BEFORE THE NATIONAL ADJUDICATORY COUNCIL

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the Request for Review Filed by Firm A	DECISION Dated: June 15, 2026

FINRA's Department of Member Supervision denied the firm's continuing membership application. Held, Member Supervision's findings are reversed, and this matter is remanded with instructions.

Appearances

For Firm A: Firm A Attorneys

For the Department of Member Supervision: Department of Enforcement Attorneys

Decision

Pursuant to FINRA Rule 1015(a), Firm A appeals a June 18, 2025 decision by the Department of Member Supervision ("Member Supervision" or "Department") that denied the firm's continuing membership application, which sought approval for a change in the firm's indirect ownership. After conducting a hearing, reviewing the record, and considering the parties' arguments and briefs, we disagree with Member Supervision's bases for finding that the firm failed to satisfy the membership standards set forth in FINRA Rules 1014(a)(3) and (13). We reverse those findings and remand this matter with instructions that Member Supervision should grant the application after determining whether it is appropriate to subject the firm to any restrictions and require that the firm file an executed membership agreement.

I. Background and Procedural History

A. FINRA's Process and Standards for Continuing Membership Applications

The FINRA Membership Rule 1010 Series establishes the substantive standards and procedural guidelines for the membership application and registration process. FINRA Rule 1017 governs FINRA's consideration of a continuing membership application, which a member must file "for approval of a change in ownership or control at least 30 days prior to such

change."[1] FINRA Rule 1017(c)(1). Generally, a member may effect a change in ownership before the conclusion of the membership proceeding initiated by its filing of an application. Member Supervision, however, may place interim restrictions on the firm pending its final action on the application. *See* FINRA Rule 1017(c)(1). Once an applicant files a substantially complete application with FINRA, Member Supervision may request additional information or documents from the member that are necessary to render a decision on the application. FINRA Rules 1017(d)-(e).

Member Supervision's decision to grant or deny a continuing membership application is governed by the membership standards in FINRA Rule 1014(a). *See* FINRA Rule 1017(i). These standards "are intended to ensure that members can satisfy all relevant regulatory requirements for the protection of the investing public, the securities markets, the applicant, and other member firms." *Continuing Membership Application of Firm A*, 2023 FINRA Discip. LEXIS 12, at *19 (FINRA NAC Sept. 21, 2023). The member bears the burden of demonstrating that it meets each of the standards in Rule 1014(a). *Id.* at *2. In rendering a decision on the application, Member Supervision must "consider whether the Applicant and its Associated Persons meet each of the standards in Rule 1014(a)" and "determine if the Applicant would continue to meet the standards in Rule 1014(a) upon approval of the application." FINRA Rules 1017(i)(1), (i)(1)(A).

After considering the membership standards in FINRA Rule 1014(a), Member Supervision may grant a continuing membership application "subject to one or more restrictions reasonably designed to address a specific financial, operational, supervisory, disciplinary, investor protection, or other regulatory concern."[2] *See* FINRA Rules 1014(b)(3)(A), 1017(i)(1)-(2). If Member Supervision grants an application, in whole or in part, it may also require that the applicant file an executed membership agreement. FINRA Rule 1017(i)(4).

If Member Supervision denies a continuing membership application, or grants it subject to one or more restrictions, the member may file a request for review of the decision with the NAC. FINRA Rules 1015(a), 1017(k). The NAC "may affirm, modify, or reverse the

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[1] Specifically, a member must file a continuing membership application to seek approval of "a change in the equity ownership or partnership capital of the member that results in one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital," and it must file the application at least 30 days in advance of the expected change. FINRA Rules 1017(a)(4), (c)(1). Continuing membership applications also are required in other circumstances not relevant here. FINRA Rules 1017(a)(1)-(3), (5)-(7) (describing additional circumstances that require a firm to file a continuing membership application).

[2] A restriction imposed under FINRA's membership rules shall remain in effect and bind the applicant, and its successors, unless it is removed or modified by a decision constituting final FINRA action under FINRA Rules 1015, 1016, or 1017, or is stayed by a decision of the National Adjudicatory Council ("NAC"), the FINRA Board, or the Securities and Exchange Commission ("Commission"). *See* FINRA Rule 1014(f).

Department's decision or remand the membership proceeding with instructions."[3] FINRA Rule 1015(j)(1).

B. Firm A

1. Background

Firm A has been a FINRA member since January 2005 and is based in City A. Until March 2025, Firm A was owned indirectly by Company D, a company located in Country X and traded on two foreign stock exchanges.[4] Interposed between Firm A and Company D in the ownership structure were two additional companies—Company B and Company C. Company B is Firm A's parent located in Country Y, and Company C is the parent of Company B. Each company in the ownership structure was the whole owner of the subsidiary below it, and Company D was the ultimate owner of every company in this vertical structure, including Firm A.

Firm A serves as a chaperoning broker-dealer and, in this capacity, provides chaperoning services for the research, trading, and investment banking activities of its foreign affiliates under Exchange Act Rule 15a-6.[5] The firm also provides equity research sales and trading in the

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[3] In the event Member Supervision denies an application for approval of a change in ownership, and all appeals are exhausted or waived, the applicant shall: (1) submit a new application and fee to seek approval of other new owners; (2) unwind the transaction; or (3) file a Form BDW (Uniform Request for Broker-Dealer Withdrawal) to withdraw its registration from the Commission. FINRA Rule 1017(m); *NASD Notice to Members 00-73*, 2000 NASD LEXIS 82, at *29 n.14 (Oct. 2000) (noting that a new application filed under Rule 1017(m) "must propose new owners" if the original application was denied and may propose the same owners if the original application lapsed).

[4] As discussed below, a merger between Company D and another company in March 2025 resulted in a change in Firm A's indirect ownership.

[5] Exchange Act Rule 15a-6 "provides conditional exemptions from broker-dealer registration for foreign broker-dealers that engage in certain specified activities involving U.S. investors." SEC, *Frequently Asked Questions Regarding Rule 15a-6 and Foreign Broker-Dealers*, https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/divisionsmarketregfaq-2 (last visited June 8, 2026). These activities include, among other things, "[s]oliciting and effecting transactions with or for U.S. institutional investors or major U.S. institutional investors through a 'chaperoning broker-dealer.'" *Id.* A chaperoning broker-dealer is "a registered broker-dealer that satisfies all of the requirements set forth in [Exchange Act] Rule 15a-6(a)(3)(iii) including, among other things, effecting transactions, issuing confirmations, maintaining books and records, participating in oral communications, and obtaining certain representations and consents." *Id.*; 17 C.F.R. § 240.15a-6(a)(3)(iii).

