

## Capital Acquisition Brokers Written Supervisory Procedures Review Checklist

The Capital Acquisition Broker (“CAB”) Written Supervisory Procedures Checklist (“WSP Checklist”) is an outline of selected key topics representative of the business activities typically engaged in by CAB members and permissible under FINRA’s CAB Rules. A complete copy of the CAB Rules can be found here:

[http://finra.complinet.com/en/display/display.html?rbid=2403&element\\_id=12442](http://finra.complinet.com/en/display/display.html?rbid=2403&element_id=12442)

Note that the outline of topics in the CAB WSP Checklist is not all-inclusive, and does not necessarily represent all of the areas of inquiry that the staff will make when evaluating supervisory procedures. The full extent of the staff’s inquiry and evaluation will depend on a number of factors, including the precise nature of the proposed business activities.

In addition, FINRA’s review of a firm’s proposed WSPs is not a safe harbor with respect to potential supervisory deficiencies. Among other things, the nature of the business actually conducted by a firm, the manner in which the WSPs are implemented and followed, and the extent to which the firm updates and revises its procedures to reflect operating experience and change (both regulatory and operational) are important factors in determining future compliance with applicable rules. The WSPs are a “living” document and should provide a road map for the supervisory personnel to follow when they conduct each review. WSPs should not be updated only to reflect changes to rules and regulations, but also when changes are made to the supervisory process.

***IMPORTANT NOTE: This outline of topics should not be considered by the user to include all topics and issues applicable to the user’s business. It is merely to be used as an aid in preparing WSPs.***

Certain references to specific rules and other guidance have been provided for some topics and line items contained within the checklist, although the list of references may not be exhaustive. Please review all references relevant to the firm’s business plan prior to completing and submitting the checklist.

Members seeking guidance on compliance with CAB Rule 311, which incorporates provisions of FINRA Rule 3110, are encouraged to visit the Supervision web page FINRA has created to assist members in complying with such obligations. The web page contains rule filings, Notices, and other publications relating to these Rules. See <http://www.finra.org/industry/supervision>.

Section	Topic	Item(s) Required to be Addressed	Reference(s)	Applicable to Business?
<b>I. GENERAL ADMINISTRATION</b>				
General Administration	Form Filings	Form BD amendments	CAB Rule 014 ("Application of the By-Laws and the Capital Acquisition Broker Rules"); <sup>1</sup> FINRA By-Laws, Art. IV, Section 1 ("Application for Membership").	
General Administration	Form Filings	Form U4/Form U5	CAB Rule 014 ("Application of the By-Laws and the Capital Acquisition Broker Rules"); CAB Rule 453 ("Reporting Requirements"), which incorporates FINRA Rule 4530; FINRA By-Laws, Art. V, Sections 2 ("Application for Registration") and 3 ("Notification of Termination; Amendments to Notification"). <sup>2</sup>	
General Administration	Form Filings	Fingerprint cards	CAB Rule 101 ("Electronic Filing Requirements for Universal Forms"), which incorporates FINRA Rule 1010(d); Securities Exchange Act of 1934 ("SEA") Rule 17f-2 ("Fingerprinting of securities industry personnel").	
General Administration	Form Filings	Designation of principal responsible for supervision of Form filings	CAB Rule 101 ("Electronic Filing Requirements for Universal Forms"), which incorporates FINRA Rule 1010(b).	

<sup>1</sup> Per CAB Rule 014, "All persons that have been approved for membership in FINRA as a capital acquisition broker and persons associated with capital acquisition brokers shall be subject to the FINRA By-Laws (including the schedules thereto), unless the context requires otherwise, and the Capital Acquisition Broker Rules. Persons associated with a capital acquisition broker shall have the same duties and obligations as a capital acquisition broker under the Capital Acquisition Broker Rules."

<sup>2</sup> *Id.*

Section	Topic	Item(s) Required to be Addressed	Reference(s)	Applicable to Business?
Firm Supervision and Oversight	Designation of Supervisors	Designation of executive representative	CAB Rule 014 (“Application of the By-Laws and the Capital Acquisition Broker Rules”); <sup>3</sup> CAB Rule 454 (“Member Filing and Contact Information Requirements”), which incorporates FINRA Rule 4517; FINRA By-Laws, Art. IV, Section 3 (“Executive Representative”).	
Firm Supervision and Oversight	Designation of Supervisors	Updates to FINRA contact system	CAB Rule 454 (“Member Filing and Contact Information Requirements”), which incorporates FINRA Rule 4517.	
General Administration	Regulatory Fees	FINRA fees and assessments	CAB Rule 014 (“Application of the By-Laws and the Capital Acquisition Broker Rules”); <sup>4</sup> FINRA By-Laws, Schedule A.	

