in text boxes, and making selections through screen components such as drop-down menus and radio buttons, among others.

Recent Amendments to the MAP Rules

On December 10, 2020, FINRA amended the MAP rules, among other FINRA rules, to address the issue of persons with a significant history of misconduct and the member firms that employ them.<sup>9</sup> As amended, Rule 1017 includes new paragraph (a)(7), which requires a member to file a continuing member application ("CMA")

---

<sup>7</sup> See Rule 1017(b)(2).

<sup>8</sup> The sections of Form CMA that are marked with a red asterisk require the applicant to provide a response.

<sup>9</sup> See supra note 5.

whenever a natural person seeking to become an owner,<sup>10</sup> control person,<sup>11</sup> principal or registered person of a member has, in the prior five years, one or more “final criminal matters” (as defined in new Rule 1011(h)<sup>12</sup>) or two or more “specified risk events” (as defined in new Rule 1011(p)<sup>13</sup>), and the member is not otherwise required to file a Form CMA in accordance with Rule 1017, unless the member has submitted a written request to FINRA seeking a materiality consultation for such contemplated activity. As part of the materiality consultation, Rule 1017(a)(7) also provides that FINRA will determine in the public interest and the protection of investors that either the member is not required to file a Form CMA and may effect the contemplated activity, or the member is required to file a Form CMA in accordance with Rule 1017 and the member may not effect the contemplated activity unless FINRA approves the Form CMA. In addition, Rule 1017(a)(7) provides that Interpretative Material (“IM”)-1011-1 (Safe Harbor for Business

---

<sup>10</sup> For purposes of Rule 1017(a)(7) only, the term “owner” has the same meaning as “direct owner” and “indirect owner” on the Uniform Application for Broker-Dealer Registration (“Form BD”) Schedules A and B, as amended from time to time. See Rule 1017(a)(7).

<sup>11</sup> For purposes of Rule 1017(a)(7), the term “control person” means a person who would have “control” as defined on Form BD, as amended from time to time. See Rule 1017(a)(7).

<sup>12</sup> See paragraph (h) under Rule 1011 (defining “final criminal matter”) as amended by SR-FINRA-2020-011, supra note 5.

<sup>13</sup> See paragraph (p) under Rule 1011 (defining “specified risk event”) as amended by SR-FINRA-2020-011, supra note 5. See also Securities Exchange Act Release No. 92710 (August 19, 2021) (Order Approving File No. SR-FINRA-2021-011) (amendment to the “specified risk event” definition).

Expansions) is not available to the member when a materiality consultation is required under Rule 1017(a)(7).<sup>14</sup>

Proposed Conforming Amendments to Form CMA

As a result of the recent amendments to the MAP rules, FINRA is proposing to amend Form CMA to: (1) list in the section of the form entitled “Type of Continuing Membership Application” all of the events under Rule 1017(a) that require a member to file Form CMA; (2) incorporate questions into Form CMA that relate specifically to Rule 1017(a)(7); and (3) make other non-substantive and technical changes in the form for clarity and consistency, and to promote efficiency. FINRA believes that these proposed conforming changes to Form CMA and the non-substantive and technical changes will help guide an applicant to provide the responses needed to demonstrate that it can meet the standards set forth under Rule 1014(a), and to facilitate FINRA’s review of the application in light of the recent amendments to the MAP rules.

A. Amend Form CMA’s “Type of Continuing Membership Application” Section to List All of the Events Specified in Paragraphs (a)(1) through (a)(7) under Rule 1017

As noted above, Form CMA is organized into sections that correspond to the standards for admission set forth in Rule 1014(a), with each section containing its own set of questions, some of which are mandatory, related to that particular standard for

---

<sup>14</sup> Relatedly, new IM-1011-3 (Business Expansions and Persons with Specified Risk Events) provides that IM-1011-1 is not available to any member that is seeking to add a natural person who has, in the prior five years, one or more final criminal matters or two or more specified risk events and seeks to become an owner, control person, principal, or registered person of the member. In general, IM-1011-1 creates a safe harbor for specified categories of business expansions, subject to certain thresholds, that a member may undergo without filing a CMA.

admission.<sup>15</sup> But before an applicant proceeds with completing those sections, Form CMA requests the applicant to identify all applicable types of changes in ownership, control, or business operations in the section titled, “Type of Continuing Membership Application.” This section currently bears two headers that categorize some Rule 1017(a) events as either “Ownership of asset transfer changes,” covering the events described under Rule 1017(a)(1) through Rule 1017(a)(4), or “Change(s) in business operations,” covering the events described under Rule 1017(a)(5).<sup>16</sup> Currently, Form CMA’s “Type of Continuing Membership Application” section presents the events under Rule 1017(a)(1) through Rule 1017(a)(5), some of which appear in a summary fashion, without rule references.<sup>17</sup> FINRA is proposing to amend this section of Form CMA so

---

<sup>15</sup> See supra note 8.

<sup>16</sup> Rule 1017(a)(5) provides that a member shall file a CMA for approval of a “material change in business operations,” which is defined in Rule 1011(m). Currently on Form CMA, the “Change(s) in business operations” category lists five options that an applicant may select to further identify the type of material change involved. Three of those options correspond to changes that are set forth in subparagraphs (1), (2) and (3) under the definition of “material change in business operations” in Rule 1011(m). A fourth option describes an expansion of Associated Persons, offices, or number of markets made. A fifth “other” option also is included because the definition of “material change in business operations” is not exhaustive. See generally paragraph (m) under Rule 1011 as amended by SR-FINRA-2020-011 (renumbering from paragraph (l) to paragraph (m)), supra note 5; IM-1011-1; Rule 1017(b)(2)(C).

<sup>17</sup> For example, Rule 1017(a)(1) provides that a CMA is required for “a merger of the member with another member, unless both are members of the New York Stock Exchange, Inc. or the surviving entity will continue to be a member of the New York Stock Exchange, Inc[.]” Form CMA, in the Type of Continuing Membership Application section, summarizes this event as “Merger of the member with another member.” In another example, while Rule 1017(a)(2) states that a CMA is required for “a direct or indirect acquisition by the member of another member, unless the acquiring member is a member of the New York Stock Exchange, Inc.[.]” Form CMA summarizes such event as a “[d]irect or indirect acquisition by the member of another member.” Except for one technical change pertaining to the event that corresponds to Rule 1017(a)(3), FINRA is not

that all the events described under Rule 1017(a), including those set forth in paragraphs (a)(6) and (a)(7), and their respective rule references would be listed in the form. In addition, FINRA is proposing to delete the two headers—“Ownership of asset transfer changes” and “Change(s) in business operations”—for clarity and to facilitate presenting the events under Rule 1017(a)(1) through 1017(a)(7) sequentially.

Specifically, the proposed changes to Form CMA’s “Type of Continuing Membership Application” section would add the following three types of changes in ownership, control, or business operations that an applicant may select, as applicable, with references to the corresponding provisions in Rule 1017(a)(6)<sup>18</sup> and (a)(7):

- ☐ Any direct or indirect acquisition or transfer of a member’s assets or any asset, business or line of operation where the transferring member or an Associated Person of the transferring member has a “covered pending arbitration claim,” an unpaid arbitration award or an unpaid settlement related to an arbitration (FINRA Rule 1017(a)(6)(A))
- ☐ Business expansion to add one or more Associated Persons involved in sales and one or more of those Associated Persons has a “covered pending arbitration claim,” an unpaid arbitration award or an unpaid settlement related to an arbitration (FINRA Rule 1017(a)(6)(B))
- ☐ Natural person seeks to become an owner, control person, principal or registered person of a member and has, in the prior five years, one or more “final criminal

---

proposing to change the descriptions of Rule 1017(a)(1) through Rule 1017(a)(5) as they currently appear in Form CMA.

<sup>18</sup> FINRA recently made changes to Form CMA to account for Rule 1017(a)(6). See Securities Exchange Act Release No. 89867 (September 15, 2020), 85 FR 58404 (September 18, 2020) (Notice of Filing and Immediate Effectiveness of File No. SR-FINRA-2020-028).

matters” or two or more “specified risk events” (FINRA Rule 1017(a)(7))

These proposed conforming changes to this section of Form CMA will list all of the events under Rule 1017(a). Additionally, the specific references on Form CMA to the applicable subsections of Rule 1017 will give applicants clarity about which events require them to submit Form CMA to FINRA for approval.

B. Incorporate Questions to Conform Form CMA to Rule 1017(a)(7)

Rule 1017(i) provides that in rendering a decision on a CMA, FINRA must consider whether the applicant and its associated persons meet each of the standards in Rule 1014(a). FINRA is proposing to amend two sections in Form CMA, which are “Standard 1: Overview of the Applicants,” corresponding to Rule 1014(a)(1) (“Standard 1”), and “Standard 3: Compliance with securities laws, just and equitable principles of trade,” corresponding to Rule 1014(a)(3) (“Standard 3”). FINRA believes that these proposed changes would conform Form CMA to, and are necessary to effectively account for, Rule 1017(a)(7). The proposed amendments to Form CMA are described in further detail below.

1. Form CMA’s “Standard 1: Overview of the Applicants” Section

Standard 1 requires FINRA to determine whether the application and all supporting documents are complete and accurate. Form CMA’s Standard 1 section has several questions that, in general, focus on understanding the circumstances surrounding the contemplated change or event set forth under Rule 1017(a), and are intended to elicit from the applicant the information necessary for FINRA to assess whether Standard 1 is met. For example, the applicant is required to provide a complete description of the contemplated change, the persons or entities that will become associated or affiliated with

the applicant as a result of the contemplated change, and to the extent applicable, a description of the liabilities that will not be included in a transfer of assets or a line of business.<sup>19</sup>

FINRA is proposing to add several new questions to this section that would require the applicant to provide information necessary to support compliance with Rule 1017(a)(7). These proposed questions are intended to collect the necessary information in an efficient manner, as further explained below.

Proposed new Question 5 would require, as marked by the asterisk, the applicant to provide a “yes” or “no” answer to the following question:

5. Is this application required because the Applicant seeks to add a natural person as an owner, control person, principal or registered person who, in the prior five years, has one or more “final criminal matters” or two or more “specified risk events” (as defined in FINRA Rule 1011)?\* (As Rule 1017(a)(7) provides, the term “owner” has the same meaning as “direct owner” and “indirect owner” on Form BD Schedules A and B, as amended from time to time, and the term “control person” means a person who would have “control” as defined on Form BD, as amended from time to time.)

If the applicant’s answer to proposed Question 5 is “yes,” proposed Question 5.a. would prompt the applicant to identify in a chart, for each “final criminal matter” or “specified risk event,” the subject party, that person’s CRD number, and, if the matter or event has not been reported on a Uniform Registration Form, a description of the nature of the

---

<sup>19</sup> See generally Exhibit 3 (Form CMA, Standard 1, Questions 1, 2, and 3, within the category titled “Overview of the proposed change”).

activity, any findings, any fine or other dispositions.<sup>20</sup> Specifically, proposed Question 5.a. would ask:<sup>21</sup>

- a. If the answer to Question 5 is “yes,” for each “final criminal matter” or “specified risk event,” if the matter or event has been reported on a Uniform Registration Form (i.e., Forms U4, U5, U6, BD), please provide the subject party and that person’s CRD number. If the matter or event has not been reported on a Uniform Registration Form, please also provide a description of the nature of the activity, any findings, any fine or other dispositions.