United States markets, in addition to corporate finance and merger and acquisition advisory services. It is a small firm that serves only institutional investors.[6]

Person A serves as Firm A's president, Chief Operations Officer, and Chief Compliance Officer. He has been employed by the firm since 2004. Person B serves as the firm's Chief Executive Officer and has held this position since November 2019.

2. Regulatory History

In August 2024, Firm A consented to the entry of a cease-and-desist order by the Commission (the "SEC Settlement") pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"). The SEC Settlement arose out of the "widespread and longstanding failure of [] personnel throughout **[**Firm A], including at senior levels," to adhere to certain recordkeeping requirements in connection with communications by text messages and other unapproved written communications platforms.[7] The SEC Settlement found that Firm A willfully violated Exchange Act Section 17(a), 15 U.S.C. § 78q(a), and Exchange Act Rule 17a-4(b)(4), 17 C.F.R. § 240.17a-4(b)(4), and failed to reasonably supervise its employees with a view to preventing or detecting the employees' related aiding and abetting violations of the Exchange Act and Exchange Act rules.

Based on these findings, the Commission censured Firm A, imposed a $400,000 civil penalty, and ordered Firm A to engage in several undertakings, including hiring an independent compliance consultant to review and provide the Commission with reports concerning the firm's supervisory, compliance, and other policies and procedures related to electronic communications. The Commission's order acknowledged that prior to the settlement, Firm A "enhanced its policies and procedures, and increased training concerning the use of approved communications methods, including on personal devices, and began implementing significant changes to the technology available to personnel." Firm A paid the civil penalty and hired an independent compliance consultant. There is no dispute that, following the settlement, Firm A has remained current in its requirements to work with the independent compliance consultant and provide reports to the Commission.[8]

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[6] FINRA's By-Laws define a "small firm" as any member with "at least 1 and no more than 150 registered persons." FINRA By-Laws of the Corporation, Art. I(ww).

[7] Commission staff discovered this misconduct after commencing a risk-based initiative to investigate the use of "off-channel communications" among broker-dealers. Numerous other firms agreed to similar cease-and-desist orders in connection with the Commission's investigations of this issue.

[8] Firm A filed timely with the Commission an initial report by the independent compliance consultant in January 2025. As of the dates of the application denial and subsequent hearing in this matter, the consultant's one-year follow-up report to the Commission was not yet due.

The SEC settlement is Firm A's only reported disciplinary event.

3. Member Supervision Approves Firm A's Statutory Disqualification Application Filed in Connection with the SEC Settlement

The SEC Settlement rendered Firm A statutorily disqualified.[9] Consequently, and pursuant to FINRA Rule 9522, Firm A filed with FINRA a Membership Continuance Application ("MC-400A") seeking permission for the firm to continue its membership with FINRA notwithstanding its disqualification. In a narrative statement attached to its MC-400A, Firm A described the changes it made to its compliance program in advance of the SEC Settlement, including providing all personnel with a firm-issued phone, engaging vendors to capture and archive messaging on those phones, updating its policy regarding electronic communications, and training its personnel on the updated policy. In connection with its MC-400A, the firm agreed to a plan of heightened supervision.

Member Supervision approved Firm A's MC-400A in a notice filed with the Commission on March 11, 2025, under FINRA Rule 9523(b) (the "Approval Notice").[10] In the Approval

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[9] Exchange Act Section 3(a)(39)(F), which incorporates by reference Exchange Act Section 15(b)(4)(D), provides, in relevant part, that a member firm is subject to statutory disqualification if it has willfully violated any provision of the Exchange Act, the Securities Act of 1933 ("Securities Act"), the Investment Advisers Act of 1940 ("Advisers Act"), the Investment Company Act of 1940 ("Investment Company Act"), the Commodity Exchange Act, the rules or regulations under any of such statutes, or the rules of the Municipal Securities Rulemaking Board. 15 U.S.C. §§ 78c(a)(39)(F), 78o(b)(4)(D). Exchange Act Section 3(a)(39)(F) also incorporates Exchange Act Section 15(b)(4)(E), which provides, in relevant part, that a firm is subject to statutory disqualification if it has willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the Exchange Act, the Securities Act, the Advisers Act, the Investment Company Act, the Commodity Exchange Act, the rules or regulations under any of such statutes, or the rules of the Municipal Securities Rulemaking Board, "or has failed reasonably to supervise, with a view to preventing violations of the provisions of such statutes, rules, and regulations, another person who commits such a violation, if such other person is subject to his supervision." 15 U.S.C. §§ 78c(a)(39)(F), 78o(b)(4)(E).

In addition, the SEC Settlement triggered Firm A's disqualification under certain provisions of the Securities Act and Regulation Crowdfunding. Firm A sought waivers from those disqualifications from the Commission, and the Commission granted those requests in a separate order.

[10] FINRA generally is required to notify the Commission when it proposes to continue a firm's membership notwithstanding its statutory disqualification. *FINRA Notice to Members 09-19*, 2009 FINRA LEXIS 52, at *8 n.5 (April 2009) (citing Exchange Act § 15A(g)(2) and Exchange Act Rule 19h-1); *see also* FINRA Rules 9522(e)(2)(F), 9523(b) (authorizing Member Supervision, in certain circumstances, to accept the continued membership of a disqualified

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Notice, Member Supervision concluded that Firm A demonstrated that its continued FINRA membership was consistent with the public interest and did not create an unreasonable risk of harm to the markets or investors. Member Supervision observed that, although the SEC Settlement "identified serious violations of securities laws," the Commission did not expel or suspend the firm or restrict its securities activities. Member Supervision further observed that the Commission granted Firm A waivers from the application of certain disqualification provisions, Firm A had paid the civil penalty in full, and the firm represented it was complying with the undertakings ordered by the settlement.

In the Approval Notice, Member Supervision also acknowledged that the Commission had noted Firm A's "prompt remedial actions and cooperation" in connection with the misconduct underlying the SEC Settlement. Member Supervision found reassuring the controls set in place by the firm's supervisory plan, pointing to provisions that "bolster the undertakings outlined" in the SEC Settlement and "continue to provide oversight of the Firm and compliance with its remaining undertakings." Specifically, Member Supervision noted that the plan required Firm A to conduct annual training regarding approved digital communication methods and record-retention policies for such communications, and to develop policies and procedures to discipline associated persons who use unapproved communication methods for firm business.

