

Guidance for Operational Readiness for Online Platforms and Mobile Applications

2023

This guidance is intended to provide direction on key information for a prospective and existing FINRA member firm that is contemplating engaging in activities utilizing an online platform or mobile application.¹ Under Standard 6 of FINRA's Standards for Admission (Standard), an applicant's online platform or mobile application 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. Essentially, the online platform or mobile application should be "operationally ready."

Among other considerations, FINRA's Membership Application Program (MAP) Group will deem an online platform or mobile application as operationally ready when the online platform or mobile application is ready for a live walk-through demonstration with MAP, all activities to be conducted on the online platform or mobile application are fully functional, and the customer-facing and internal views of the online platform or mobile platform can be demonstrated via videoconference. An online platform or mobile application must be operationally ready when the [New Membership Application \(NMA or Form NMA\)](#) or [Continuing Membership Application \(CMA or Form CMA\)](#) is submitted. If the online platform or mobile application is not operationally ready, the NMA or CMA may be rejected or lapsed, and the applicant may lose a portion, or all, of the filing fees associated with the application.

While this guidance primarily addresses the requirements to satisfy Standard 6, it also encompasses information from Standards 1, 2, 4, 7 and 9.² In general, Standard 6 addresses the adequacy of operational systems, which includes a certification that these systems are adequate for the proposed business.³ Standard 1 pertains to an overview of an applicant (e.g., business plan). Standard 2 relates to licenses and registrations, Standard 4 relates to the applicant's contractual and business relationships, Standard 7 pertains to the adequacy of net capital, and Standard 9 concerns the applicant's written supervisory procedures.

Please note that the information and documents listed in this guidance are not exhaustive. FINRA may request additional documents and information as necessary to render a decision on Forms NMA and CMA under Rules 1013 and 1017, respectively. FINRA notes that some of the items specified in this guidance may not be marked as mandatory in Forms NMA or CMA but including such information and documents with the submission may support a more efficient application review process. 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 to dollars.

For additional guidance or questions concerning the CMA or NMA processes, a prospective applicant is encouraged to participate in a "pre-filing" meeting with MAP by contacting MAP at membership@finra.org or (212) 858-4000 – Option 5 – Membership Applications.

1. Applicants submitting NMAs or CMAs with an online platform or mobile application component should also consult the [Guidance for FinTech Applications](#).
2. When FINRA receives a CMA or NMA, it will conduct an initial review to determine whether the application is substantially complete in order for FINRA to begin a meaningful review of it. An application that is not substantially complete will be rejected, and the applicant will lose a portion of the application fee. There also may be additional consequences for the submission of an application that is not substantially complete, such as, in the case of a NMA, the inability to use the prospective firm's Central Registration Depository (CRD®) number or name.
3. Rules 1011 through 1019 (collectively, the MAP rules) under the FINRA Rule 1000 Series (Member Application and Associated Persons Registration) govern MAP's review of Forms NMA and CMA. 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, Rules 1012, 1014 and 1017 (Application for Approval of Change in Ownership, Control, or Business Operations).

Operationally Readiness – The applicant’s online platform or mobile application should be operationally ready when the NMA or CMA is submitted. This is a substantially complete requirement. (Standard 6)

- MAP will assess whether an NMA or CMA is operationally ready when the NMA or CMA is submitted. If the online platform or mobile application is not operationally ready, the NMA or CMA may be rejected or lapsed,⁴ and the applicant may lose a portion, or all, of the filing fees associated with the application.
- MAP views a platform or mobile application to be “operationally ready” when:
 - The online platform or mobile application is ready for a live walk-through demonstration with MAP.
 - The version of the online platform or mobile application to be used is complete.
 - Quality assurance and other testing of the online platform or mobile platform is complete.
 - All activities to be conducted on the online platform or mobile application are fully functional.
 - Both the customer-facing and internal views of the online platform or mobile platform can be demonstrated via videoconference.
- The applicant must demonstrate that the online platform or mobile application is operationally ready as of the application submission date. To evidence that the online platform or mobile application is operationally ready, the applicant must submit screenshots of the following relevant components:
 - Customer on-boarding process via the customer-facing view of the system;
 - The entire life cycle of each transaction type from inception to completion, including confirmation, clearance, and settlement including the customer-facing views and internal-facing views of the system; and
 - Internal supervisory and operational reviews of each transaction type.
- The applicant should also provide an explanation of how the requirements of FINRA Rule 2040⁵ are met, to the extent the compensation arrangement detailed in the licensing or vendor agreement requires payments to unregistered person.
- Provide a detailed business continuity plan that includes the following:
 - The applicant’s online platform or mobile application defined as a mission critical system⁶;
 - 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.

4. MAP may lapse an application if, absent a showing of good cause, the applicant fails to: (1) respond fully within the applicable timeframes for initial or subsequent written requests for information or documents for NMAs or CMAs, as applicable; (2) appear at or otherwise participate in a scheduled membership interview; or (3) file an executed membership agreement within 25 days after service of the agreement. There is no refund for a lapsed application. When MAP lapses an application, the applicant will be required to submit a new application and fee pursuant to Schedule A to the FINRA By-Laws. Within 30 days after the filing of an application, MAP may reject it if MAP determines that the application is not substantially complete. In such case, the applicant will be given five business days to correct the deficiency. If the deficiency is corrected, and the application is deemed substantially complete, the date that the application becomes substantially complete becomes the file “start date,” which is the date used for purposes of calculating the decision due date. If the deficiency is not corrected, MAP will reject the application and deem it to not have been filed. MAP will send the applicant a written notification of that determination citing the reasons for the rejected application. For rejected filings, MAP will refund the application fee, less a \$500 processing fee.

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

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

Identify the applicant's management and registered principals. (Standard 2)

- If the applicant is adding new principals for the digital asset securities business, address the principals' direct or relevant experience and securities licenses, including licenses required to supervise that business.⁷

Provide licensing and vendor agreements. (Standard 4)

- 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.

Provide information and documents related to revenues, expenses, and impact to minimum net capital requirements. (Standard 7)

- 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, expense projections, and 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](#).

Written Supervisory Procedures (WSPs) – The applicant's WSPs should include policies and procedures related to the online platform and mobile application. (Standard 9)

- Provide detailed 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 Best Interest](#), [Regulation S-ID](#), FINRA Rule [2111](#) (Suitability), and FINRA Rule [2210](#) (Communications with the Public)).
- 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.
- 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.
- 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.

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

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 updated on June 29, 2023. This tool does not reflect any regulatory changes since that date. FINRA periodically reviews and updates these tools. FINRA reminds member firms to stay apprised of new or amended laws, rules and regulations, and update their WSPs and compliance programs on an ongoing basis.

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

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

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