If the applicant’s answer to proposed Question 5 is “no,” the applicant would not be prompted to answer proposed Question 5.a.

The proposed conforming changes to Standard 1 of Form CMA are intended to collect necessary information efficiently. Proposed Question 5.a. would reduce the burden on firms to provide FINRA with duplicate information by not requiring applicants to describe each “final criminal matter” or “specified risk event” that was already

---

<sup>20</sup> See Exhibit 3 (Form CMA, Standard 1, chart accompanying Proposed Question 5.a., within the category titled “Overview of the proposed change”). This proposed chart would be similar to how members, when submitting a request for a materiality consultation pursuant to Rule 1017(a)(7), would need to provide information about individuals’ “final criminal matters” and “specified risk events.” See Rule 1017(a)(7) (providing that the member’s written request for a materiality consultation “must address the issues that are central to the materiality consultation”); Securities Exchange Act Release No. 88600 (April 8, 2020), 85 FR 20745, 20753 (April 14, 2020) (Notice of Filing of File No. SR-FINRA-2020-011) (explaining that a member submitting a request for a materiality consultation would need to provide information relating to the individuals’ “final criminal matters” and “specified risk events”).

<sup>21</sup> The following quoted material includes references to the Uniform Application for Securities Industry Registration or Transfer (“Form U4”), the Uniform Termination Notice for Securities Industry Registration (“Form U5”), the Uniform Disciplinary Action Reporting Form (“Form U6”), and the Central Registration Depository (“CRD”).



described on a Uniform Registration Form. Thus, if the matter or event has already been reported on a Uniform Registration Form, the applicant would only need to provide the subject party and that person's CRD number. If the matter or event has not been reported on a Uniform Registration Form, the applicant also would be required to provide a description of the nature of the activity, any findings, any fine or other dispositions, to support compliance with Rule 1017(a)(7). Further, requiring firms to provide the subject party's CRD number would facilitate FINRA's coordination of information entered on Form CMA with information that has been entered on a Uniform Registration Form or provided in a related materiality consultation, and thus enable FINRA to more efficiently monitor for compliance with Rule 1017(a)(7).

Form CMA's Standard 1 section also requests the applicant to provide information on contemplated changes in direct ownership and indirect ownership. For example, the applicant is currently prompted to provide, as applicable, the proposed direct or indirect owner's CRD number, name, roles, the date the role was acquired, the person's ownership percentage, and whether the person is a "control person," among other information. Rule 1017(a)(7) applies when a natural person seeking to become an "owner" or "control person" (among other roles) has, in the prior five years, "one or more final criminal matters or two or more specified risk events." Rule 1017(a)(7) further provides that, for purposes of Rule 1017(a)(7), the term "owner" has the same meaning as "direct owner" and "indirect owner" on Form BD Schedules A and B, as amended from time to time. To conform with Rule 1017(a)(7), FINRA is proposing to add a question about whether the contemplated direct or indirect owner of the applicant is a "FINRA

Rule 1017(a)(7) Person (i.e., whether such person has one or more ‘final criminal matters’ or two or more ‘specified risk events’ in the prior five years).”<sup>22</sup>

2. Form CMA’s “Standard 3: Compliance with securities laws, just and equitable principles of trade” Section

Standard 3 requires FINRA to determine whether an applicant and its associated persons “are capable of complying with” the applicable securities laws and regulations, and with applicable FINRA rules. Standard 3 sets forth several factors, including past and current disciplinary actions and customer claims, that FINRA must consider in making that determination. The existence of certain factors that “[raise] a question of capacity to comply with the federal securities laws and the rules of [FINRA]” results in a rebuttable presumption to deny the application.<sup>23</sup> In general, Form CMA’s Standard 3 section currently includes questions that require an applicant to indicate whether it or any of its associated persons are subject to any of the specified factors described in Standard 3, direct the applicant to provide additional information about those factors, require the applicant to explain, even with the existence of the specified factors, how it will be able to comply with applicable securities laws and regulations and with applicable FINRA

---

<sup>22</sup> Member firms also would identify these direct and indirect owners in materiality consultations pursuant to Rule 1017(a)(7). See Rule 1017(a)(7) (providing that a written request for a materiality consultation “must address the issues that are central to the materiality consultation”); Securities Exchange Act Release No. 88600 (April 8, 2020), 85 FR 20745, 20753 (April 14, 2020) (Notice of Filing of File No. SR-FINRA-2020-011) (explaining that a member submitting a request for a materiality consultation would need to provide information relating to the subject person), supra note 20.

<sup>23</sup> See Notice to Members 04-10 (February 2004) (announcing amendments to Rules 1011, 1014, and 1017); and Rule 1017(i) (setting forth the events that create a rebuttable presumption to deny a CMA).

rules, ask arbitration-related questions, and prompt the applicant to provide supporting documents.<sup>24</sup>

FINRA is proposing to add new questions to Form CMA's Standard 3 section for the same reason that FINRA is proposing new questions to Form CMA's Standard 1 section, which is to require the applicant to provide information necessary to support compliance with Rule 1017(a)(7). These proposed questions are intended to collect the necessary information in an efficient manner, as further explained below.

FINRA is proposing to add new Question 5 to Form CMA's Standard 3 section, using language similar to proposed Question 5 in Form CMA's Standard 1 section. A similar question in Form CMA's Standard 3 section is needed because information concerning a person described in Rule 1017(a)(7) would be relevant to a CMA filed pursuant to other subparagraphs of Rule 1017(a).<sup>25</sup> Specifically, proposed Question 5 would require the applicant to provide a "yes" or "no" answer to the following:

5. Does this application propose to add a natural person as an owner, control person, principal or registered person who, in the prior five years, has one or more "final criminal matters" or two or more "specified risk events"?\* See FINRA Rule 1017(a)(7). (For purposes of Rule 1017(a)(7), the term "owner" has the same meaning as "direct owner" and "indirect owner" on Form BD Schedules A and B, as amended from time to time, and the term "control person" means a person who would have "control" as defined on Form BD, as amended from time to time.)

---

<sup>24</sup> See generally Form CMA, Standard 3, Questions 1, 2, 3, and 4 (within the category titled "Explain how this Standard is met."). In 2020, some questions in Form CMA's Standard 3 section underwent adjustments to align with the arbitration-related amendments to the MAP rules as described in File No. SR-FINRA-2019-030. See supra note 18.

<sup>25</sup> Rule 1017(a)(7) requires a member to file a CMA only when "the member is not otherwise required to file a Form CMA in accordance with Rule 1017."

If the applicant answers “yes,” the applicant would then be asked in proposed Question 5.a. whether the information was provided above in the section concerning Standard 1, Question 5.a. If the answer to Standard 3, Question 5.a. is “yes,” then the applicant would not be required to complete Question 5.b. If the answer to Standard 3, Question 5.a. is “no,” then the applicant would be required to respond to proposed Question 5.b.:

- b. If the answer to Question 5.a. is “no,” for each “final criminal matter” or “specified risk event,” if the matter or event has been reported on a Uniform Registration Form (i.e., Forms U4, U5, U6, BD), please provide the subject party and that person’s CRD number. If the matter or event has not been reported on a Uniform Registration Form, please also provide a description of the nature of the activity, any findings, any fine or other dispositions.

The applicant would be able to provide the information requested in proposed Question 5.b. in a chart identical to the chart proposed to follow Question 5.a. in Form CMA’s Standard 1 section.<sup>26</sup>

The proposed conforming changes to Standard 3 of Form CMA are intended to collect necessary information efficiently. Proposed Questions 5.a. and 5.b. and the accompanying chart to Form CMA’s Standard 3 section would reduce the burden on firms to provide FINRA with duplicate information already provided earlier on Form CMA or separately in a Uniform Registration Form. If the matter or event has already been described in Form CMA’s Standard 1 section, the applicant would be able to cross-reference that description. If the matter or event was not already described in Form CMA’s Standard 1 section but was already reported on a Uniform Registration Form, the

---

<sup>26</sup> See Exhibit 3 (Form CMA, Standard 3, chart accompanying Proposed Question 5.b., within the category titled “Explain how this Standard is met”).

applicant would only need to provide the subject party and that person's CRD number. If the matter or event has not been reported in Form CMA's Standard 1 section or on a Uniform Registration Form, the applicant would also be required to provide a description of the nature of the activity, any findings, any fine or other dispositions, to support compliance with Rule 1017(a)(7). Further, requiring firms to provide a CRD number would enable FINRA to facilitate FINRA's coordination of information entered on Form CMA with information that has been entered on a Uniform Registration Form or provided in a related materiality consultation, and therefore enable FINRA to more efficiently gather relevant information.

C. Other Proposed Non-Substantive, Technical Amendments to Form CMA

FINRA is also proposing several non-substantive, technical changes to Form CMA. First, FINRA is proposing to include in Form CMA's Standard 1 section and Standard 3 section a reminder to the applicant that, "[e]very Form U4 shall be kept current at all times by supplementary amendments to the original Form U4. See FINRA By-Laws, Art. V, Sec. 2(c)." Form U4 is one of the "Uniform Registration Forms," as defined by amendments to the MAP rules.<sup>27</sup> Second, FINRA is proposing to amend Form CMA's "Type of Continuing Membership Application" section to change "comprising" to "composing" to match the language used in Rule 1017(a)(3).<sup>28</sup>

---

<sup>27</sup> See paragraph (r) under Rule 1011 (defining "Uniform Registration Forms") as amended by SR-FINRA-2020-011, supra note 5.

<sup>28</sup> See Rule 1017(a)(3) (requiring, in pertinent part, a member to file an application for approval of "direct or indirect acquisitions or transfers of 25 percent or more in the aggregate of the member's assets or any asset, business or line of operation that generates revenues composing 25 percent or more in the aggregate of the member's earnings measured on a rolling 36-month basis") (Emphasis added).

Finally, FINRA is proposing to add within Form CMA's Standard 1 section new Questions 4.a., 4.b. and 4.c that would efficiently collect the information needed to monitor for compliance with Rule 1017(a)(6). Proposed Questions 4.a. and 4.b. would ask the applicant to indicate whether the CMA is required under Rule 1017(a)(6)(A) or Rule 1017(a)(6)(B), respectively.<sup>29</sup> If the applicant answers "yes" to either question, then proposed Question 4.c. would prompt the applicant to list, for each covered pending arbitration claim, unpaid arbitration award, or unpaid settlement related to an arbitration, the subject party and that person's CRD number in a chart. FINRA believes that adding these proposed questions and the accompanying chart to Form CMA's Standard 1 section would efficiently collect the information needed to monitor for compliance with Rule 1017(a)(6).<sup>30</sup> The proposed questions would also achieve parity with the manner FINRA is proposing to elicit information needed to monitor for compliance with Rule 1017(a)(7). Additionally, proposed Question 4 would allow FINRA to readily coordinate information entered on Form CMA with information that may have been entered on a Uniform Registration Form or provided in a materiality consultation.

---

<sup>29</sup> See generally Exhibit 3 (Form CMA, Standard 1, proposed Questions 4, 4.a., 4.b., 4.c. and accompanying chart, within the category titled "Overview of the proposed change").

<sup>30</sup> The requested information is similar to the information that member firms would provide in a materiality consultation pursuant to Rule 1017(a)(6). See Rule 1017(a)(6)(A) and (B) (providing that the written request for a materiality consultation "must address the issues that are central to the materiality consultation"); see also Checklist for Mandatory Materiality Consultations Under Rule 1017(a)(6), <https://www.finra.org/rules-guidance/guidance/materiality-consultation-process/checklist-under-rule-1017a6> (providing guidance to firms to provide, among other things, the name, title and CRD number of associated persons with a covered pending arbitration claim, unpaid arbitration award or unpaid settlement related to an arbitration).