C. Firm A Files a Continuing Membership Application

In October 2024, Firm A's ultimate indirect owner, Company D, entered into a merger agreement with another publicly traded company based in Country X, Company E. The agreement provided that the two companies would merge by way of absorption, resulting in a post-merger company that would be the same legal entity as Company E. Upon closing, Company E would assume all assets, liabilities, businesses, employees, and other rights and obligations of Company D, including its indirect ownership of Firm A and Firm A's parent (Company B), and its direct ownership of Company C.[11] The post-merger company was expected to have assets exceeding $200 billion. Apart from Company E replacing Company D as the firm's ultimate indirect owner, there would be no changes to Firm A's ownership structure.

On October 18, 2024, while its MC-400A was pending, Firm A submitted to Member Supervision a continuing membership application seeking approval of the expected change in its

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member). The Commission acknowledged receiving the notice filed by Member Supervision that indicated its approval of the MC-400A.

[11] The agreement further provided that, after the merger closed, Company D would follow formal procedures to transfer its assets, including its shareholding interests in its subsidiaries, to Company E and deregister itself as a legal entity.

indirect ownership.[12] In support of the application, Firm A provided, among other things, a description of the planned merger, a copy of the merger agreement, and charts reflecting its organizational ownership before and after the merger. In an accompanying statement, Firm A represented that the merger "currently [is] not expected to have any material effect on the [firm's] management/supervision, strategic direction, business operations, activity or target clientele." Firm A further represented that "[w]ith respect to the conduct of day-to-day business, the Applicant is and will be in charge of its own decision-making processes."

Where appropriate in the application, Firm A acknowledged that it had consented to the entry of a cease-and-desist order in the SEC Settlement. Firm A attached to the application various documents related to this regulatory event, including copies of the Commission's order, the firm's MC-400A application, and its updated electronic communications policy from its written supervisory procedures.

D. Member Supervision's Review of Firm A's Application

1. Member Supervision Conducts a Preliminary Review of the Application and Imposes Interim Restrictions on the Firm

Following a preliminary review of Firm A's application, Member Supervision sent Firm A an October 28, 2024 information request seeking, among other things, further details about Company E's public shareholders. The firm timely responded to this request a week later, on November 4, 2024.

Member Supervision subsequently issued a November 15, 2024 letter noting that, after the merger, Company E's shareholders would include five institutional shareholders that would own approximately 20% of the company and many other public shareholders that would own approximately 80% of the company.[13] The letter advised Firm A that, pursuant to FINRA Rule 1017(c)(1), the staff had decided to place the following interim restrictions on Firm A:

> 1. The Firm is prohibited from [e]ffecting any portion of the aforementioned ownership change.[14] The Firm is also prohibited from [e]ffecting any additional changes in management, control, or ownership, regardless of percentage amount.

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[12] Staff within Member Supervision's Membership Application Program ("MAP") were responsible for reviewing and rendering a decision on Firm A's application.

[13] The letter further noted that a state-owned enterprise was the single upstream owner of the five institutional shareholders.

[14] The letter defined "Firm" to refer to Firm A. While the letter used the term "affecting," the parties have indicated on appeal that they understood this to be a misspelling of the term "effecting." Moreover, the parties' interpretations of and arguments concerning the interim restriction contemplate that the restriction was meant to say "effecting."

2. The Firm is prohibited from permitting [Company E], as well as any other person or entity associated with [Company E], from acting in any capacity that would suggest or imply that such persons or entities are approved as direct and/or indirect owners of the Firm.

3. The Firm is prohibited from permitting any new associated persons to act in any principal or supervisory capacity with respect to the Firm.

4. The Firm is prohibited from directly or indirectly receiving any financing (and/or funding) from [Company E], as well as any other person or entity associated with [Company E].

It is the first of these restrictions, which sought to prevent the proposed ownership change before Firm A's application was approved (hereafter, the "Interim Restriction"), that is at issue in this case.

The letter explained that the restrictions "are based on the fact that the [s]taff lacks sufficient information at this stage of the review of the application to determine whether the [f]irm meets all of the [s]tandards of FINRA Rule 1014(a)(1), which requires that the application and all supporting documents are complete and accurate." The letter further explained that staff were reviewing the information the firm had provided, including details concerning Company E and its affiliates, to determine its compliance with the referenced standard. The letter specified that the restrictions were effective immediately and would remain in place until the continuing membership application was approved or Member Supervision, in its sole discretion, lifted the restrictions in writing.

2. Member Supervision Continues to Request Information from Firm A While Maintaining the Interim Restriction

In November 2024, Firm A provided Member Supervision with further information concerning the merger of Company D and Company E. Firm A advised Member Supervision that the merger parties were "working hard to close the merger by the end of Feb[ruary] 2025."

On December 5, 2024, Member Supervision notified Firm A by email that it had deemed the continuing membership application substantially complete as of December 3, 2024.[15] Member Supervision accordingly advised the firm that the due date for a decision on the application would be calculated based on this date, and that it could continue to request additional information and documents to aid its consideration of the application.[16]

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[15] Member Supervision may reject an application that is not substantially complete. *See* FINRA Rule 1017(d).

[16] Member Supervision is required to serve its decision within 30 days after the filing of additional information or documents or the conclusion of any membership interview—whichever is later. FINRA Rule 1017(i)(2). If the Department fails to serve a decision within 180 days

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In two meetings with Member Supervision during January and February 2025, Firm A representatives informed Member Supervision that the proposed merger was imminent and expected to close in the middle of March 2025.[17] Firm A thus requested that Member Supervision lift the Interim Restriction because the parties to the proposed merger planned, at their regulator's request, to move forward with the necessary steps to close the merger as soon as possible. Firm A also offered to comply with certain other restrictions that it proposed if Membership Supervision agreed to remove the Interim Restriction. During the meetings, Member Supervision responded that the Department would consider Firm A's requests but was not prepared to lift the Interim Restriction at that time. Member Supervision did not thereafter lift the restriction.

Through early March 2025, Member Supervision issued additional information requests to Firm A and, on each occasion, the firm responded by providing Member Supervision with the requested information well before the date a response was due.[18] On March 12, 2025, Person A left a voicemail for Member Supervision that reminded staff that the merger's closing was still expected to occur in mid-March, and staff acknowledged having received this message by email.