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<sup>3</sup> *Id.*

<sup>4</sup> *Id.*

Section	Topic	Item(s) Required to be Addressed	Reference(s)	Applicable to Business?
<b>II. PERSONNEL</b>				
<b>A. Hiring Practices, Registration and Qualifications</b>				
Personnel	Hiring Practices	Investigation of background and qualifications	CAB Rule 311(a) (“Capital Acquisition Broker Compliance and Supervision”), which incorporates FINRA Rule 3110(a)(6) and FINRA Rule 3110(e).	
Personnel	Hiring Practices	Screening for statutorily disqualified persons hired in clerical or ministerial positions	CAB Rule 014 (“Application of the By-Laws and the Capital Acquisition Broker Rules”); <sup>5</sup> FINRA By-Laws, Art. III (“Qualifications of Members and Associated Person”).	
Personnel	Hiring Practices	Parking of securities registrations	CAB Rule 014 (“Application of the By-Laws and the Capital Acquisition Broker Rules”); <sup>6</sup> CAB Rule 121 (“Registration Requirements”), which incorporates FINRA Rule 1210; FINRA By-Laws, Art. III, Sec. 1 (“Qualifications of Members and Associated Persons”).	
Personnel	Qualification and Registration	Determine qualifications of supervisory personnel	CAB Rule 311(a) (“Capital Acquisition Broker Compliance and Supervision”), which incorporates FINRA Rule 3110(a)(6) and FINRA Rule 3110(e). <i>See also</i> Notice to Members 99-45.	

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<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

Section	Topic	Item(s) Required to be Addressed	Reference(s)	Applicable to Business?
Personnel	Qualification and Registration	All Associated Persons are properly registered	CAB Rule 014 (“Application of the By-Laws and the Capital Acquisition Broker Rules”); <sup>7</sup> CAB Rule 121 (“Registration Requirements”), which incorporates FINRA Rule 1210; CAB Rule 122 (“Registration Categories”), which incorporates FINRA Rule 1220; CAB Rule 123 (“Associated Persons Exempt from Registration”), which incorporates FINRA Rule 1230; FINRA By-Laws, Art. III, Sec. 2.	
Recordkeeping	Associated Persons Records	Records for all Associated Persons	CAB Rule 451(a) (“Books and Records”), which incorporates FINRA Rule 4511; SEA Rule 17a-3(a)(12) (“Records to be Maintained by Certain Exchange Members, Brokers and Dealers”). <i>See also</i> Notice to Members 01-80.	
<b>B. Continuing Education</b>				
Personnel	Continuing Education	CE contact person; Person responsible for Firm's continuing education program	CAB Rule 124 (“Continuing Education Requirements”), which incorporates FINRA Rule 1240; CAB Rule 454 (“Member Filing and Contact Information Requirements”), which incorporates FINRA Rule 4517.	
Personnel	Continuing Education	Monitor compliance with the Regulatory Element of continuing education	CAB Rule 124 (“Continuing Education Requirements”), which incorporates FINRA Rule 1240.	

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<sup>7</sup> *Id.*

Section	Topic	Item(s) Required to be Addressed	Reference(s)	Applicable to Business?
Personnel	Continuing Education	Firm Element of continuing education	CAB Rule 124 (“Continuing Education Requirements”), which incorporates FINRA Rule 1240.	
<b>III. Firm Supervision and Oversight</b>				
<b>A. Supervisory System</b>				
Firm Supervision and Oversight	Designation of Supervisors	Designation of supervisors and supervisory duties	CAB Rule 311(a) (“Capital Acquisition Broker Compliance and Supervision”), which incorporates FINRA Rules 3110(a)(2) and (a)(3). <i>See also</i> Notice to Members 99-45.	
Firm Supervision and Oversight	General Supervisory Obligations	Assign each registered rep to a supervisor and create a record of all reps supervised by a supervisor	CAB Rule 311(a) (“Capital Acquisition Broker Compliance and Supervision”), which incorporates FINRA Rule 3110(a)(5).	
Firm Supervision and Oversight	Designation of Supervisors	Designation of branch supervisor	CAB Rule 311(a) (“Capital Acquisition Broker Compliance and Supervision”), which incorporates FINRA Rule 3110(a)(4).	
Firm Supervision and Oversight	General Supervisory Obligations	Distribution of procedures and amendments	CAB Rule 311(a) (“Capital Acquisition Broker Compliance and Supervision”), which incorporates FINRA Rule 3110(b)(7).	