FINRA has filed the proposed rule change for immediate effectiveness and has requested that the SEC waive the requirement that the proposed rule change not become operative for 30 days after the date of the filing, so FINRA can implement the proposed rule change on September 1, 2021, to coincide with the effective date of the amendments to the MAP rules as announced in Regulatory Notice 21-09.<sup>31</sup> The proposed changes to Form CMA conform to the recently amended MAP rules. To facilitate member firm compliance with the amended rules on the date they become effective, it is necessary for the amendments to Form CMA to become effective on the same date.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>32</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest.

The proposed changes to Form CMA will conform the form to the amendments to Rule 1017(a)(7), as described in the SEC Order. The proposed changes to Form CMA will also help ensure that applicants for continuing membership provide the information and documentation to produce a complete application package for FINRA's review.

---

<sup>31</sup> FINRA notes that the proposed rule change would impact all members, including members that have elected to be treated as capital acquisition brokers ("CABs"), given that CAB Rule 116 (Application for Approval of Change in Ownership, Control, or Business Operations) incorporates, by reference, Rule 1017, which requires that a member's application for approval of changes to its ownership, control, or business operations include a Form CMA. See Rule 1017(b)(2).

<sup>32</sup> 15 U.S.C. 78o-3(b)(6).

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. FINRA's recent amendments to the MAP rules, which specify additional events that require a CMA for FINRA's approval, necessitate conforming changes to the sections of Form CMA pertaining to the type of CMA, Standard 1 and Standard 3. The proposed conforming changes—i.e., listing in Form CMA's "Type of Continuing Membership Application" section all of the events under Rule 1017(a) that require a member to file Form CMA, and incorporating in Form CMA's Standard 1 and Standard 3 sections questions that would require the applicant to provide information about an individual's "final criminal matters" and "specified risk events" that is necessary to support compliance with Rule 1017(a)(7)—are derived from, and effectuate, recent amendments to the MAP rules concerning persons with a significant history of misconduct and the broker-dealers that employ them, as described in the SEC Order. In addition, the proposed changes to Form CMA's Standard 1 section pertaining to Rule 1017(a)(6) would efficiently collect the information needed to monitor for compliance with that rule in the same manner that FINRA proposes to collect information needed to monitor for compliance with Rule 1017(a)(7). FINRA considered and discussed the potential economic impact of the recent amendments in File No. SR-FINRA-2020-011, including the burden imposed on some applicants to seek a materiality consultation with FINRA, and noted the potential requirement to file a Form CMA and certain associated costs.<sup>33</sup>

---

<sup>33</sup> See Securities Exchange Act Release No. 88600 (April 8, 2020), 85 FR 20745, 20755-62 (April 14, 2020) (Notice of Filing of File No. SR-FINRA-2020-011).



FINRA believes that the proposed conforming changes to Form CMA and the proposed technical changes described herein would not result in new material economic effects.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>34</sup> and Rule 19b-4(f)(6) thereunder.<sup>35</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

---

<sup>34</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>35</sup> 17 CFR 240.19b-4(f)(6).

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2021-020 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2021-020. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only

information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2021-020 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>36</sup>

Jill M. Peterson  
Assistant Secretary

---

<sup>36</sup> 17 CFR 200.30-3(a)(12).



## **Proposed Continuing Membership Application<sup>1</sup>**

---

---

<sup>1</sup> The text of the proposed new language in Form CMA is double-underlined and deletions are in brackets.

## **Introduction**

The Continuing Member Application Form ("Form CMA," "Form," or "Application") is designed to assist Applicants in the preparation of an Application filed pursuant to FINRA Rule 1017 in which the Applicant seeks approval from the Financial Industry Regulatory Authority, Inc. ("FINRA") for a change in ownership, control or business operations. The completed Form, with all required questions answered, and all required supporting documentation attached, must be filed electronically with FINRA.

To assist in the completion of Form CMA, important information is provided below concerning the following:

### **Completing the Form**

Substantially Complete Requirement

Form Structure and Using the Form

Mandatory Information

Terms Used in the Form

Saving the Form Prior to Submission

Submitting the Form

### **Maintaining the Accuracy of the Application**

## **Completing the Form**

The Form references information and documentation required under the Membership Rules of FINRA (see the FINRA Rule 1000 Series). Form CMA is structured to capture information and documentation pertinent to the Applicant's proposed change in ownership, control or business operations. However, additional information and documentation may be requested once the FINRA Staff ("Staff") has had an opportunity to review the Application.

Applicants are encouraged to include as much of the requested information and documentation in their initial Form CMA submission as possible. Experience has shown that Applications containing well thought out, detailed, and complete information and documentation can be processed more efficiently with less need for Staff to seek out supplemental information. Complete Applications help the Staff to gain a prompt understanding of the Applicant's proposed change, which facilitates FINRA's ability to review whether the Applicant meets the standards of admission contained in FINRA Rule 1014, against which applications submitted utilizing the Form CMA are evaluated. Applicants are encouraged to review additional materials about the Continuing Membership Application process, available on [www.finra.org](http://www.finra.org). Applicants should also consider consulting Staff in advance of submitting Form CMA, particularly for any Application involving novel or complex business arrangements.

## **Substantially Complete Requirement**

Form CMA is intended to provide an Applicant with information and requests that are required of it in the Application process. Applicants should note that an Application will not be accepted for processing unless it is deemed substantially complete. While the Form identifies information

and documentation that is minimally required in order to file Form CMA, an Applicant is urged not to limit itself to completion of the required fields if and when any optional information fields are applicable or if additional information can be provided that is material to the Applicant's planned change. It is also important to note that, since the Form is submitted exclusively on an electronic basis, it is critical that the Applicant ensure that each attached document is actually the document indicated and contains relevant information.

Every Form CMA will be reviewed initially for content by Staff. Should an Applicant fail to provide accurate material information or documentation relevant to the Applicant's proposed change, a submitted Form CMA may be rejected as "not substantially complete."

### **Form Structure and Using the Form**

The Form is structured to collect information, data and documentation from the Applicant in order for Staff to evaluate the Application against the standards for admission contained in FINRA Rule 1014. The Form requests that information be provided in formats including narrative text, fields that require a selection or mouse-click (e.g. drop-down lists, radio buttons), data entered directly into the Form, information entered into tables in the Form or connected to the Form, and attachments of supporting documents.

The Form is designed to leverage, where possible, certain information provided by the Applicant to FINRA through means other than the Form itself, in particular, information submitted via the Central Registration Depository (CRD®). In instances where information from other sources is leveraged, if any such information presented to the Applicant in the Form is inaccurate, an Applicant must update the source record before ultimately submitting or amending the Form CMA. (Typically it takes one business day from updating of the source system for Form CMA to reflect such changes.)

### **Mandatory Information**

Certain aspects of the Form are indicated with a red asterisk (\*), indicating that such aspect (e.g., question, data field, information, document request) of the Form is a required field. A system completeness check is conducted on every Form CMA attempted to be submitted to FINRA. Any Form CMA that fails to address each of the required fields will not be permitted to proceed with submission. Failure to address required fields will, when attempting to submit the Form, result in identification of the missing or unanswered information to the Applicant who will be responsible for addressing the missing information before attempting to resubmit the Application.

While certain aspects of the Form are indicated as required, Applicants are strongly encouraged to address any optional information fields of the Form that are applicable to the Applicant's proposed change.

### **Terms Used in the Form**

Unless otherwise stated, the terms used in this Form (e.g., "Applicant," "Associated Person") have the same definition as prescribed in FINRA Rule 1011. Additionally, the Form makes certain references that should be construed in a consistent manner. Please note the following references have the meaning prescribed here:

"Associated Person" has the meaning prescribed to such term in FINRA Rule 1011(b).

"CRD system" means the Central Registration Depository, the central licensing and registration system for the U.S. securities industry and its regulators.

"SEA" means the Securities Exchange Act of 1934

"SEA Rule" means a rule or regulation promulgated under the SEA.

### **Saving the Form Prior to Submission**

An Applicant may review, enter, and otherwise prepare Form CMA and save the most recent version of the Form prior to submitting the Application for review by Staff. The Form need not be fully prepared or completed in order to be saved. The most recent saved version of a draft Form CMA is retained on FINRA's electronic filing platform until a final version is submitted to FINRA.

### **Submitting the Form**

After completing the Form CMA, an Applicant must submit the Form for review by Staff. An electronic completeness check is run on the Form CMA upon attempting submission to determine whether all required fields have been addressed. Upon successfully passing the electronic completeness check, the Form is routed to Staff for a determination of whether the Application is substantially complete. If determined to be substantially complete, the Application will be assigned for continuing review. After submission, the Applicant will be able to view its submitted Form CMA via FINRA's electronic filing system.

### **Maintaining the Accuracy of the Application**

Each Applicant for membership with FINRA must, at all times, ensure the accuracy of its Application. The Applicant is responsible for keeping its Application current and accurate throughout the Application review process. The Applicant must amend or otherwise notify Staff of any information in, or any information omitted from, its Application that is or makes the application inaccurate, incomplete or misleading.

Save	Print Preview	Submit
------	---------------	--------

## Type of Continuing Membership Application

Identify the type of change that is contemplated under FINRA Rule 1017(a) (select all that apply).

### [Ownership of asset transfer changes]

- ☐ Merger of the member with another member (FINRA Rule 1017(a)(1))
- ☐ Direct or indirect acquisition by the member of another member (FINRA Rule 1017(a)(2))
- ☐ Direct or indirect acquisition or transfer of 25% or more in the aggregate of the member's assets or any asset, business or line of operation that generates revenues [comprising] composing 25% or more in the aggregate of the member's earnings measured on a rolling 36 month basis (FINRA Rule 1017(a)(3))
- ☐ Change in the equity ownership or partnership capital of the member resulting in one person or entity directly or indirectly owning or controlling 25% or more of the equity or partnership capital (FINRA Rule 1017(a)(4))

### [Change(s) in business operations]

- ☐ Material change in business operations (FINRA Rule 1017(a)(5))
  - ☐ Removal or modification of a membership agreement restriction
  - ☐ Market making, underwriting or acting as a dealer for the first time
  - ☐ Adding a business activity that requires a higher minimum net capital under SEA Rule 15c3-1
  - ☐ Expansion of Associated Persons, offices, or number of markets made
  - ☐ Other
- ☐ Any direct or indirect acquisition or transfer of a member's assets or any asset, business or line of operation where the transferring member or an Associated Person of the transferring member has a "covered pending arbitration claim," an unpaid arbitration award or an unpaid settlement related to an arbitration (FINRA Rule 1017(a)(6)(A))
- ☐ Business expansion to add one or more Associated Persons involved in sales and one or more of those Associated Persons has a "covered pending arbitration claim," an unpaid arbitration award or an unpaid settlement related to an arbitration (FINRA Rule 1017(a)(6)(B))
- ☐ Natural person seeks to become an owner, control person, principal or registered person of a member and has, in the prior five years, one or more "final criminal matters" or two or more "specified risk events" (FINRA Rule 1017(a)(7))



## Applicant contact information

Provide the following information for the person who will be the primary contact for the Applicant during FINRA's review of the Continuing Membership Application. Note that this is the person to whom FINRA will direct application-related questions and correspondence.

