

Activities relating to FinTech business models has attracted the interest of prospective and existing FINRA member firms. This Guidance is intended to provide applicants with direction on key regulatory and compliance questions and challenges for both perspective and existing FINRA members.

A prospective FINRA member firm must seek approval for new FINRA membership through the submission of a [New Membership Application \(NMA or Form NMA\)](#). An existing FINRA member firm that is contemplating a material change in business operations, among other changes specified by applicable FINRA rules, must submit a [Continuing Membership Application \(CMA or Form CMA\)](#)<sup>1</sup>. Both types of applications are reviewed by FINRA's Membership Application Program (MAP) Group. MAP's review of Forms NMA and CMA are governed by Rules 1011 through 1019 (collectively, the MAP rules) under the FINRA Rule 1000 Series (Member Application and Associated Persons Registration). For purposes of this Guidance, a prospective applicant for new membership should carefully review, in particular, Rules 1012 (General Provisions), 1013 (New Member Application and Interview), 1014 (Department Decision), and for an existing member that is contemplating a business expansion involving digital asset securities, Rules 1012, 1014, and 1017 (Application for Approval of Change in Ownership, Control, or Business Operations).

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

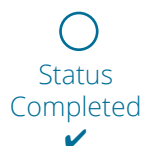
Forms NMA and CMA identify certain information as mandatory or required submissions in the applications. Please note that the information and documents listed in this Guidance are not exhaustive and while there may be some items listed in this Guidance that may not be mandatory or required in the application,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

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

## 1

**STANDARD 1: OVERVIEW OF THE APPLICANT**

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



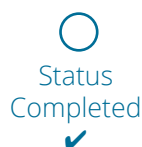
- Provide a written narrative describing the scope of activities to be conducted as well as describing each step of a typical transaction to be conducted by the applicant, beginning with any initial customer contact. The scope of activities would include a description of the business model, including but not limited to:
  - An explanation of whether the applicant interacts with customers via an online platform or mobile application.
  - An explanation of whether the online platform or mobile application is a proprietary system or one that is a white-labeled solution.
    - If an online platform or mobile application, identify the entity (including the applicant, parent, or an affiliate) responsible for developing and maintaining the online platform or mobile application; or
    - If a white-labeled solution, identify the provider and describe whether there are any modifications or enhancement of functionalities made to the solution.
  - If an online platform or mobile application is used to interact with customers, and it is a shared system, technology or application programming interface (API) between the applicant and a non-registered entity (e.g., the applicant's parent and affiliates), provide a detailed description of the controls, disclosures and other guardrails that will be made available so customers have a clear understanding of which entity they are interacting with during their interface with the platform or mobile application.
- An explanation of the full scope of investment products (as well as any non-traditional investment products) that are transacted over the applicant's online platform or mobile application (e.g., equities, fixed income, options, derivatives, etc.). Please provide:
  - An explanation of whether customers are offered any other services or financial products by the applicant's affiliates as part of the overall online platform or mobile application including, but not limited to, cryptocurrencies, banking, insurance, and payment, etc.;
  - The identity of the affiliates offering these services and products and describe the business and compensation arrangement between the applicant and said affiliates; and
  - Controls, disclosures, and other guardrails that are taken by the applicant to ensure that the customer fully understands which entity they are engaging for each of the offered services and products.
- A description of any innovative or novel functions or features on the applicant's online platform or mobile application (e.g., digital or automated investment advice employing the use of algorithms or artificial intelligence, use of blockchain or distributed ledger technology, implementation of Regulatory Technology (RegTech), incorporation of social media aspects including crowdsourcing of investment ideas, group investing, or ability to copy trades).
  - The description should include an explanation of the impact of the innovative or novel functions or features including, but not limited to, the following:
    - Execution, clearance, settlement of transactions;
    - Handling and custody of customer funds and securities;
    - Regulatory considerations, including but not limited to, [Regulation S-P](#) (Reg SP), [Regulation Best Interest](#) (Reg BI), [Regulation S-ID](#) (Reg S-ID), FINRA Rule [2111](#) (Suitability), and FINRA Rule [2210](#) (Communications with the Public).
  - The description should also explain and clearly delineate the role and responsibilities of the applicant and the role and responsibilities of any other entities (including parent and affiliates) with respect to the implementation and maintenance of the online platform or mobile application.