3. The Merger Closes and Member Supervision Determines that the Firm Violated the Interim Restriction

The merger closed on March 13, 2025. The following day, Member Supervision staff contacted Firm A's president, Person A, by email to advise the firm that staff had learned of the merger from a news article, and to inquire if the news was accurate. Person A promptly responded, explaining that he had been in the process of drafting an email to Member Supervision to advise it that the merger had indeed closed, and the firm would "continue to provide details as additional formal announcements are released." In a follow-up email, Person A confirmed that Company E acquired Company D's contractual rights and assets when the

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after the filing of the application, the applicant may file a written request with the FINRA Board of Governors requesting that it direct the Department to issue a written decision. FINRA Rule 1017(i)(3).

[17] Person A testified that he received information about the expected closing date from the firm's parent, Company B.

[18] These requests sought information concerning a variety of topics, including the firm's current and expected direct and indirect shareholders, its relationships with its affiliates, its anti-money laundering procedures, and the extent to which it shares customer and trade data with regulators in Country X.

merger closed. During a telephone call with Member Supervision staff, Person A stated that Firm A was "steamrolled" by the merger.[19]

Following a meeting with Firm A on April 2, 2025, Member Supervision issued an April 4, 2025 letter that informed the firm that the closing of the merger without staff approval was in "contravention" of the Interim Restriction. The letter also stated that the merger's closing "raise[d] significant concerns under [FINRA Membership] Standard 13 . . . and [as to] whether the [application] for the Ownership Change [was] approvable."[20]

On April 28, 2025, Member Supervision sent a letter to Firm A requesting that the firm provide "the rationale of [Firm A, Company D, and Company E] to consummate the transaction without regulatory approval." In addition, the letter asked the firm to "discuss how [it] [could] assure FINRA of future compliance" considering "the recent rule violation."

The firm responded by letter dated May 5, 2025. In its response, Firm A expressed its view that it did not violate the Interim Restriction, as it did not consummate the merger and "took no steps to effectuate it under the terms of the restriction, as drafted." The firm emphasized that it had no control over the merger's timing, and that its only role in the merger was to submit the continuing membership application. Moreover, the firm stated that it had complied with the restrictions that were within its control and acted in good faith to communicate regularly with Member Supervision staff, produce promptly all requested information, and request that staff lift the Interim Restriction as the completion of the merger drew near.

Firm A's response also explained that the merger parties had faced substantial economic and regulatory pressure in their home jurisdiction to close the transaction. The firm represented that, under the specific facts presented—including that it was a small subsidiary affected by a foreign transaction over which it lacked involvement—the merger's closure did not reflect adversely on its ability to comply with regulatory requirements in the future. In this respect, Firm A pointed to its "demonstrated" history of regulatory compliance, its cooperative relationship with Member Supervision staff, and its expectation that the firm's management and commitment to compliance would not change because of the merger.

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[19] The parties dispute whether Person A also stated that the firm was "strong-armed" with respect to the merger. We do not resolve this factual dispute because it is irrelevant to our discussion of the issues in this appeal.

[20] As discussed below, the membership standard in FINRA Rule 1014(a)(13) requires Member Supervision to assess whether "FINRA does not possess 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." FINRA Rule 1014(a)(13).

E. Member Supervision Denies the Application

On June 18, 2025, Member Supervision issued a decision denying the firm's application based on two of FINRA Rule 1014's membership standards.[21] First, Member Supervision concluded that it possessed information that Firm A "may circumvent, evade, or otherwise avoid compliance with" FINRA rules and the federal securities laws, and therefore did not satisfy the membership standard in FINRA Rule 1014(a)(13). Member Supervision based this finding solely on its conclusion that Firm A violated the Interim Restriction when its indirect ownership changed, reasoning that Firm A failed "to prevent [Company D] and [Company E] from [e]ffecting the merger." Although Firm A denied taking any affirmative steps to effect the merger, Member Supervision found that the firm's response "evidence[d] a failure to take responsibility for a plain violation of the Interim Restriction represented by the closing of the Ownership Change." Based on the firm's failure to prevent the merger, as well as Person A's statement that the firm was "steamrolled" when the merger closed—which Member Supervision found evidenced the firm's ownership's "disregard and contempt for Firm A's regulatory requirements"—Member Supervision also found that Firm A was unable "to act independently of its ownership structure."

Second, Member Supervision concluded that Firm A failed to show that it can comply with applicable securities laws and regulations and FINRA rules, and it therefore did not satisfy the membership standard in FINRA Rule 1014(a)(3).[22] Member Supervision based this conclusion in part on the SEC Settlement which, as an "adjudicated [] or settled regulatory action or investigation by the SEC," raised a presumption of denial under FINRA Rules 1014(a)(3)(C) and 1017(i). Member Supervision found that Firm A failed to overcome the presumption, which would require demonstrating that it meets the membership standards in FINRA Rule 1014(a) notwithstanding the events that led to the settlement. *See* FINRA Rules 1014(a)(3), 1017(i). In this respect, Member Supervision found that the SEC Settlement involved "willful, serious, and egregious" regulatory issues and "represented a blatant disregard of Firm policies and regulatory responsibilities pervasive amongst all seniority levels of the Firm." Member Supervision also determined that Firm A had not demonstrated a "sustained period of compliance" following the SEC Settlement.

In addition to finding that Firm A failed to rebut the presumption of denial, Member Supervision determined that its conclusion that the firm violated the Interim Restriction prevented the staff from finding that Firm A could comply with FINRA Rules and the securities laws, particularly in scenarios where those rules and laws may be contrary to the interests of the

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[21] Firm A agreed to an extension of FINRA Rule 1017's timelines for Member Supervision to issue its decision.

[22] FINRA Rule 1014(a)(3) provides that Member Supervision must consider whether "[t]he 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."

firm's ownership. Member Supervision found that the firm "was unable to independently operate to prevent the violation" and expressed its concern "that this dynamic may lead to future violations of the securities laws and FINRA rules." Accordingly, Member Supervision viewed the alleged violation of the Interim Restriction as an additional reason why the firm failed to satisfy the membership standard in FINRA Rule 1014(a)(3).

F. Firm A Appeals

Firm A timely appealed the denial of its continuing membership application to the NAC under FINRA Rule 1015. The firm requested a hearing and the opportunity to submit a legal memorandum. A subcommittee of the NAC granted the firm's requests. In its briefs, Firm A argues that Member Supervision improperly imposed and maintained the Interim Restriction, that it in any event took no action that violated the Interim Restriction, and that the closing of the merger does not mean that the firm is unable to meet the membership standards in FINRA Rules 1014(a)(3) and (13). Firm A also maintains that it rebutted the presumption of denial raised by the SEC Settlement. Member Supervision's briefs argue in favor of the conclusions that it reached in its letter denying Firm A's application.