### Contact person

First Name*	
Last name*	
Email address*	
Phone number*	
Fax number*	

### Mailing address

Company Name*	
Street address, line 1*	
Street address, line 2	
City*	
State*	
ZIP Code*	

Save	Print Preview	Submit
------	---------------	--------

## Standard 1: Overview of the Applicants

FINRA Rule 1014(a)(1): The application and all supporting documents are complete and accurate.

### Overview of the proposed change

1. Provide a complete description of the proposed change, identifying\*
  - a. the terms and nature of the proposed change,
  - b. the date the transaction is expected to be completed,
  - c. the business reason(s) for the change,
  - d. the financing for the transaction, including the source of funding for the purchase and recapitalization (as applicable), and
  - e. an overview of the impact(s) (e.g., financial, operational, managerial, supervisory), or lack thereof, to the Applicant as a result of the change.

You have 4000 character(s) left.

2. For any persons or entities, including other broker-dealers and investment advisory firms, that will become associated or affiliated with the Applicant, through ownership, employment, or otherwise, as a result of the proposed transaction, please provide the name of the person or entity, describe the relationship such person or entity will have with the Applicant, for any entity describe the business conducted by such entity, and identify whether the Applicant will be conducting business with or on behalf of the person or entity.\*

You have 4000 character(s) left.

3. Regarding the transfer of assets or line of business, please provide\*
  - a. a statement indicating whether the assets or line of business being transferred will also include the liabilities pertaining to that asset or line of business, and
  - b. for liabilities that will not be transferred, provide a detailed description of each liability and provide a statement of how each will be satisfied.

--

You have 4000 character(s) left.

4. Is this application required because\*

a. The applicant is proposing any direct or indirect acquisition or transfer of a member's assets or any asset, business or line of operation where the transferring member or an Associated Person of the transferring member has a "covered pending arbitration claim" (as defined in FINRA Rule 1011), unpaid arbitration award or unpaid settlement related to an arbitration?

☒ Yes ☐ No

b. The applicant is proposing to add one or more Associated Persons involved in sales (as described in IM-1011-2), and one or more of those Associated Persons has a "covered pending arbitration claim" (as defined in FINRA Rule 1011), an unpaid arbitration award or unpaid settlement related to an arbitration?

☒ Yes ☐ No

c. If the answer to Question 4.a. or 4.b. is "yes," for each "covered pending arbitration" claim, unpaid arbitration award or unpaid settlement related to an arbitration, please provide the subject party and that person's CRD number.

Subject Party	CRD ID
Add New	Delete All
#N Row(s)	

5. Is this application required because the Applicant seeks to add a natural person as an owner, control person, principal or registered person who, in the prior five years, has one or more "final criminal matters" or two or more "specified risk events" (as defined in FINRA Rule 1011)?\* (As Rule 1017(a)(7) provides, the term "owner" has the same meaning as "direct owner" and "indirect owner" on Form BD Schedules A and B, as amended from time to time, and the term "control person" means a person who would have "control" as defined on Form BD, as amended from time to time.)

☒ Yes ☐ No

a. If the answer to Question 5 is "yes," for each "final criminal matter" or "specified risk event," if the matter or event has been reported on a Uniform Registration Form (i.e., Forms U4, U5, U6, BD), please provide the subject party and that person's CRD number. If the matter or event has not been reported on a Uniform Registration Form, please also provide a description of the nature of the activity, any findings, any fine or other dispositions.

<u>Subject Party</u>	<u>CRD ID</u>	<u>Description (nature of the activity, any findings, any fine or other dispositions)</u>
Add New Delete All		#N Row(s)

Every Form U4 shall be kept current at all times by supplementary amendments to the original Form U4. See FINRA By-Laws, Art. V, Sec. 2(c).

**Specify the changes in direct ownership.**

Below is a read-only review of the current direct ownership of the Applicant (information obtained from the CRD system).

Current direct owners			
Full Legal Name	CRD number	Domestic or Foreign Entity, or Individual	Role
1 Row(s)			

Please edit the chart below to describe the proposed changes in the Applicant's direct ownership. (Information provided here will be used solely for the review of this Application, and will not update the CRD system.)

Proposed changes in direct ownership			
Full Legal Name	CRD ID	Domestic or Foreign Entity, or Individual	Role
Add New Delete All		#N Row(s)	



***Pop-Up for Proposed Changes in Direct Ownership***

Person Details	
CRD ID	Name
Domestic or Foreign Entity, or Individual	Roles
Date role acquired	Ownership percentage
Control person?	<input type="radio"/> Yes <input type="radio"/> No
<u>FINRA Rule 1017(a)(7) Person? (i.e., one or more "final criminal matters" or two or more "specified risk events" in prior five years)</u>	<input type="radio"/> Yes <input type="radio"/> No
Registrations	Code   Date
Continuing education	<input type="radio"/> Active <input type="radio"/> Inactive
Will the Applicant claim any exemptions from registration for this person? If so, list them.	
Will the Applicant apply for any waivers of requirement examinations for this person? If so, list them.	
Scheduled examination and dates	

Provide a description of the duties and responsibilities of any non-registered officers, directors, owners, and control persons, along with an explanation for why they should not be required to register with the Applicant (refer to the FINRA Rule 1200 Series). This description should include details regarding responsibilities performed:

at the Applicant firm;  
 at any affiliated companies; and  
 at any other companies anticipated to conduct business with the Applicant.\*

### Specify the changes in indirect ownership.

Below is a read-only review of the current indirect owners of the Applicant (information obtained from the CRD system).

Current indirect owners		
Full Legal Name	Domestic or Foreign Entity, or Individual	Entity in which interest is owned
0 Row(s)		

Please edit the chart below to describe the proposed changes in the Applicant's indirect ownership. (Information provided here will be used solely for the review of this Application, and will not update the CRD system.)

Proposed changes in indirect ownership		
Full Legal Name	Domestic or Foreign Entity, or Individual	Entity in which interest is owned
Add New	Delete All	#N Row(s)



### **Pop-Up for Proposed Changes in Indirect Ownership**

Person Details	
CRD ID	Name
Domestic or Foreign Entity, or Individual	Entity in which interest is owned
Roles	Date role acquired
Ownership percentage	Control person?
	<input type="radio"/> Yes <input type="radio"/> No
FINRA Rule 1017(a)(7) person? (i.e., one or more "final criminal matters" or two or more "specified risk events" in prior five years)	<input type="radio"/> Yes <input type="radio"/> No

### Provide supporting documents.

1. Pre- and post-change business organizational charts, identifying the Applicant's owners and affiliated entities (indicate all direct and indirect owners of the Applicant and percentage of ownership for each)\*

	Browse
--	--------

2. Any modified formation documents of the Applicant stemming from the change\*

	Browse
--	--------

3. Formation documents for any entities (e.g. corporations, partnership, trusts), including holding companies, that are or will be new owners, directly or indirectly, of the Applicant\*

	Browse
--	--------

4. As applicable, if this Application is filed on behalf of multiple firms: a signed statement, from a principal officer of each Applicant, indicating this Application is being filed on the firm's behalf

	Browse
--	--------

5. Any other documentation that would be pertinent to FINRA's review of this Standard

	Browse
--	--------

### Verify current business activities.

The business lines noted below have been obtained from information submitted to the CRD system by the Applicant. Please verify the business activities of the Applicant, selecting the appropriate status for each business line. If the Applicant's contemplated change in business operations for which this Form CMA is being filed relates to one of these business lines, select "Change" for the respective business line and answer the required questions.

*(Note that any changes to business lines indicated here will not automatically flow to the Form BD; they are captured here solely for the CMA process. Upon completion of the CMA process, Applicants must update Form BD appropriately.)*

#### Equity Securities (BDR, BIA, NEX)

**BDR** Broker or dealer retailing corporate equity securities over-the-counter\*

☐ No Change    ☐ Change    ☐ Remove

#### Mutual Funds, Variable Products (MFU, MFR, VLA)

**MFR** Mutual fund retailer\*

☐ No Change    ☐ Change    ☐ Remove

**VLA** Broker or dealer selling variable life insurance or annuities\*

☐ No Change    ☐ Change    ☐ Remove

1. Provide a written narrative describing the scope of activities to be conducted as well as describing each step of a typical transaction to be conducted by the Applicant, beginning with any initial customer contact.\*

*Note that this description should be independent of trading or other platforms. Those platforms are addressed in Standard 6.*

2. Provide a detailed description of how a typical transaction will be settled and cleared including handling of funds and securities. Be sure to indicate what, if any, exemption to SEA Rule 15c3-3 will be claimed.\*

3. Provide a statement describing how the Applicant and its Associated Persons (registered and unregistered) will be compensated for the proposed activities.\*

Please describe any changes unique to the MFR business line.

Please describe any changes unique to the VLA business line.

Government and Municipal Debt (GSD, GSB, MSD, MSB)

**GSD** U.S. government securities dealer\*

☐ No Change    ☐ Change    ☐ Remove

**GSB** U.S. government securities broker\*

☐ No Change    ☐ Change    ☐ Remove

**MSB** Municipal securities broker\*

☐ No Change    ☐ Change    ☐ Remove

Other (SSL, IAD, MRI, OTH)

**IAD** Investment advisory services\*

☐ No Change    ☐ Change    ☐ Remove

**Indicate which business lines are being added.**

Please select the business activities in which the Applicant intends to engage as a result of the change.

*(Note that any changes to business lines indicated here will not automatically flow to the Form BD; they are captured here solely for the CMA process. Upon completion of the CMA process, Applicants must update Form BD appropriately.)*

Exchange Member Activities (EMC, EMF)

☐ **EMC** Exchange member engaged in exchange commission business other than floor activities

☐ **EMF** Exchange member engaged in floor activities

Across all business lines within this category:

1. Provide a written narrative describing the scope of activities to be conducted as well as describing each step of a typical transaction to be conducted by the Applicant, beginning with any initial customer contact.\*

*Note that this description should be independent of trading or other platforms. Those platforms are addressed in Standard 6.*

You have 4000 character(s) left.

2. Provide a detailed description of how a typical transaction will be settled and cleared, including handling of funds and securities. Be sure to indicate what, if any, exemption to SEA Rule 15c3-3 will be claimed.\*



You have 4000 character(s) left.

3. Provide a statement describing how the Applicant and its Associated Persons (registered and unregistered) will be compensated for the proposed activities.\*

You have 4000 character(s) left.

4. If any of the below business activities deviates from the description entered above, please describe the nature of that deviation underneath the appropriate business activity.

Please describe any change unique to the EMC business line.

You have 4000 character(s) left.

Please describe any change unique to the EMF business line.

You have 4000 character(s) left.

Trading and Market Making (IDM, TRA)

- ☐ **IDM** Broker or dealer making inter-dealer markets in corporate securities over-the-counter
- ☐ **TRA** Trading securities for own account

Across all business lines within this category:

1. Provide a written narrative describing the scope of activities to be conducted as well as describing each step of a typical transaction to be conducted by the Applicant, beginning with any initial customer contact.\*

*Note that this description should be independent of trading or other platforms. Those platforms are addressed in Standard 6.*

You have 4000 character(s) left.

2. Provide a detailed description of how a typical transaction will be settled and cleared, including handling of funds and securities. Be sure to indicate what, if any, exemption to SEA Rule 15c3-3 will be claimed.\*

You have 4000 character(s) left.