- Provide screenshots of the online platform or mobile application, with accompanying narratives, which documents the workflow of a sample transaction. Please note that the submission of the screenshots with the narrative and workflow is necessary to deem the file substantially complete.
- Provide a live [demonstration](#) (“demo”) of the applicant’s online platform or mobile application during the Membership Interview (MI), or separate demo meeting, which includes a full walk through of the following:
  - Customer onboarding including the account opening process;
  - Innovative or novel functions or features;
  - Full workflow of a sample transaction from placement to execution through settlement of transaction; and
  - Risk management controls on the back-end available in the online platform or mobile app.
- Describe the applicant’s intended customer base (retail, institutional, domestic, foreign, or other customers) and its growth strategy and trajectory in terms of customer accounts, including:
  - A detailed description as to the source of customers for the applicant including, but not limited to, whether customers of the applicant’s affiliates will be shared with the applicant and if so, describe any referral arrangements related to the sharing of customers; and
  - An explanation of whether the applicant will leverage influencers or social media to source and grow its customer base. If so, please provide a detailed explanation of the nuances of this arrangement. To the extent that compensation is provided in exchange of referral arrangements with the applicant’s affiliates, influencers, or social media, please explain how the compensation arrangement is in compliance with obligations relating to payments to unregistered persons.<sup>2</sup>
- An explanation of how the requirements of FINRA Rule [2040](#) are met, to the extent the compensation arrangement detailed in the licensing or vendor agreement require payments to unregistered person.

## 2

**STANDARD 2: LICENSES AND REGISTRATIONS**

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



- Identify the applicant’s management and registered principals.
  - For CMAs, if the applicant is adding new principals, address the principals’ direct or relevant experience and securities licenses, including licenses required to supervise that business.<sup>3</sup> This is also addressed below in Standard 10.
- If possible, provide an attestation for all non-registered owners and managing directors attesting that they will not be involved in the day-to-day operations of the broker-dealer, including, but not limited to, hiring, firing, management without proper securities license registrations.

2. See FINRA Rule [2040](#) (Payments to Unregistered Persons.)

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

## 3

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

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



Status  
Completed  
✓

- If applicable, provide an explanation of how the applicant may overcome the presumption to deny the CMA or NMA, notwithstanding the existence of the events set forth under Rule 1014(a)(3)(A), (C), (D), (E)<sup>4</sup>, (F) and (G).<sup>5</sup>

The explanation should demonstrate how the applicant can comply with this standard in light of any pending or potential regulatory actions, including those initiated by the U.S. Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission, a federal or state regulatory agency, a foreign financial regulatory authority, or a self-regulatory organization.
- If applicable, provide information related to:
  - Adjudicated and pending disciplinary and regulatory actions, including pending FINRA Enforcement actions and certain disciplinary and regulatory actions, which trigger the presumption to deny the application;
  - Pending and unpaid arbitrations for the applicant’s associated persons; and
  - An explanation of how the applicant intends to pay for any pending and unpaid awards, which includes documentation supporting that funds are available to cover the awards, *i.e.*, arbitration plans or escrow agreements.<sup>6</sup>
- If applicable, identify any associated persons with a significant history of misconduct, including:
  - Providing details about any heightened supervisory plans for such associated persons; and
  - Addressing whether any natural person seeking to become an owner, control person, principal or registered person of the applicant have, in the prior five years, one or more “final criminal matters” or two or more “specified risk events” and a heightened supervisory plan.<sup>7</sup>

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

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

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

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

4

**STANDARD 4: CONTRACTUAL AND BUSINESS RELATIONSHIPS**

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



Status  
Completed  
✓

- If there are licensing or vendor agreements related to either the use of the online platform or mobile application or the technology capabilities behind the system, please provide a copy of said agreements, including:
  - A description of the terms and conditions of the licensing or vendor agreements including the specific services provided between the licensee and licensor.

5

**STANDARD 5: FACILITIES**

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



Status  
Completed  
✓

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

## 6

**STANDARD 6: COMMUNICATIONS AND OPERATIONAL SYSTEMS**

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



Status  
Completed  
✓

- Provide a detailed business continuity plan that includes the following:
  - The applicant's online platform or mobile application defined as a mission critical system;<sup>8</sup>
  - An explanation of how the applicant's business model and activities can continue operations in the event of a significant business disruption; and
  - Incident response plan that is customized and applicable to the risks of the applicant's online platform or mobile application, particularly if there are any innovative or novel functions or features that are integral to the applicant's business model or activities.