G. The Hearing

A subcommittee of the NAC conducted a hearing, during which two Firm A officers and four members of MAP staff testified.[23]

1. Firm A Officers' Testimony

Both Firm A's CEO (Person B) and president (Person A) testified at the hearing. Firm A's CEO testified about Firm A's governance and management, explaining that its board includes three directors from the firm's local management in City A (herself, the firm's president (Person A), and a deputy CEO) and two directors from the firm's parent, Company B. The CEO further explained that the board makes high-level decisions concerning the firm's general management and business strategy, and that its local managers oversee the firm's daily operations.[24]

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[23] The parties agreed to waive the hearing deadline in FINRA Rule 1015(f)(1) and to conduct the hearing over two days in October 2025, but they were unable to complete the hearing in that period. Accordingly, the parties agreed to complete the hearing in December 2025. The parties also waived the deadline for the NAC subcommittee to present a recommended decision in this matter. *See* FINRA Rule 1015(i).

[24] As an example of the firm's independent governance, the CEO described situations in which Firm A declined to introduce to the United States markets offerings suggested by Company B. She testified that, in those situations, the firm's parent accepted Firm A's decision.

Firm A's president, Person A, testified that he served as Firm A's primary liaison with FINRA and was responsible for the continuing membership application. He testified that he learned of the intended merger from press releases and advised the firm's parent that the anticipated change in the firm's indirect ownership would require a continuing membership application. Person A did not communicate directly with either of the merger parties (Company D and Company E) about the application; rather, he communicated with a working group at the firm's parent, Company B, to discuss the application and gather the information FINRA requested.

Person A further testified that, while he and other Firm A representatives internally questioned whether the Interim Restriction was appropriate, the firm decided to respond to it by expediting its responses to FINRA's information requests and requesting that Member Supervision lift the restriction as the merger's expected closing date approached. In this respect, Person A noted that the letter imposing the Interim Restriction cited a need for completeness and accuracy, and that the firm therefore focused on providing Member Supervision with the information necessary for a prompt approval of the firm's application.

In his testimony, Person A also explained that he provided the firm's parent, Company B, with a copy of the letter imposing the Interim Restriction and his recommendation that Company D and Company E delay the merger until after FINRA approved the continuing membership application. Person A did not communicate with Company D or Company E about the restriction, and he lacked any direct or specific knowledge concerning any discussions the firm's parent may have had with Company D.

Person A further testified that he and the firm learned of the merger's closure from a press release on March 14, 2025. He agreed that, in conversations with Membership Supervision staff, he used the word "steamrolled" when discussing how the merger came to fruition. He explained, however, that by using that term, he meant only to convey in an informal manner that there was nothing Firm A could have done to stop the merger.

Person A also addressed the SEC Settlement in his testimony, detailing the steps the firm had taken to prevent a recurrence of the misconduct at issue in that settlement.

2. MAP Staff's Testimony

Several members of Member Supervision's MAP staff testified: the principal analyst assigned to Firm A's application; the manager assigned to the application; a senior director in the MAP group who made the final determination to deny the application; and a senior advisor and head of MAP's triage group, who made the decision to impose the Interim Restriction.[25]

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[25] MAP's triage group is a team of front-line analysts that conduct an initial assessment of new and continuing membership applications, among other things. FINRA, *Fast Track Approval Process*, https://www.finra.org/registration-exams-ce/broker-dealers/new-firms/after-you-apply/fast-track (last visited June 8, 2026).

These witnesses testified consistently with the views expressed in Member Supervision's June 2025 denial letter. They agreed that there was no evidence, other than the alleged violation of the Interim Restriction, that raised concerns with the firm's independence from its ownership or that ownership's regard for FINRA rules.

II. Discussion

Member Supervision based its denial of Firm A's continuing membership application on its findings that the firm failed to satisfy the membership standards in FINRA Rules 1014(a)(3) and (13). We address each of these findings in succession.

First, we reverse Member Supervision's findings that Firm A failed to satisfy the membership standard in FINRA Rule 1014(a)(13) because its indirect ownership changed before Member Supervision approved the firm's continuing membership application or lifted the Interim Restriction. Under the specific facts of this case, we find the fact that the proposed merger closed when it did does not, without more, lead us to conclude that the firm "may circumvent, evade, or otherwise avoid compliance" with the federal securities laws, the rules and regulations thereunder, or FINRA rules. To this end, we do not reach the parties' respective arguments concerning the propriety of the Interim Restriction or whether Firm A violated the Interim Restriction when its indirect ownership changed upon the closing of the merger at issue.

Second, we reverse Member Supervision's findings that the firm failed to satisfy the membership standard in FINRA Rule 1014(a)(3). These findings rest, in part, on Member Supervision's belief that the indirect ownership change caused Firm A to violate the Interim Restriction. As with our findings above, the specific circumstances presented here do not, without more, lead us to conclude that the change in Firm A's indirect ownership indicates that the firm is not "capable of complying with" the federal securities laws, the rules and regulations thereunder, or FINRA rules. Therefore, we do not agree with Member Supervision that the change in Firm A's ownership structure resulted in its failure to satisfy the membership standard in FINRA Rule 1014(a)(3). Member Supervision's determination under this membership standard otherwise rests on its conclusion that Firm A failed to rebut the presumption of denial raised by the SEC Settlement. We also disagree with that conclusion, and we find that the firm rebutted the presumption of denial set forth in FINRA Rules 1014(a)(3) and 1017(i).

Because Member Supervision did not identify any other bases for its decision, we accordingly reverse its decision to deny Firm A's continuing membership application. Nevertheless, we also find it necessary to remand this matter to Member Supervision for limited, additional proceedings. Because Member Supervision denied Firm A's application, it did not consider whether any restrictions on the firm's continued membership might be appropriate under FINRA Rules 1014(b)(3)(A) and 1017(i)(2). It also did not decide whether it is appropriate to require that the firm file an executed membership agreement. *See* FINRA Rule 1017(i)(4). We therefore instruct Member Supervision, on remand, to grant the application and, in so doing, to determine whether it is appropriate to subject Firm A to one or more restrictions and require that the firm file an executed membership agreement.