3. Provide a statement describing how the Applicant and its Associated Persons (registered and unregistered) will be compensated for the proposed activities.\*

You have 4000 character(s) left.

4. If any of the below business activities deviates from the description entered above, please describe the nature of that deviation underneath the appropriate business activity.

Please describe any change unique to the IDM business line.

You have 4000 character(s) left.

Please describe any change unique to the TRA business line.

You have 4000 character(s) left.

5. Provide additional details regarding the noted business line(s) including, as applicable, the Applicant's plans to distribute or maintain securities products in proprietary positions, and the risks, volatility, degree of liquidity, speculative nature and type of products; the number of market to be made; the type and volatility of the products; and the anticipated maximum inventory positions.\*

You have 4000 character(s) left.

Equity Securities (BDR, BIA, NEX)

- ☐ **BDR** Broker or dealer retailing corporate equity securities over-the-counter
- ☐ **BIA** Broker or dealer selling securities of only one issuer or associated issuers (other than mutual funds)
- ☐ **NEX** Non-exchange member effecting transactions in listed securities through exchange member

Corporate Debt (BDD)

- ☐ **BDD** Broker or dealer selling corporate debt securities

Underwriter or Selling Group Member (USG, RES)

- ☐ **USG** Underwriter or selling group participant (corporate securities other than mutual funds)
- ☐ **RES** Seller of real estate securities

Mutual Funds, Variable Products (MFU, MFR, VLA)

- ☐ **MFU** Mutual fund underwriter or sponsor
- ☐ **MFR** Mutual fund retailer
- ☐ **VLA** Broker or dealer selling variable life insurance or annuities

Government and Municipal Debt (GSD, GSB, MSD, MSB)

- ☐ **GSD** U.S. government securities dealer
- ☐ **GSB** U.S. government securities broker
- ☐ **MSD** Municipal securities dealer
- ☐ **MSB** Municipal securities broker

Private Placements/Private Offerings (OGI, NPB, TAP, TAS, PLA)

- ☐ **OGI** Broker or dealer selling oil and gas interests
- ☐ **NPB** Broker or dealer selling securities of non-profit organizations (e.g., churches, hospitals)
- ☐ **TAP** Broker or dealer selling tax shelters or limited partnership in primary distributions
- ☐ **TAS** Broker or dealer selling tax shelters or limited partnerships in the secondary market
- ☐ **PLA** Private Placement of securities

Options (PCB)

- ☐ **PCB** Options broker or dealer or option writer

Networking Arrangements (BNA, INA)

- ☐ **BNA** Broker or dealer involved in networking, kiosk or similar arrangement with a bank, savings bank or association, or credit union
- ☐ **INA** Broker or dealer involved in networking, kiosk or similar arrangement with an insurance company or agency

Other (SSL, IAD, MRI, OTH)

- ☐ **SSL** Solicitor of time deposits in a financial institution
- ☐ **IAD** Investment advisory services
- ☐ **MRI** Broker or dealer selling interests in mortgages, receivables or other asset-backed securities
- ☐ **OTH** Other (description from Form BD is below)
- ☐ Broker or dealer that offers or engages in on-line trading / electronic trading
  - ☐ Broker or dealer selling securities futures products
  - ☐ Broker or dealer selling interests in unregistered private investment funds
  - ☐ Underwriter of municipal securities
  - ☐ Securities clearance and settlement
  - ☐ Prime brokerage services
  - ☐ Securities lending
  - ☐ Research and/or soft dollar activities
  - ☐ Repurchase/ reverse repurchase transactions
  - ☐ Operation of alternative trading systems, including electronic communications networks
  - ☐ Mergers and acquisitions
  - ☐ Other

**Specify supervisors for new business lines**

Please enter individual CRD IDs for registered persons who will be supervising the proposed new business lines.

*Note that this information is solely for purposes of the CMA review: any association of individuals with this Form CMA will not flow through to the CRD system.*

	Retrieve this person
--	----------------------

Business Line Supervisors		
CRD ID	Name	
-----		[Delete]
Add New	Delete All	#N Row(s)



### Pop-Up for Supervising Principals

Supervisor Details	
CRD ID	Name
	<div style="display: flex; align-items: center;"> <div style="border: 1px solid black; padding: 2px; margin-right: 5px;">Title*</div> <div style="border: 1px solid black; padding: 2px; flex-grow: 1;">Provide a title</div> <div style="border: 1px solid black; padding: 2px; margin-left: 5px;">▼</div> </div>
	Intended exams*
What business activities (if any) will be supervised by this person/*	
	Registrations
	Continuing education*
	<input type="radio"/> Active <input type="radio"/> Inactive
Will the Applicant claim any exemptions from registration for this person? If so, list them	
Will the Applicant apply for any waivers of required examinations for this person? If so, list them	
Scheduled examinations and dates	

### Specify other persons associated with this change.

Please provide information on other persons associated with this change. This includes registered persons and other associated persons.

Please download this [spreadsheet](#) and complete all fields. Do not change the structure of the spreadsheet; it will be automatically loaded into FINRA systems.

Upload the completed spreadsheet:\*

	Browse
--	--------

### Provide supporting documents.

- For all transactions to be conducted by the Applicant that will not involve a clearing firm: a graphical depiction of the steps involved in the transactions, including but not limited to order receipt, execution, and clearance and settlement

	Browse
--	--------

2. Any other documentation that would be pertinent to FINRA's review of this Standard

	Browse
--	--------

Save	Print Preview	Submit
------	---------------	--------

## Standard 2: Licenses and Registrations

FINRA Rule 1014(a)(2): The Applicant and its Associated Persons have all licenses and registrations required by state and federal authorities and self-regulatory organizations.

*The Applicant is reminded that failure of its Associated Persons to schedule and successfully complete any required qualification examinations in a timely manner may result in a significant delay of the Application review process, or a lapse or denial of the Application. It is strongly suggested that any qualification examination(s) be completed in advance of the filing of the Form CMA where possible or be scheduled within the first 30 days of filing Form CMA, and that all registration requirements be completed within the first 60 days of filing Form CMA in order to avoid delays in processing of the Application.*

### Provide information regarding direct owners

The list of direct owners below is repeated from the Applicant's input in Standard 1 above. If the information displayed is incomplete or inaccurate, please edit Standard 1 before completing this section of the Form.

Please provide the information below for all direct owners who will have an ownership stake in the Applicant after the proposed change.

CRD ID	Name	Continuing education



### **Pop-Up for Direct Owners**

<b>Name</b>	
<b>CRD number</b>	
<b>Roles</b>	
<b>Current Registrations</b>	
<b>Continuing education</b>	<input type="radio"/> Active <input type="radio"/> Inactive
<b>Will the Applicant claim any exemptions from registration for this person? If so, list them.</b>	
<b>Will the Applicant apply for any waivers of required examinations for this person? If so, list them.</b>	
<b>Scheduled examinations and dates:</b>	
Provide a description of the duties and responsibilities of any non-registered officers, directors, owners, and control persons, along with an explanation for why they should not be required to register with the Applicant (refer to the FINRA Rule 1200 Series). This description should include details regarding responsibilities performed:  at the Applicant firm; at any affiliated companies; and at any other companies anticipated to conduct business with the Applicant.*	

**Provide information about the Applicant following the proposed change**

1. Does the Applicant anticipate being registered with or withdrawing registration from any other regulatory or self-regulatory organization(s) and/or state(s) as a result of the change?\*

☒ Yes ☐ No

List all proposed registrations (e.g., MSRB, CFTC, NFA, state registrations, registrations with Exchanges).\*

2. Each Applicant, except a sole proprietorship, is required to have a minimum of two registered principals with respect to each aspect of its investment banking and securities business. Pursuant to the FINRA Rule 9600 Series, FINRA may waive the requirement in situations that indicate conclusively that only one person associated with an Applicant should be required to register as a principal. Each Applicant must also have a Financial and Operations (FinOp) Principal (or Introducing Broker-Dealer FinOp Principal, as applicable). Additionally, an Applicant engaged in certain activities must have other appropriately registered principals (for example, an Applicant that will be engaged in options transactions with the public must have a Registered Options Principal). Please refer to the FINRA Rule 1200 Series (Registration and Qualification) for the appropriate categories of principal registration.

Is the Applicant seeking a waiver, or seeking to maintain a waiver already in place, of the two principal requirement under FINRA Rule 1210.01?\*

☒ Yes ☐ No

Provide a detailed explanation that demonstrates the reason(s) for the waiver. Additionally, provide a contingency plan for situations where the sole General Securities Principal is unavailable to carry out his or her responsibilities.\*

3. Will the Applicant have any non-registered officers, directors, owners, or control persons following the change?\*

☒ Yes ☐ No

Provide a description of duties and responsibilities of any non-registered officers, directors, owners, and control persons, along with an explanation for why they should not be required to register with the Applicant. (Please refer to the applicable registration provision, such as the FINRA Rule 1200 Series.) This description should include responsibilities performed



- a. at the Applicant;
- b. at any affiliated companies; and
- c. at any other companies anticipated to conduct business with the Applicant\*

**Provide supporting documents.**

1. Management organizational chart, identifying officers, principals and supervisors of the Applicant and the proposed business activities and/or product lines supervised by each person following the change\*

Browse

2. 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

Browse

3. Any other documentation that would be pertinent to FINRA's review of this Standard

Browse

**Provide specific information regarding supervisors**

The list of personnel below is repeated from the Applicant's input in Standard 1 above. If the information listed is incomplete or inaccurate, please edit Standard 1 before completing this section of the Form.

CRD ID	Name	Continuing education



**Pop-Up for Supervisor Group**

<b>Name</b>	
<b>CRD ID</b>	
<b>Title</b>	
<b>Current Registrations</b>	Code   Date
<b>Continuing education</b>	<input type="radio"/> Active <input type="radio"/> Inactive
<b>Will the Applicant claim any exemptions from registration for this person? If so, list them.</b>	
<b>Will the Applicant apply for any waivers of required examinations for this person? If so, list them.</b>	
<b>Scheduled examinations and dates:</b>	

1. Does the Applicant anticipate being registered with any other regulatory or self-regulatory organization(s) and/or state(s) as a result of the change?\*

☒ Yes ☐ No

List all proposed registrations (e.g., MSRB, CFTC, NFA, state registrations, registrations with Exchanges)\*

You have 4000 character(s) left.

2. Does the Applicant anticipate being exempt from registration with the Securities Information Center, pursuant to SEA Rule 17f-1, following implementation of the proposed change?\*

☒ Yes ☐ No

Identify the exemption which applies to the Applicant with a brief explanation of its application in light of the proposed change)\*

You have 4000 character(s) left.