<b>B. General Supervisory Obligations</b>				
Firm Supervision and Oversight	General Supervisory Obligations	Review of Firm Activities	CAB Rule 240 (“Engaging in Impermissible Activities”), which references CAB Rule 016(c).	
Firm Supervision and Oversight	Employee Supervision	Gifts and gratuities	CAB Rule 322 (“Influencing or Rewarding Employees of Others”), which incorporates FINRA Rule 3220.	
Firm Supervision and Oversight	Employee Supervision	Outside business activities	CAB Rule 327 (“Outside Business Activities of Registered Persons”), which incorporates FINRA Rule 3270.	
Firm Supervision and Oversight	Employee Supervision	Private securities transactions	CAB Rule 328 (“Private Securities Transactions of an Associated Person”), which incorporates FINRA Rule 3280(e).	
Firm Supervision and Oversight	Employee Supervision	Borrowing and lending between Associated Persons and customers	CAB Rule 324 (“Borrowing or Lending to Customers”), which incorporates FINRA Rule 3240; CAB Rule 311 (“Capital Acquisition Broker Compliance and Supervision”).	
Firm Supervision and Oversight	General Supervisory Obligations	Supervision of outsourcing arrangements	CAB Rule 311 (“Capital Acquisition Broker Compliance and Supervision”). <i>See also</i> Notice to Members 05-48.	
Firm Supervision and Oversight	Employee Supervision	Heightened supervision (including registered persons from a disciplined firm)	CAB Rule 311 (“Capital Acquisition Broker Compliance and Supervision”). <i>See also</i> Notice to Members 97-19.	

Firm Supervision and Oversight	Employee Supervision	Supervision of statutorily disqualified individuals	CAB Rule 014 (“Application of the By-Laws and the Capital Acquisition Broker Rules”); <sup>8</sup> CAB Rule 311 (“Capital Acquisition Broker Compliance and Supervision”); CAB Rule 453 (“Reporting Requirements”), which incorporates FINRA Rule 4530; FINRA By-Laws, Art. III, Sec. 3 and 4; Form MC-400.	
<b>C. Review of Accounts and Correspondence</b>				
Firm Supervision and Oversight	Correspondence Review	Correspondence: incoming, outgoing, including facsimiles and electronic messages (email, instant messages, etc.)	CAB Rule 311(a) (“Capital Acquisition Broker Compliance and Supervision”), which incorporates FINRA Rule 3110(b)(4).	
Firm Supervision and Oversight	General Supervisory Obligations	Transactions involving FINRA employees	CAB Rule 207 (“Transactions Involving FINRA Employees”), which incorporates FINRA Rule 2070.	
Firm Supervision and Oversight	Branch Supervision and Inspections	Designation of Offices of Supervisory Jurisdiction (OSJ)	CAB Rule 311(a) (“Capital Acquisition Broker Compliance and Supervision”), which incorporates FINRA Rule 3110(a)(3) and (f)(1).	
<b>D. Insider Trading</b>				
Firm Supervision and Oversight	Monitoring for Insider Trading	Periodically reviewing employee trading	CAB Rule 201 (“Standards of Commercial Honor and Principles of Trade”), which incorporates FINRA Rule 2010; CAB Rule 202 (“Use of Manipulative, Deceptive, or Other Fraudulent Devices”), which incorporates FINRA Rule 2020; SEA Rule 10b-5 (“Employment of Manipulative and Deceptive Devices”).	

<sup>8</sup> *Supra* at Note 1. Per CAB Rule 014, "All persons that have been approved for membership in FINRA as a capital acquisition broker and persons associated with capital acquisition brokers shall be subject to the FINRA By-Laws (including the schedules thereto), unless the context requires otherwise, and the Capital Acquisition Broker Rules. Persons associated with a capital acquisition broker shall have the same duties and obligations as a capital acquisition broker under the Capital Acquisition Broker Rules."