A. The Firm Did Not Fail to Satisfy the Membership Standard in FINRA Rule 1014(a)(13)

1. The Change in the Firm's Indirect Ownership Did Not Result in Its Failure to Satisfy Membership Standard 13

Member Supervision found that Firm A failed to satisfy the membership standard in FINRA Rule 1014(a)(13), as the staff possessed information that it believed indicated that the firm "may circumvent, evade, or otherwise avoid compliance with" the federal securities laws, the rules and regulations thereunder, and FINRA rules. This finding was based solely on Member Supervision's determination that the firm violated the Interim Restriction when its indirect ownership changed upon the closing of the merger of Company D and Company E.

On appeal, the parties dispute whether this is the case, espousing different views of the propriety of the Interim Restriction and what it required of the firm. In Firm A's view, Member Supervision lacked the authority to impose the Interim Restriction, which Firm A contends would apply FINRA rules to "a foreign merger between foreign companies under foreign regulatory oversight," and the Interim Restriction was thus invalid and could not be considered grounds to deny its application under FINRA Rule 1014(a)(13). Firm A further argues that it did not, in any event, violate the Interim Restriction, as it took no action to "effect" the merger and the resulting ownership change.

Member Supervision, in contrast, contends that it properly exercised its authority under FINRA Rule 1017(c)(1) when it imposed the Interim Restriction, given its interest in fully vetting the proposed change in Firm A's indirect ownership. Member Supervision also maintains that the firm violated the Interim Restriction when its indirect ownership changed without the Department first approving the firm's continuing membership application or lifting the Interim Restriction.

We do not reach the parties' opposing arguments concerning the propriety or application of the Interim Restriction. In this respect, we conclude it is unnecessary for us to resolve those arguments. Under the specific circumstances presented, the fact that the merger involving Company D and Company E closed when it did does not, absent any other reasons provided by Member Supervision, lead us to conclude that Firm A failed to satisfy the membership standard in FINRA Rule 1014(a)(13).

Firm A was a small subsidiary of a foreign, publicly traded company, Company D, which was subject to foreign regulatory oversight. Firm A was three levels vertically removed from Company D in its ownership structure. There is no evidence that Company D directed or materially influenced Firm A's management, supervisory policies or practices, or business operations—in fact, Firm A lacked any direct communication with that indirect owner.

Facing substantial economic and regulatory pressure in its home jurisdiction, Company D closed its merger with another publicly traded company, Company E. All the steps to prepare for and close that merger transaction, which was approved by the shareholders of each of the merging parties, occurred outside of the United States.

Indeed, Firm A was not a party to the merger. It provided no approvals for the merger, and played no role in structuring, planning, or completing it. Firm A received the information that it had concerning the merger, including its closure, only from public announcements and a member of its board. The merger was not expected to materially affect Firm A's management, supervisory policies or practices, or business operations, nor was it expected to have an impact on the firm's business lines, financial controls, compliance practices, communication and operational systems, recordkeeping, or day-to-day decision-making.

Against this backdrop, we disagree with Member Supervision's conclusion that the effecting of the change in the firm's indirect ownership, considered alone, resulted in Firm A's failure to satisfy the membership standard in FINRA Rule 1014(a)(13). We base this determination on the specific circumstances presented, in which the closure of an offshore merger of publicly traded, foreign entities subject to foreign regulatory oversight impacted a small subsidiary (Firm A) that was not a party to, and played no role in, the transaction. As discussed below, the firm has an overall record of sustained regulatory compliance, and the merger had no expected or discernible impact on the firm's management, supervision, and business operations. Based on these facts, we do not conclude that the closure of the relevant merger transaction signifies that Firm A is inclined to "circumvent, evade, or otherwise avoid compliance" with the federal securities laws, the rules and regulations thereunder, and FINRA rules in the future.

Apart from the closure of the relevant transaction, Member Supervision identifies no other reason why the change in the firm's indirect ownership may prospectively cause it to "circumvent, evade, or otherwise avoid" its compliance with applicable regulatory requirements, and the record provides no support for that conclusion.[26] Indeed, under its existing management and supervisory structure, the firm generally has demonstrated that it is able to comply with regulatory requirements.[27] The firm also demonstrated diligence, candor, and cooperation throughout the application process. The principal analyst assigned to the application described Firm A's president (Person A) as "respectful," "responsive" and "proactive" during the application process, and the record substantiates these descriptions of the firm's conduct throughout the continuing membership process. In this respect, Firm A does not contest FINRA's interest in vetting a change in the firm's indirect ownership, and it thus timely filed the application and responded promptly to Member Supervision's information requests with comprehensive information concerning the proposed merger and its anticipated impact on the firm. *See* FINRA Rules 1017(c)(1), (e). The firm's diligence in responding to Member

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[26] For the reasons discussed below, we reject as unsubstantiated Member Supervision's arguments that Firm A's ownership demonstrated disregard for regulatory requirements, and that Firm A cannot act independently of its ownership.

[27] As noted above, the firm's sole disciplinary disclosure concerns the SEC Settlement, which we address in further detail below. Member Supervision did not cite this settlement as a basis for its conclusion that the firm failed to satisfy the membership standard in FINRA Rule 1014(a)(13).

Supervision's requests reflected its substantial efforts to directly address the specific basis Member Supervision provided for imposing the Interim Restriction.

The firm also was in regular contact with Member Supervision staff by telephone, videoconference, and email to discuss its continuing membership application and provide information and updates. In these communications, the firm repeatedly notified Member Supervision of the merger's expected closing date. While the firm did not agree that the Interim Restriction continued to be necessary, it sought to cooperate with Member Supervision by promptly providing the information needed to render its application complete and accurate, and by requesting alternatives to the Interim Restriction as the merger's closure drew near.

In addition, there is no dispute that Firm A complied with the other interim restrictions placed on the firm, which largely relate to the firm's management, supervision, and financial operations. For instance, Firm A's president (Person A) confirmed that the firm has not changed its management or supervisory personnel, and that it has not received any capital infusions from its new ownership. Person A also testified that the firm has not updated its Form BD (Uniform Application for Broker-Dealer Registration) to list the post-merger entity as an indirect owner, out of concern this may indicate to the public that the entity is an approved owner of the firm. While the firm's compliance with these interim restrictions is not directly at issue here, the firm's compliance and cooperation with FINRA is evidence that further weighs against a finding that the firm "may circumvent, evade or otherwise avoid compliance with" applicable regulatory requirements. *See* FINRA Rule 1014(a)(13).