**Provide supporting documents.**

1. For the Applicant:

- a. Options allocation form (if applicable)

- b. Lost and stolen securities registration (if applicable)

	Browse
--	--------

c. Evidence of registration with MSRB (if applicable)

	Browse
--	--------

2. For personnel:

- a. A management organizational chart, identifying officers, principals and supervisors of the Applicant and the proposed business activities and/or product lines supervised by each person following the proposed change\*

	Browse
--	--------

3. Any other documentation that would be pertinent to FINRA's review of this Standard

	Browse
--	--------

Save	Print Preview	Submit
------	---------------	--------

## **Standard 3: Compliance with securities laws, just and equitable principles of trade**

FINRA Rule 1014(a)(3): The Applicant and its Associated Persons are capable of complying with applicable securities laws and regulations, and with applicable FINRA rules, including observing high standards of commercial honor and just and equitable principles of trade. In determining whether this standard is met, the Department shall take into consideration whether:

(A) a state or federal authority or self-regulatory organization has taken permanent or temporary adverse action with respect to a registration or licensing determination regarding the Applicant or an Associated Person;

(B) an Applicant's or Associated Person's record reflects a sales practice event or a pending private civil action;

(C) an Applicant or Associated Person is the subject of a pending, adjudicated, or settled regulatory action or investigation by the SEC, the Commodity Futures Trading Commission, a federal or state regulatory agency, or foreign financial regulatory authority, or a self-regulatory organization; an adjudicated or settled investment-related private civil action for damages or an injunction; or a criminal action (other than a minor traffic violation) that is pending, adjudicated, or that has resulted in a guilty or no contest plea;

(D) an Applicant, its control persons, principals, registered representatives, other Associated Persons, any lender of five percent or more of the Applicant's net capital, and any other member with respect to which these persons were a control person or a five percent lender of its net capital is subject to unpaid arbitration awards, other adjudicated customer awards, or unpaid arbitration settlements;

(E) an Applicant or Associated Person is the subject of a pending arbitration claim;

(F) an Associated Person was terminated for cause or permitted to resign after an investigation of an alleged violation of a federal or state securities law, a rule or regulation thereunder, a self-regulatory organization rule, or industry standard of conduct;

(G) a state or federal authority or self-regulatory organization has imposed a remedial action, such as special training, continuing education requirements, or heightened supervision, on an Associated Person; and

(H) a state or federal authority or self-regulatory organization has provided information indicating that the Applicant or an Associated Person otherwise poses a threat to public investors.

### **Explain how this Standard is met.**

1. Is the Applicant or any of its Associated Persons the subject of any of the following?\*
- a. A permanent or temporary adverse action taken by a state or federal regulatory agency or self-regulatory organization with respect to registration or license determination;
- b. A sales practice event or pending private civil action;

- c. A pending, adjudicated, or settled regulatory action or investigation by any regulatory or self-regulatory authority, or any civil or criminal action resulting in guilty or no contest plea;
- d. An unpaid arbitration award involving the Applicant, its control persons, principals, registered representatives, other Associated Persons, any lender of five percent or more of the Applicant's net capital, and any other member with respect to which these persons were a control person or a five percent lender of its net capital;
- e. A pending arbitration claim;
- f. Termination for Cause or permitted to resign after an investigation of an alleged violation of federal or state securities law, rules or regulations or a self-regulatory rule or industry standard of conduct;
- g. Remedial action such as special training, continuing education requirements, or heightened supervision on an Associated Person imposed by a state or federal authority or self-regulatory organization; and
- h. Information from an industry authority indicating the Applicant or its associated persons are a threat to public.

☒ Yes ☐ No

Regarding the event(s), unless details of a particular event have been reported to the CRD system, provide information (e.g., subject party, nature of the activity, any findings, any fine, or other dispositions) for each event involving the Applicant and/or its Associated Persons.\*

You have 4000 character(s) left.

2. Pursuant to FINRA Rule 1014(b)(1), where the history of the Applicant or its Associated Persons includes any of the events set forth in Rule 1014(a)(3)(A), (C), (D), (F), and (G), there is a presumption that the Application should be denied. The Applicant may overcome the presumption of denial by demonstrating that it can meet each of the standards for admission in FINRA Rule 1014(a), notwithstanding the existence of any of the events set forth in FINRA Rule 1014(a)(3)(A), (C), (D), (F), and (G). To the extent that any of the referenced events exist for the Applicant or its Associated Persons, provide a detailed explanation, in light of the existence of such events, as to how the Applicant is nonetheless capable of complying with industry rules, regulations, laws, and observing high standards of commercial honor and just and equitable principles of trade. Please reference any controls or systems put in place and refer to any specific pages or sections in the Applicant's written supervisory procedures that address heightened supervisory requirements.\*

You have 4000 character(s) left.

3. Indicate whether the Applicant or any Associated Persons have been found to have violated the same federal securities laws or regulations, the rules thereunder, or FINRA rules on more than one occasion. In such instances, identify the nature of the repetitive occurrences, the corrective action the Applicant has taken or will take to prevent future violations, and the specific persons with responsibility for supervision in the areas noted with repeat violations and/or Associated Persons who have been found to have repeat violations.\*

You have 4000 character(s) left.

4. Will this Application involve a transfer of assets without a corresponding transfer of liabilities?\*

☒ Yes ☐ No

Provide details regarding any pending arbitration claims or closed or settled arbitration matters as follows:

- a. A summary that clearly describes each claim, including the amounts claimed for pending matters, the current status, and the amount of settled matters.\*

- b. A statement detailing the treatment of unpaid and pending arbitration claims on the Applicant's financial statements. If pending arbitrations are classified as contingent liabilities, the Applicant should explain its method for calculating amounts on its financial statements. If pending arbitrations are not included on its financial statements, explain why they are not disclosed. Additionally, the Applicant must promptly update information provided in the Application regarding pending arbitration claims that are awarded, settled or become unpaid before the Department renders its decision on the Application. The updates should include new arbitrations filed, settlements made and awards granted against the Applicant.\*

5. Does this application propose to add a natural person as an owner, control person, principal or registered person who, in the prior five years, has one or more "final criminal matters" or two or more "specified risk events"?\* See FINRA Rule 1017(a)(7). (For purposes of Rule 1017(a)(7), the term "owner" has the same meaning as "direct owner" and "indirect owner" on Form BD Schedules A and B, as amended from time to time, and the term "control person" means a person who would have "control" as defined on Form BD, as amended from time to time.)

☒ Yes ☐ No

- a. If the answer to Question 5 is "yes," was the information provided above in the section concerning Standard 1, Question 5.a.?

☒ Yes ☐ No

- b. If the answer to Question 5.a. is "no," for each "final criminal matter" or "specified risk event," if the matter or event has been reported on a Uniform Registration Form (i.e., Forms U4, U5, U6, BD), please provide the subject party and that person's CRD number. If the matter or event has not been reported on a Uniform Registration Form, please also provide a description of the nature of the activity, any findings, any fine or other dispositions.

<u>Subject Party</u>	<u>CRD ID</u>	<u>Description (nature of the activity, any findings, any fine or other dispositions)</u>
<a href="#">Add New</a>	<a href="#">Delete All</a>	<a href="#">#N Row(s)</a>

Every Form U4 shall be kept current at all times by supplementary amendments to the original Form U4. See FINRA By-Laws, Art. V, Sec. 2(c).

### Provide supporting documents.

1. Documentation of any of the events described in FINRA Rule 1014(a)(3), unless the event has been reported to the CRD system.

Browse

2. To the extent that the Applicant or its Associated Person is subject to unpaid arbitration awards, other adjudicated customer awards, unpaid arbitration settlements, pending arbitration claims, provide the following:

- a. For claims pursuant to which an award was granted, documentation (e.g., copies of the front and back of cancelled checks) evidencing that the Applicant has satisfied the award in full (in cases of unpaid awards, the Applicant must pay the awards before closing the transaction).

Browse

- b. For matters that have been settled, a copy of the settlement documentation and evidence that the required settlement payments have been made in full.

	Browse
--	--------

- c. Written opinion(s) of an independent, reputable U.S. licensed counsel knowledgeable in the value of the claim(s) and any other documentation developed by the Applicant's FinOp Principal, accountants, or auditors that support the Applicant's treatment of unpaid and pending arbitration or civil litigation claims.

	Browse
--	--------

- d. Three additional documents: a written "Arbitration Plan" explaining how the Applicant will handle the arbitrations and awards that may result; a statement describing the relationship of the firms involved in the transaction ("Relationship Statement"); and a statement of the plans of key personnel of the Applicant and the Applicant's owners ("Statement of Future Plans").

	Browse
--	--------

- i. The Arbitration Plan should include (i) the expected date for concluding the arbitrations, (ii) the method by which the Applicant expects to resolve the arbitrations (e.g., mediation, settlement, hearing), and (iii) the provision that the Applicant will make and guarantee for payment of awards, settlements or claims (e.g., escrow agreement, insurance coverage, clearing deposit, guarantee, reserve fund, retention of proceeds of asset transfer, no provision for payment).

	Browse
--	--------

- ii. The Relationship Statement should cover (i) whether the firms are affiliated or have common (direct or indirect) ownership greater than five percent and (ii) plans of key personnel or owners to associate with the acquiring firm.

	Browse
--	--------

- iii. The Statement of Future Plans should describe (i) intended use of proceeds of the transaction; and (ii) future plans in the securities business of owners and key personnel (if known) (e.g., Will they associate with another firm? Do they plan to start a new firm?).

	Browse
--	--------



3. Any other documentation that would be pertinent to FINRA's review of this Standard

Browse

Save	Print Preview	Submit
------	---------------	--------

## Standard 4: Contractual and business relationships

FINRA Rule 1014(a)(4): The Applicant has established all contractual or other arrangements and business relationships with banks, clearing corporations, service bureaus, or others necessary to:

(A) initiate the operations described in the Applicant's business plan, considering the nature and scope of operations and the number of personnel; and

(B) comply with the federal securities laws, the rules and regulations thereunder, and FINRA rules.

### Explain how this Standard is met.

1. Identify whether any new agreements or business relationships are being established or whether existing agreements are being modified in order to effectuate the proposed change. Such agreements may include, but are not limited to, expense sharing, clearing, custody, outsourcing, independent contractor, etc.\*

You have 4000 character(s) left.

2. Identify any dependencies or conditions (e.g. shareholder approval, regulatory approval) that must be satisfied prior to conducting the proposed change.\*

You have 4000 character(s) left.

3. Will the proposed change result in the creation of an expense sharing agreement ("ESA") or amendment to an existing ESA?\*

☒ Yes ☐ No

Provide a detailed description of the financial wherewithal of the parties to the ESA to support their obligations under the ESA. (Be sure to attach documentary supports, including bank statements, tax returns, etc., if appropriate, to support this.)\*

**Provide supporting documents.**

1. Copies of the Applicant's Fidelity bond and cancellation rider (if impacted by the proposed change)\*

	<a href="#">Browse</a>
--	------------------------

2. Agreements, to the extent any such agreements are put in place, replaced or amended as a result of the proposed change, including:

- a. Clearing agreements

	<a href="#">Browse</a>
--	------------------------

- b. Administrative services agreement

	<a href="#">Browse</a>
--	------------------------

- c. Agreement with FinOp principal

	<a href="#">Browse</a>
--	------------------------

- d. Commission sharing agreement

	<a href="#">Browse</a>
--	------------------------

- e. Technology services agreement, including arrangements with third-party providers of electronic storage media (SEA Rule 17a-4(f))

	<a href="#">Browse</a>
--	------------------------

- f. Compliance services/support agreement

	<a href="#">Browse</a>
--	------------------------

- g. Expense sharing agreements and supporting documents, including bank statements, tax returns, etc., as applicable

	<a href="#">Browse</a>
--	------------------------

- h. Other agreements pertinent to the conduct of the proposed change

	Browse
--	--------

3. Transaction documents (e.g., letter(s) of intent, asset purchase agreements, share purchase agreements, merger agreements, board resolutions)

	Browse
--	--------

4. Any other documentation that would be pertinent to FINRA's review of this Standard

	Browse
--	--------

Save	Print Preview	Submit
------	---------------	--------

## Standard 5: Facilities

FINRA Rule 1014(a)(5): The Applicant has or has adequate plans to obtain facilities that are sufficient to:

(A) initiate the operations described in the Applicant's business plan, considering the nature and scope of operations and the number of personnel; and

(B) comply with the federal securities laws, the rules and regulations thereunder, and FINRA rules.