## 7

**STANDARD 7: MAINTAINING ADEQUATE NET CAPITAL**

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



Status  
Completed  
✓

- To the extent that the applicant earns revenue from its online platform or mobile application, or any novel and innovative features or functions, (e.g., premium subscription plans, advanced features, ability to quickly access transferred funds), provide anticipated revenue in the pro forma revenue and expense projections and provide the assumptions supporting the projections.
- To the extent that the applicant's online platform or mobile application, including innovative or novel functions or features of the online platform or mobile application, impacts the applicant's status pursuant to SEA Rule [15c3-3](#) (Customer Protection – Reserves and Custody of Securities) or minimum net capital requirements pursuant to SEA Rule [15c3-1](#) (Net Capital Requirements for Broker or Dealers), provide a written statement supporting the rationale for the minimum net capital requirement and treatment and status with respect to SEA Rule 15c3-3 and SEA Rule 15c3-1.

## 8

**STANDARD 8: FINANCIAL CONTROLS**

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



Status  
Completed  
✓

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

8. See FINRA Rule [4370\(g\)\(1\)](#) Business Continuity Plans and Emergency Contact Information.

9

**STANDARD 9: WRITTEN PROCEDURES**

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



Status  
Completed  
✓

- Provide detailed cybersecurity and information technology policies and procedures that address the protection of the applicant's online platform or mobile application, client personally identifiable information (PII), sensitive data (*i.e.*, non-public trade and market data) and incident response plan in event of material risks to the applicant's system and technology stack.
- Provide detailed written supervisory procedures (WSPs) that describe and contemplate the following considerations:
  - A description of the online platform or mobile application;
  - A description of any innovative or novel functions or features inherent to the online platform or mobile application;
  - An explanation of the regulatory implications given the utilization of an online platform or mobile application as well as any innovative or novel functions or features (*i.e.*, impact with respect to [Regulation S-P](#), [Regulation BI](#), [Regulation S-ID](#), FINRA Rule [2111](#) (Suitability), and FINRA Rule [2210](#) (Communications with the Public)); and
  - An overview of the mitigating controls employed by the applicant in light of inherent risks that may be a result of the utilization of an online platform or mobile application as well as any inherent innovative or novel functions or features.

10

**STANDARD 10: SUPERVISORY STRUCTURE**

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



Status  
Completed  
✓

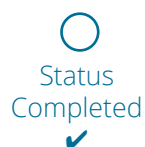
- Explain the one year of direct, or two years of related, experience in the activity the individual(s) intend to supervise.
- Provide comprehensive information relating to the background and qualification of the proposed supervisors of the applicant, particularly supervisory experience, related to the operations of an online platform or mobile application.
- Address in detail on how the applicant will ensure adequate support from a supervisory, operational and compliance perspective in light of the anticipated growth in customers and describe the resources that the applicant will dedicate to this effort.
  - Explain the reasonable benchmarks (*e.g.*, customer accounts opened per month, volume of transactions, volume of customer communications) that the applicant will utilize to determine the appropriateness of increasing supervisory, operational and compliance perspective resources necessary for an effective supervisory system.



## 11

**STANDARD 11: BOOKS AND RECORDS**

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



- Describe the applicant's recordkeeping system, specifically identifying:
  - Procedures;
  - Books and records;
  - Communication systems; and
  - 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).
- Describe the entities and the scope of services provided by any recordkeeping services used by the applicant, specifically identifying any service bureaus, clearing or correspondent arrangements, or other arrangements involving the creation and retention of books and records.
- Describe how the applicant's records, including email, will be stored.
- List the types of proposed records to be maintained by the applicant.
- If the applicant will have a foreign main office, if possible, provide a statement to confirm that it will remain in compliance with this Standard, and FINRA will have access to all books and records.<sup>9</sup>

9. Standard 12 requires that the applicant complete a training needs assessment and has a written training plan that complies with the continuing education requirements imposed by the federal securities laws, the rules and regulations thereunder, and FINRA's rules. Standard 13 requires FINRA to assess whether it possesses any information indicating that the applicant may circumvent, evade, or otherwise avoid compliance with the federal securities laws, the rules and regulations thereunder, or FINRA rules. Standard 14 requires that the applicant's application and supporting documents are consistent with the federal securities laws, the rules and regulations thereunder, and FINRA's rules. Although this guidance does not address Standards 12-14, FINRA may nevertheless require the applicant to provide materials to address Standards 12-1



## FINRA Compliance Tool Disclaimer

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

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

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

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