2. Member Supervision's Arguments to the Contrary are Unpersuasive

Member Supervision's arguments in support of affirming its denial of the application are unpersuasive. As in its decision, Member Supervision asserts that Firm A's failure to prevent the change in its indirect ownership demonstrates a concerning inability to act independently of the owners that, in its view, demonstrated disregard for FINRA's authority by closing the merger while the Interim Restriction was in place.[28] We reject this argument for two reasons.

First, Member Supervision does not point to evidence showing that Firm A's indirect owners (either former or current) acted with disregard for the Interim Restriction, even assuming that they were aware of it. There is nothing to show what, if anything, the merger parties understood the restriction to mean or what advice they may have received concerning the restriction, particularly in the face of regulatory and economic pressure in their own country to

[28] We understand Member Supervision's position to be that Firm A's purported lack of independence from its ownership is relevant to the standard in FINRA Rule 1014(a)(13) because its ownership demonstrated disregard for FINRA rules. FINRA's membership standards, however, include no express requirement that a member be able to operate independently of its ownership. *See* FINRA Rule 1014(a). In any event, we do not consider whether Firm A's independence from its ownership might be relevant under FINRA Rule 1014(a)(13) because we reverse Member Supervision's findings for other reasons.

close the merger as soon as possible. While Person A testified that he provided Firm A's parent, Company B, with a copy of the letter imposing the Interim Restriction and his recommendation to delay the merger while it was in place, there is no evidence showing whether the parent agreed with Person A's recommendation, whether it may have received contrary advice from counsel, or what it may have communicated to the merger parties about the restriction. Moreover, given that the language of the restriction itself is specifically directed towards Firm A, we cannot infer that the firm's owners should have understood that the restriction was meant to apply to the merger parties themselves.

Second, as discussed above, there is no evidence indicating that the firm's management and day-to-day operations—historically, overseen by its board and local officers and supervisors—will be altered materially by its new indirect owner. Rather, Firm A's continuing membership application represented that the change in its indirect ownership was "not expected to have any material effect on [its] management/supervision, strategic direction, [or] business operations" and that it will continue to "be in charge of its own decision-making processes." At the hearing, Firm A's president and CEO each confirmed that the firm has not changed the composition of its board or its management and supervisory personnel following the merger. Member Supervision did not identify or introduce evidence contradicting the firm's representations and testimony.

In short, the membership standard in FINRA Rule 1014(a)(13) requires that we consider whether FINRA possesses information that the applicant "may circumvent, evade, or otherwise avoid compliance with" applicable securities laws and FINRA rules. For the foregoing reasons, as cabined by the specific facts presented here, we are unable to concur with Member Supervision's conclusion that Firm A failed to satisfy this standard, and we thus reverse it. *See In the Matter of the New Member Application of Applicant Firm*, 2021 FINRA Discip. LEXIS 6, at *18 (FINRA NAC June 2, 2021) (explaining that FINRA's membership standards "are intended to ensure that members can satisfy all relevant regulatory requirements for the protection of the investing public, the securities markets, the applicant, and other member applicants").

B. The Firm Did Not Fail to Satisfy the Membership Standard in FINRA Rule 1014(a)(3)

Member Supervision identified an additional basis to deny the application—its finding that the firm failed to satisfy the membership standard in FINRA Rule 1014(a)(3). That standard requires Member Supervision to consider whether the Firm 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."

Member Supervision based its determination that Firm A failed to satisfy membership standard 3, in part, on its conclusion that the firm violated the Interim Restriction when its indirect ownership changed hands. But, for the reasons discussed above, we do not find that the ownership change reflects adversely on the firm's ability to comply with FINRA rules and the

securities laws. Accordingly, we do not agree that the change in the firm's indirect ownership resulted in its failure to satisfy the membership standard in FINRA Rule 1014(a)(3).[29]

In denying the Firm's application on this basis, Member Supervision otherwise relied on its determination that the Firm failed to rebut the presumption of denial raised by the SEC Settlement. We disagree with Member Supervision's determination that the firm failed to rebut the presumption of denial raised by that settlement. *See* FINRA Rules 1014(a)(3), 1017(i)(1).

Firm A argues that the findings Member Supervision made in the Approval Notice rebutted the presumption of denial. While we do not view those findings as controlling, they provide strong evidence that Firm A can comply with the securities laws and regulations and FINRA rules notwithstanding the events that led to the SEC Settlement. *See* FINRA Rules 1014(a)(3), 1017(i)(1). The findings FINRA made in the Approval Notice reflect that the firm took steps to ensure that the misconduct involving off-channel communications would not recur. *See Continuing Membership Application of Firm A*, 2023 FINRA Discip. LEXIS 12, at *23 ("To rebut the presumption of denial, [the firm] is required to specify the steps it took to ensure the violations do not recur."). In particular, the Approval Notice referred to the firm's "prompt remedial actions" to address the misconduct at issue in the settlement, which included enhancing its training concerning approved communications methods and the technology available to its personnel.

The Approval Notice also referred to the firm's compliance with the terms of the settlement, which included "the implementation of safeguards to prevent the unauthorized use of electronic communication methods" and hiring an independent compliance consultant to conduct a comprehensive review of the firm's relevant policies and procedures. The Approval Notice found these remedial actions were bolstered by the controls set in place by the firm's supervisory plan, which includes a prohibition of off-channel communications, annual training regarding approved digital communication methods, and record-retention policies for such communications. These findings, made close in time to Member Supervision's decision in this matter, weigh in favor of a conclusion that Firm A can satisfy regulatory requirements notwithstanding the misconduct addressed in the SEC Settlement.[30]

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[29] In reaching this conclusion, we do not suggest that the membership standards in FINRA Rules 1014(a)(3) and (13) are the same. In this case, however, we reach the same outcome under each standard because Member Supervision's analysis—with which we ultimately disagree—was the same under both standards.

[30] In reaching this conclusion, we acknowledge that statutory disqualification proceedings are conducted for a different purpose and employ a somewhat different standard than membership proceedings. *Compare* FINRA Rules 9521(a), 9522(e), 9524(b) *with* FINRA Rules 1014(a)-(b), 1017(i). Specifically, in deciding whether to approve a member's MC-400A, FINRA considers whether the member has demonstrated that its continued membership is consistent with the public interest and investor protection. *See* FINRA Corporate By-Laws, Art. III, Sec. 3(d); FINRA Rules 9522(e), 9524(b). In deciding whether to grant a membership application, FINRA considers the public interest and investor protection, in addition to the

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Additional evidence in this matter also weighs in favor of finding that the firm rebutted the presumption of denial. In his testimony, Firm A's president (Person A) provided further details concerning the steps the firm took to address the misconduct involving off-channel communications, such as the scope of the electronic messages its vendors capture and archive. He confirmed that the firm had provided Member Supervision with the most recent copy of the firm's written supervisory procedures, which require staff to exchange business communications only on designated applications and forward communications sent on any unapproved applications to the firm for archiving and review. The written supervisory procedures also provide for annual training and disciplinary measures for failure to comply with these policies.