### Explain how this standard is met.

1. Is the Applicant making any material changes to existing facilities or locations, or will any proposed change in business require additional space and/or locations?\*

☒ Yes ☐ No

Regarding changes to existing facilities or locations or the addition of space\*

- a. Describe the contemplated changes, including the location of any additional branch offices and non-branch locations.
- b. Provide a statement regarding the adequacy of the Applicant's facilities to conduct the proposed business activities and meet the Applicant's personnel needs. This description must address, among other things, the designated supervisor for each office, the total number of Associated Persons that are anticipated to be located in each office, the business activities to be conducted from each location, the square footage, business equipment, and secure storage for books and records.

You have 4000 character(s) left.

2. As applicable, identify whether various departments (e.g., research, investment banking, trading) of the Applicant are separated by appropriate information and physical barriers and describe the methods for maintaining such barriers.

You have 4000 character(s) left.

3. Will the Applicant, as a result of the proposed change, at any of its locations share office space with an entity or an individual conducting activities other than the Applicant's business?\*

☒ Yes ☐ No

Regarding the space sharing arrangements:\*

- a. Provide a detailed explanation of how the Applicant will separate its space from the entity with which it is sharing space and ensure its customers have clarity about which entity they are dealing with when on the premises.
- b. Explain how the Applicant will establish and maintain the integrity and confidentiality of its information in light of the shared space.
- c. State how the Applicant's hard copy and electronic files (including emails), computers, copiers, scanners, and fax machines will be segregated.
- d. As the Applicant is sharing space, describe, in detail, how the Applicant will prevent individuals not employed by, or associated with, the Applicant from gaining access to Applicant's facilities, and describe any other restrictions imposed.

4. Will the Applicant entered into or acquire any new lease or sublease arrangements as a result of the proposed change?\*

☒ Yes ☐ No

Regarding the lease and/or sublease arrangements:\*

- a. Are premises currently or will the premises be leased to the Applicant? If no, are they leased to a parent, affiliate or other person or entity? Identify the lessor, tenant, sublessee, and describe the relationship, if any, to the Applicant.
- b. If the premises are/will be leased to an entity or person other than the Applicant, does the lease permit the sublet without landlord's consent? And, if not, was consent to sublet obtained, if required?

You have 4000 character(s) left.

5. Will the proposed change result in any change in locations of the Applicant that are owned premises, or result in the addition of private residences used as offices of the Applicant?\*

☒ Yes ☐ No

Regarding the Applicant's owned premises and/or use of private residence locations:\*

- Will any of the proposed offices of the broker-dealer be located in a residence of any of the proposed principals? If so, state whether any costs of using the space, including rent and utilities, will be charged to the Applicant. State also whether the Applicant has obtained the appropriate landlord or other consent to utilize the residential location for business purposes.
- Describe the intended use of any private residence locations for the Applicant's business.
- Describe any change to Applicant owned premises as a result of the change.

You have 4000 character(s) left.

**Provide supporting documents.**

1. For each leased location impacted by the proposed change, the master lease (the agreement between the owner of the property and the initial lessee)

Browse

2. For each sub-leased location impacted by the proposed change, the sub-lease

Browse

3. For each sub-lease impacted by the proposed change, written authorization from landlord evidencing consent to sublet the premises (if required)

Browse

4. For each owned premises impacted by the proposed change, draft or executed deed of ownership

Browse

*Note that the existence of an Expense Sharing Agreement does not negate the requirement to evidence that the Applicant has the right to operate from the premises.*

5. Space sharing agreements impacted by or implemented as a result of the proposed change

	Browse
--	--------

6. A supervisory chart or listing which evidences the supervisory structure, the location of each designated supervisor, the number of Associated Persons currently supervised by each, and the anticipated additional number of Associated Persons to be supervised as a result of the proposed change

	Browse
--	--------

7. Any other documentation that would be pertinent to FINRA's review of this Standard

	Browse
--	--------

Save	Print Preview	Submit
------	---------------	--------



## Standard 6: Communications and operational systems

FINRA Rule 1014(a)(6): The communications and operational systems that the Applicant intends to employ for the purpose of conducting business with customers and other members are adequate and provide reasonably for business continuity in each area set forth in FINRA Rule 1013(a)(1)(E)(xii).

### Explain how this Standard is met.

1. Describe (i) the impact, if any, on the communication and operational systems of the Applicant which are utilized for the purpose of conducting business with customers and other firms, (ii) the adequacy of such systems in light of the proposed change, and (iii) the impact on plans in place to ensure business continuity.\*

You have 4000 character(s) left.

2. Describe how the systems and equipment of the Applicant will be impacted by the proposed change, and how the Applicant will address potential issues (e.g., adding new systems/equipment, modifying existing systems).\*

You have 4000 character(s) left.

3. Regarding business continuity, describe how the proposed change impacts capacity in light of any anticipated increase in usage levels as well as describe in detail any changes to contingency plans to address system failures, disaster recovery plans, system security, etc.\*

You have 4000 character(s) left.

4. Will the Applicant conduct business from multiple locations as a result of the proposed change?\*

☒ Yes ☐ No

Describe how the Applicant will supervise and monitor the electronic communications taking place at the Applicant's impacted locations, describing any systems used to assist the Applicant in doing so.\*

You have 4000 character(s) left.

5. Will, as a result of the proposed change, one or more of the Applicant's proposed locations be the residence of an Associated Person?\*

☒ Yes ☐ No

Explain the Applicant's plan regarding how information will be secured, backed up, and stored at residential locations.\*

You have 4000 character(s) left.

6. Will the proposed change affect or result in the Applicant's use of social media sites, such as blogs and social networking sites, for business communications?\*

☒ Yes ☐ No

Describe how the Applicant will employ social media sites to conduct business with customers or other financial institutions, and describe the steps to be taken by the Applicant to ensure compliance with FINRA guidance regarding such mediums (see for example, Regulatory Notices 17-18 and 19-31.)\*

You have 4000 character(s) left.

**Provide supporting documents.**

1. Business continuity plan (if impacted)

Browse

2. Business continuity disclosure statement (if available)

Browse

3. A step-by-step description of the order flow on the trading platforms, supported by screenshots or schematic diagrams (as applicable to the proposed change)

	Browse
--	--------

4. Screenshots of both Applicant-facing and outward-facing pages of the social media sites, showing the flow from one screen to another (if applicable)

	Browse
--	--------

5. A systems conversion timeline, testing plan, and implementation schedule for proposed changes (if applicable)

	Browse
--	--------

6. Any other documentation that would be pertinent to FINRA's review of this Standard.

	Browse
--	--------

Save	Print Preview	Submit
------	---------------	--------

## Standard 7: Maintaining adequate net capital

FINRA Rule 1014(a)(7): The Applicant is capable of maintaining a level of net capital in excess of the minimum net capital requirements set forth in SEA Rule 15c3-1 adequate to support the Applicant's intended business operations on a continuing basis, based on information filed under Rule 1013(b)(5). The Department may impose a reasonably determined higher net capital requirement for the initiation of operations after considering:

(A) the amount of net capital sufficient to avoid early warning level reporting requirements, such as SEA Rule 17a-11;

(B) the amount of capital necessary to meet expenses net of revenues for at least 12 months, based on reliable projections agreed to by the Applicant and the Department;

(C) any planned market making activities, the number of markets to be made, the type and volatility of products, and the anticipated maximum inventory positions;

(D) any plan to enter into other contractual commitments, such as underwritings or other securities-related activities;

(E) any plan to distribute or maintain securities products in proprietary positions, and the risks, volatility, degree of liquidity, and speculative nature of the products; and

(F) any other activity that the Applicant will engage in that reasonably could have a material impact on net capital within the first 12 months of business operations.

### Explain how this standard is met.

1. Provide a detailed description of\*
  - a. the nature and source of the Applicant's capital;
  - b. the terms and conditions of all financing arrangements; and
  - c. any impact to the Applicant's ability to maintain net capital in excess of the Applicant's existing (or revised) minimum net capital requirement, and to support, on a continuing basis the business operations as proposed by the Applicant.

2. Will the Applicant, in connection with the proposed change, rely on any form of subordinated lending relating to its capital position?\*

☒ Yes ☐ No

Describe the relationship between the anticipated lender and Applicant, the intended use of proceeds from the subordination, and any business arrangements or agreements related to the subordination.\*

3. Describe plans for additional funding of the Applicant, should such additional funding become necessary in the future.\*

4. Provide a statement of the Applicant's statutory minimum net capital requirement, pursuant to SEA Rule 15c3-1, and any change in net capital calculation methodology by the Applicant, as a result of the proposed change.\*

5. Does the Applicant propose to rely on a pre-existing stream of revenue to support its capitalization in light of proposed change?\*

☒ Yes ☐ No

Provide a detailed description of the revenue stream, how it is earned, and the entity or individual which is earning that revenue.\*

**Provide specific data regarding infusions of capital to fund the Applicant.**

6. In connection with the proposed change, provide a list of all persons or entities that have contributed or plan to contribute equity capital or debt financing to the Applicant's business and provide information regarding the nature of the capital and/or financing.

Capital Contributions				
Date	Source	Recipient	Amount	Transfer Instrument
12/25/11	ABC Ventures	XYZ Securities	\$100,000	Wire
Add New		Delete All	1 Row(s)	

**Provide supporting documents.**

1. Verification of all funding, including but not limited to the below list. The information provided must provide Staff with a clear picture of the movement of funds from their origin to the Applicant, including any movement between intermediary and/or holding companies.

- a. For each source of funding: bank statements, checks (front and back), or wire advices (or the equivalent) covering the month of the withdrawal of funds from the source account, and also the three prior months

	Browse
--	--------

- b. For the Applicant: bank statements, checks (front and back), or wire advices (or the equivalent) covering the month of the deposit of funds into the Applicant's account, and also the three prior months

	Browse
--	--------

- c. For both the source and receiving entities, the corporate minutes (or equivalent) reflecting the authorization of funding

	Browse
--	--------

- d. Evidence of the financial wherewithal of anticipated sources of future funding, such as bank statements (or the equivalent)

	Browse
--	--------

- e. As applicable to the proposed change: pro forma financial statements of the Applicant for twelve months, specifically identifying revenues and expenses related to the proposed change as well as the impact to equity, net capital, and projected profit or loss

	Browse
--	--------

- f. Financial assumptions supporting the monthly projections\*

	Browse
--	--------

2. If the Applicant proposes to use a form of subordinated lending: a draft of the anticipated agreement and related supporting documentation (as detailed in Regulatory Notice 10-15)

	Browse
--	--------

3. Any other documentation that would be pertinent to FINRA's review of this Standard.

	Browse
--	--------

Save	Print Preview	Submit
------	---------------	--------

## Standard 8: Financial controls

FINRA Rule 1014(a)(8): The Applicant has financial controls to ensure compliance with the federal securities laws, the rules and regulations thereunder, and FINRA rules.

### Provide specific information regarding the financial controls.

1. Identify the impact of the proposed change on the financial controls, systems, policies, and procedures that the Applicant will use to enable the FinOp principal to promptly access the Applicant's books and records, and to keep abreast of any financial and related problems occurring at the Applicant.\*

You have 4000 character(s) left.