In contrast, Member Supervision has not introduced evidence that the remedial measures and supervisory controls referenced in the Approval Notice are insufficient or ineffective, or that the firm has failed to comply with the undertakings it agreed to in the SEC Settlement. *Cf. Continuing Membership Application of Firm A*, 2023 FINRA Discip. LEXIS 12, at *27 (finding that the firm failed to rebut the presumption in part because any steps it took to correct the relevant misconduct were ineffective). Member Supervision also introduced no evidence indicating that the change in Firm A's indirect owner

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specific membership standards in FINRA Rule 1014(a) and any presumption of denial that applies. FINRA Rules 1014(a), 1017(i)(1).

We express no view concerning the weight a statutory disqualification approval notice should receive, if any, in any other proceeding. Our conclusion here is based on the circumstances and the findings in the Approval Notice, which specifically discuss the comprehensive steps the firm took to prevent a recurrence of the misconduct. *See Continuing Membership Application of Firm A*, 2023 FINRA Discip. LEXIS 12, at *23.

would undermine its efforts to prevent further misconduct involving off-channel communications.[31]

We therefore conclude that the findings in the Approval Notice, which was filed with the Commission by Member Supervision just three months before its decision denying the continuing membership application, reflect the firm's prompt and thorough measures to prevent further misconduct. The evidence introduced at the hearing indicates that the firm continues to implement those measures, which are subject to continued review by both the Commission and FINRA. Considering this evidence and the findings in the Approval Notice—as well as the lack of any evidence that the firm's remedial measures have proven ineffective—we determine that Firm A rebutted the presumption of denial in FINRA Rules 1014(a)(3) and 1017(i).

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In summary, we do not conclude that the change in Firm A's indirect ownership resulted in its failure to meet the membership standards in FINRA Rules 1014(a)(3) and (13), and we find the firm rebutted the presumption of denial in FINRA Rules 1014(a)(3) and 1017(i) raised by the SEC Settlement. Accordingly, we reverse the findings in Member Supervision's June 18, 2025 decision. Because we reverse those findings—which were the only bases that Member Supervision provided for its decision—we also reverse Member Supervision's denial of Firm A's continuing membership application.[32]

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[31] Member Supervision argues that an insufficient period has passed for Firm A to demonstrate a "sustained period of compliance" following the SEC Settlement. As in its decision, Member Supervision points out that, at the time of the hearing in this matter, the independent compliance consultant's one-year report reviewing Firm A's policies and procedures was not yet due to the Commission.

We agree that the length of a firm's period of compliance following misconduct (and any related compliance reports) may be important factors in considering whether it rebutted the presumption of denial in FINRA Rules 1014(a)(3) and 1017(i), but we do not find those factors dispositive here. In this case, Member Supervision was required to decide whether Firm A will continue to meet FINRA's membership standards under new ownership. FINRA Rule 1017(i)(1)(A). There is no indication that problems with off-channel communications may resurface under the firm's new indirect owner, and as discussed above, the firm took steps to prevent the recurrence of that misconduct. In this circumstance, we do not agree that the relatively brief period that has passed since the SEC Settlement, in and of itself, requires a finding that the firm failed to rebut the presumption in this case.

[32] MAP staff testified that they did not make a final determination as to whether Firm A otherwise satisfied the membership standards in FINRA Rule 1014(a). In its decision, however, Member Supervision did not identify any other grounds for denying the firm's application. *See* FINRA Rule 1017(i)(1) ("In rendering a decision on an application submitted under Rule 1017(a), the Department *shall* consider whether the Applicant and its Associated Persons meet each of the standards in Rule 1014(a)." (emphasis added)); *see also* FINRA Rule 1017(i)(2) ("The decision shall state whether the application is granted or denied in whole or in part, and

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Accordingly, we remand this proceeding with instructions that Member Supervision grant the application. In so doing, Member Supervision shall determine whether the firm's membership should be subject to any restrictions and whether the firm should be required to file an executed membership agreement. *See* FINRA Rules 1014(b)(3)(A), 1017(i)(2) and (4). We express no opinion on a resolution of these questions.[33]

III. Conclusion

We reverse Member Supervision's findings that the firm failed to meet the membership standards in FINRA Rules 1014(a)(3) and (13). Having reversed those findings, we also reverse Member Supervision's determination to deny the firm's continuing membership application. We remand this matter so that Member Supervision may grant the application and determine, in the first instance, whether the firm should be subject to any restrictions and required to file an executed membership agreement.

On Behalf of the National Adjudicatory Council,

Jennifer Piorko Mitchell
Senior Vice President and Deputy Corporate Secretary

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shall provide a rationale for the Department's decision, referencing the applicable standard[s] in Rule 1014." (emphasis added)); *Membership Continuance Application of Member Firm*, 2007 FINRA Discip. LEXIS 31, at *18-20 (FINRA NAC July 2007) (explaining that Member Supervision must "reasonably apprise" an applicant of the grounds for its determination, and that its decision is the "primary way" for it to do so).

[33] In its notice of appeal and briefs, Firm A requests that we lift the other restrictions Member Supervision imposed in its November 15, 2024 letter. But the firm does not address whether we have authority to lift those restrictions under FINRA Rule 1015, nor did it develop a record as to why those restrictions should be lifted. Accordingly, we dismiss the firm's request. *See* FINRA Rule 1015(a)(1) (providing that an applicant may file a request for review of a decision under FINRA Rules 1014 or 1017 and "shall state with specificity" any grounds to set the decision aside); *cf. Dep't of Enf't v. Sturm*, Complaint No. CAF000033, 2002 NASD Discip. LEXIS 2, at *18 (NASD NAC Mar. 21, 2002) (rejecting the respondent's argument under FINRA Rule 9347(a) because it lacked adequate support). Moreover, pursuant to FINRA Rule 1017, the interim restrictions should terminate when Member Supervision issues its final action in this matter on remand. *See* FINRA Rule 1017(c)(1) (allowing for interim restrictions "pending final Department action").