2. Describe how the proposed change will affect any of the following items.\*
  - a. Accounting system
  - b. Hardcopy and/or electronic books and records
  - c. Authorized signatories on bank and trading accounts
  - d. Individual(s) responsible for daily journal entries and monthly closing of books and records
  - e. Authorizations required and procedures regarding withdrawals of capital
  - f. If the FinOp works offsite or remotely: whether he or she will have online access to bank accounts, clearing accounts, etc., and whether that access will be read-only
  - g. Whether the Applicant will employ or associate other persons who will support the financial and operation functions (e.g. internal bookkeeping staff); if so, identify each such person and their roles and responsibilities

You have 4000 character(s) left.

### Provide specific information regarding the Applicant's FinOp Principal(s).

3. Will the FinOp Principal change as a result of this Application?\*

☒ Yes ☐ No

Provide the name and CRD ID of the Applicant's proposed FinOp Principal\*



You have 4000 character(s) left.

4. Will the Applicant have more than one FinOp Principal as a result of the change?\*

☒ Yes ☐ No

Provide a statement explaining the rationale for more than one FinOp Principal and the duties that each will execute.\*

You have 4000 character(s) left.

5. Provide a detailed description of the prior work experience of the Applicant's FinOp Principal relative to the business activities the Applicant will conduct following the change. (This description must also address how the individual satisfies Rule 1014(a)(10)(D) which requires one-year of direct or two-years related experience in the subject area to be supervised.)\*

6. Will the Applicant's FinOp Principal be either part-time with the Applicant or dually associated with another broker-dealer?\*

☒ Yes ☐ No

FinOp Principal CRD ID		Retrieve this person
------------------------	--	----------------------

Upon entering the CRD ID of the part-time or dually associated FinOp principal(s) of the Applicant, certain information will be populated in the table below, such as information obtained from submissions made through the CRD system. Regarding the Applicant's proposed FinOp Principal, complete the table by providing the requested information with respect to each broker-dealer with which the FinOp principal(s) is (are) associated and provide additional information as follows.\*

- In the table provided, identify the percentage of time that the FinOp Principal(s) will spend at each applicable broker-dealer carrying out his or her responsibilities on a weekly basis.
- In the table provided, describe:

- i. The capacities (both FinOp Principal and non-FinOp principal) in which the FinOp Principal(s) will be serving (examples might include general securities principal, chief compliance officer, others) for each listed firm
- ii. The type of broker-dealer the FinOp Principal is associated with for each listed firm (examples might include introducing firm, wire order business, dealer activities firm, self-clearing firm, etc.)

Principal	Principal CRD ID	Associated firm(s)	Associated firm CRD ID	Percentage of time per week	Capacities and firm type	
						Delete
						Delete

- c. Provide an explanation of how the FinOp principal proposes to allot sufficient time to execute his or her duties for the Applicant, given his or her responsibilities with other broker-dealers, particularly in light of the proposed change.

You have 4000 character(s) left.

- d. Describe any system, policies and procedures that the Applicant will implement to enable the part-time or dually associated FinOp Principal to promptly access the Applicant's books and records, and to keep abreast of any financial and related problems occurring at the Applicant, particularly in light of the proposed change.

You have 4000 character(s) left.

### Provide supporting documents

1. Rule 3270 (Outside Business Activities of Registered Persons) notifications for the FinOp Principal (if applicable)

Browse

2. Financial control procedures (if altered by the proposed change)

Browse

3. Any other documentation that would be pertinent to FINRA's review of this Standard.

Browse

Save	Print Preview	Submit
------	---------------	--------

## Standard 9: Written procedures

FINRA Rule 1014(a)(9): The Applicant has 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 Applicant's proposed business.

### Explain how this Standard is met.

1. Describe any impact upon the Applicant's compliance, supervisory, operational, and internal control practices and standards in light of the proposed change.\*

You have 4000 character(s) left.

### Provide supporting documents

1. Written Supervisory Procedures ("WSPs") impacted by the proposed change, including:

- a. Written supervisory control procedures

Browse

- b. Anti-money laundering procedures

Browse

- c. Financial control procedures

Browse

- d. Internal operating procedures

Browse

- e. Internal control procedures

Browse

*Ensure that the WSPs contain a Designation of Principals identifying the principal(s) responsible for each area (e.g., AML, Supervisory Controls) and business activity or product line (including activities or products categorized as OTH or Other that require broker-dealer registration).*

*As a reminder, please ensure that the WSPs clearly state:*

- *Who: the identification of the principal/supervisor responsible for conducting the subject procedure;*
- *What: a description of the specific procedure that is to be conducted by the principal/supervisor;*
- *When: a statement as to when or how often the specific procedure is to be conducted*
- *How evidenced: a statement as to how the Applicant will evidence the fact that the procedure has been conducted*

*WSPs that do not conform to the above may not be deemed adequate under this Standard.*

2. WSP checklist, as it pertains to procedures impacted by the change

	Browse
--	--------

3. Sample of the reports (if impacted by the proposed change) utilized to support supervisory, AML, financial control, internal operating, and internal control procedures\*

	Browse
--	--------

4. Any other documentation that would be pertinent to FINRA's review of this Standard

	Browse
--	--------

Save	Print Preview	Submit
------	---------------	--------

## Standard 10: Supervisory structure

FINRA Rule 1014(a)(10): The Applicant has 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. In evaluating the adequacy of a supervisory system, the Department shall consider the overall nature and scope of the Applicant's intended business operations and shall consider whether:

(A) the number, location, experience, and qualifications of supervisory personnel are adequate in light of the number, location, experience, and qualifications of persons to be supervised; the Central Registration Depository record or other disciplinary history of supervisory personnel and persons to be supervised; and the number and locations of the offices that the Applicant intends to open and the nature and scope of business to be conducted at each office;

(B) the Applicant has identified specific Associated Persons to supervise and discharge each of the functions in the Applicant's business plan, and to supervise each of the Applicant's intended offices, whether or not such offices are required to be registered under FINRA rules;

(C) the Applicant has identified the functions to be performed by each Associated Person and has adopted procedures to assure the registration with FINRA and applicable states of all persons whose functions are subject to such registration requirements;

(D) each Associated Person identified in the business plan to discharge a supervisory function has at least one year of direct experience or two years of related experience in the subject area to be supervised;

(E) the Applicant will solicit retail or institutional business;

(F) the Applicant will recommend securities to customers;

(G) the location or part-time status of a supervisor or principal will affect such person's ability to be an effective supervisor;

(H) the Applicant should be required to place one or more Associated Persons under heightened supervision pursuant to Notice to Members 97-19;

(I) any remedial action, such as special training or continuing education requirements or heightened supervision, has been imposed on an Associated Person by a state or federal authority or self-regulatory organization; and

(J) any other condition that will have a material impact on the Applicant's ability to detect and prevent violations of the federal securities laws, the rules and regulations thereunder, and FINRA rules.

### Explain how this Standard is met.

1. Describe any changes or additions to\*

a. management or supervisory personnel (including heads of business lines),

- b. addition of offices,
- c. changes to supervisory responsibilities,
- d. changes involving heightened supervision, and
- e. any changes to supervisory systems or to the supervisory framework.

2. Persons identified in Form CMA who are or will be responsible for discharging supervisory functions must have a minimum of one year of direct experience or two years of related experience in the area to be supervised. (See FINRA Rule 1014(a)(10)) In light of the noted requirement, describe the relevant experience of personnel to supervise new or expanded areas of the Applicant's business relating to the proposed change, including (at a minimum)\*

- a. where such experience was obtained,
- b. duration of the experience, and
- c. positions held and responsibilities.

3. Will the proposed change to the Applicant result in a change in Chief Compliance Officer?\*

☒ Yes ☐ No

- a. Provide the name, CRD ID and a detailed description of the direct experience of the proposed Chief Compliance Officer in light of the proposed business activities the Applicant will conduct following implementation of the proposed change. If the proposed CCO does not possess prior direct experience, provide a detailed description of the proposed CCO's related experience, and how, in the Applicant's view, that experience qualifies him/her as CCO. In the description provided, be sure to specify whether the proposed CCO has experience with products, with business activities, with compliance, and experience with the SEA, and rules and regulations thereunder, and FINRA rules.\*

You have 4000 character(s) left.

- b. If the proposed change will result in the expansion of the product or business areas for which the existing CCO is responsible, provide a description of the current CCO's direct experience (related to the new product or business area). If the current CCO does not possess prior direct experience, provide a detailed description of the current CCO's related experience, and how, in the Applicant's view, that experience qualifies him/her as CCO. In the description provided, be sure to specify whether the current CCO has experience with products, with business activities, with compliance, and experience with the SEA, the rules and regulations thereunder, and the FINRA rules.\*

You have 4000 character(s) left.

**Provide supporting documents.**

1. Rule 3270 (Outside Business Activities of Registered Persons) notification(s) for principals other than the FinOp Principal (addressed in Standard 8), that have outside business activities (if applicable)

Browse

2. Any other documentation that would be pertinent to FINRA's review of this Standard.

Browse

Save	Print Preview	Submit
------	---------------	--------



## Standard 11: Books and records

FINRA Rule 1014(a)(11): The Applicant has a recordkeeping system that enables 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.

### Explain how this standard is met.

1. Describe any changes to the Applicant's recordkeeping system as a result of the proposed change, specifically identifying any impact to\*
  - a. procedures,
  - b. books and records,
  - c. communication systems, and
  - d. the software and systems to be used to prepare business and financial records, including general ledger, trial balance, balance sheet, and net capital computation (e.g., PeopleSoft, ADP, Creative Solutions).

You have 4000 character(s) left.

2. Describe any changes to, or to the scope of services provided by, any entities providing recordkeeping services to the Applicant, specifically identifying any service bureaus, clearing/correspondent arrangements, or other arrangements involving the creation and retention of books and records.\*

You have 4000 character(s) left.

3. Describe how the Applicant's records storage (including email) will be impacted by the proposed change, specifically identifying (for example)\*
  - a. hardcopy,
  - b. microfilm/microfiche,
  - c. optical storage technology, or
  - d. other media or methods.

You have 4000 character(s) left.

4. Describe any changes to the location where the Applicant's electronic records will be maintained (including email archives).\*

You have 4000 character(s) left.

5. Identify all new types of records to be created and maintained as a result of the proposed change.\*

You have 4000 character(s) left.

**Provide supporting documents.**

1. A conversion timeline, testing plan, and implementation schedule for the proposed recordkeeping system changes (if applicable)

Browse

2. Sample of relevant books and records that will be created and maintained relating to the new business activities or as a result of the proposed change

Browse

3. Any other documentation that would be pertinent to FINRA's review of this Standard

Browse

Save	Print Preview	Submit
------	---------------	--------

## Standard 12: Continuing education

FINRA Rule 1014(a)(12): The Applicant has completed 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 rules.

### Explain how this standard is met.

1. Identify any changes to the Applicant's Continuing Education ("CE") program, including the Firm Element needs assessment and written training plan as a result of the proposed change. This should include identification of what additional courses may be required, which personnel will be required to participate, and the timeline for implementing the planned modification to the CE Firm Element.\*

2. Identify any changes to the person(s) responsible for the Firm Element and the Regulatory Element of the Applicant's CE program.\*

### Provide supporting documents.

1. Revised continuing education training needs assessment and written training plan (if applicable)

 Browse

2. Any other documentation that would be pertinent to FINRA's review of this Standard

 Browse

Save	Print Preview	Submit
------	---------------	--------