Firm Supervision and Oversight	Monitoring for Insider Trading	Criteria for investigating suspect trades	SEA Section 15(g) (“Prevention of Misuse of Material, Nonpublic Information”). <i>See also</i> Notice to Members 91-45.	
Firm Supervision and Oversight	Monitoring for Insider Trading	Require employees to sign attestation	SEA Section 15(g) (“Prevention of Misuse of Material, Nonpublic Information”). <i>See also</i> Notice to Members 91-45.	
Firm Supervision and Oversight	Monitoring for Insider Trading	Update employees on new or revised insider trading rules and regulations	SEA Section 15(g) (“Prevention of Misuse of Material, Nonpublic Information”).	
Firm Supervision and Oversight	Monitoring for Insider Trading	Definition of material, non-public information, insiders, and other relevant terms and prohibitions	CAB Rule 201 (“Standards of Commercial Honor and Principles of Trade”), which incorporates FINRA Rule 2010; CAB Rule 202 (“Use of Manipulative, Deceptive, or Other Fraudulent Devices”), which incorporates FINRA Rule 2020; SEA Rule 10b-5 (“Employment of Manipulative and Deceptive Devices”). <i>See also</i> Notice to Members 89-05.	
Firm Supervision and Oversight	Monitoring for Insider Trading	Policies and procedures on access to utilization of material, non-public information	CAB Rule 311(a) (“Capital Acquisition Broker Compliance and Supervision”); SEA Section 15(g) (“Prevention of Misuse of Material, Nonpublic Information”).	
Firm Supervision and Oversight	Monitoring for Insider Trading	Tools and methods for inhibiting or monitoring transactions in restricted securities	CAB Rule 311 (“Capital Acquisition Broker Compliance and Supervision”); SEA Rule 144 (“Selling Restricted and Control Securities”). <i>See also</i> Notice to Members 09-05.	
Firm Supervision and Oversight	Monitoring for Insider Trading	Information barrier procedures including: 1) method for determining whether firm trading should be restricted; 2) determining and identifying activities that are restricted while security is on list; 3) monitoring associated persons' trading of	CAB Rule 311 (“Capital Acquisition Broker Compliance and Supervision”); SEA Rule 144 (“Selling Restricted and Control Securities”). <i>See also</i> Notice to Members 09-05 and Notice to Members 91-45.	

		restricted securities; 4) time period covered and frequency of review; 5) recording details of associated persons' trade in restricted security; and 6) creation and maintenance of documentation to evidence supervisory reviews		
Firm Supervision and Oversight	Monitoring for Insider Trading	Procedures to detect transactions in restricted/control securities, e.g., compliance, gray, or watch lists, etc.	CAB Rule 311 ("Capital Acquisition Broker Compliance and Supervision"); SEA Rule 144 ("Selling Restricted and Control Securities"). <i>See also</i> Notice to Members 09-05 and Notice to Members 91-45.	
Firm Supervision and Oversight	Monitoring for Insider Trading	Securities transactions for personal and family-related accounts	CAB Rule 201 ("Standards of Commercial Honor and Principles of Trade"), which incorporates FINRA Rule 2010.	
<b>E. Anti-Money Laundering Compliance Program</b>				
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Designate AML contact person	CAB Rule 331(d) ("Anti-Money Laundering Compliance Program").	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Written Anti-Money Laundering compliance program approved in writing by senior management	CAB Rule 331 ("Anti-Money Laundering Compliance Program").	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Establish and implement policies and procedures to detect and cause the reporting of suspicious transactions	CAB Rule 331(a) ("Anti-Money Laundering Compliance Program").	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Bank Secrecy Act policies and procedures	CAB Rule 331(b) ("Anti-Money Laundering Compliance Program"); Bank Secrecy Act (31 U.S.C. §5311 <i>et seq.</i> ).	

Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Independent testing of AML compliance program	CAB Rule 331(c) ("Anti-Money Laundering Compliance Program").	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	On-going training of firm personnel	CAB Rule 331(e) ("Anti-Money Laundering Compliance Program").	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Customer Identification Program and verification of customers' identity	CAB Rule 209 ("Know Your Customer"); CAB Rule 331(f) ("Anti-Money Laundering Compliance Program"); USA Patriot Act, Section 326; SEA Rule 17a-8 ("Financial Recordkeeping and Reporting of Currency and Foreign Transactions"). <i>See also</i> Notice to Members 03-34.	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Determine whether customer appears on any list of known terrorists or terrorist organizations, such as those listed on the Treasury's OFAC web site, as well as those on the list of embargoed countries/regions on the OFAC List	CAB Rule 331(f) ("Anti-Money Laundering Compliance Program"); USA Patriot Act, Section 314; Bank Secrecy Act (31 U.S.C. §5311 <i>et seq.</i> ).	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Responding to information requests from FinCEN concerning money laundering or terrorist financing, including how the firm will protect the security and confidentiality of the information requests	CAB Rule 331 ("Anti-Money Laundering Compliance Program"); US Patriot Act, Section 314; Bank Secrecy Act (31 U.S.C. §5311 <i>et seq.</i> ).	

Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Sharing information with other financial institutions, if applicable (including requirement to provide annual sharing agreement to FinCEN)	CAB Rule 331 ("Anti-Money Laundering Compliance Program"); USA Patriot Act, Section 314; Bank Secrecy Act (31 U.S.C. §5311 <i>et seq.</i> ).	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Determine the identity of the nominal and beneficial account holders and the source of funds deposited into "private banking accounts," and to conduct enhanced scrutiny of accounts of a senior foreign political figure	CAB Rule 331 ("Anti-Money Laundering Compliance Program"); USA Patriot Act, Section 314; Bank Secrecy Act (31 U.S.C. §5311 <i>et seq.</i> ).	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Prohibit transactions with persons who are suspected of terrorist activities pursuant to Executive Order #13224 that was issued through OFAC	CAB Rule 331 ("Anti-Money Laundering Compliance Program"); USA Patriot Act, Section 314; Bank Secrecy Act (31 U.S.C. §5311 <i>et seq.</i> ). <i>See also</i> Notice to Members 01-67.	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	If the firm prohibits the receipt of currency, procedures and internal controls to detect its receipt	CAB Rule 331(b) ("Anti-Money Laundering Compliance Program").	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Filing reports of international transportation of currency or monetary instruments	CAB Rule 331 ("Anti-Money Laundering Compliance Program").	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Filing reports of foreign bank and financial accounts	CAB Rule 331(a) and (b) ("Anti-Money Laundering Compliance Program"); SEA Rule 17a-8 ("Financial Recordkeeping and Reporting of Currency and Foreign Transactions"); Bank Secrecy Act (31 U.S.C. §5311 <i>et seq.</i> ).	

Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Procedures to detect and report suspicious transactions by filing Suspicious Activity Reports (SAR-SF)	CAB Rule 331 (“Anti-Money Laundering Compliance Program”); SEA Rule 17a-8 (“Financial Recordkeeping and Reporting of Currency and Foreign Transactions”); Bank Secrecy Act (31 U.S.C. §5311 <i>et seq.</i> ). <i>See also</i> Notice to Members 02-47.	
Firm Supervision and Oversight	Anti-Money Laundering Policies and Procedures	Record keeping requirements (currently a 5-year requirement)	CAB Rule 331 (“Anti-Money Laundering Compliance Program”); SEA Rule 17a-8 (“Financial Recordkeeping and Reporting of Currency and Foreign Transactions”); Bank Secrecy Act (31 U.S.C. §5311 <i>et seq.</i> ).	
<b>IV. SALES PRACTICES</b>				
<b>A. Communications with the Public</b>				
Sales Practices	Communications with the Public	Advertising and sales literature (including email and web sites)	CAB Rule 221 (“Communications with the Public”); SEA Rule 17a-3(a)(20) (“Communications with the Public”).	
Sales Practices	Communications with the Public	Speaking engagements; scripts; outlines; media participation; chat rooms	CAB Rule 221 (“Communications with the Public”).	
Sales Practices	Communications with the Public	Sales literature review	CAB Rule 221 (“Communications with the Public”); CAB Rule 311 (“Capital Acquisition Broker Compliance and Supervision”).	
<b>B. Disclosures to Customers</b>				
Sales Practices	Customer Information and Disclosures	Material event and customer complaint reporting	CAB Rule 453 (“Reporting Requirements”), which incorporates FINRA Rule 4530.	
Sales Practices	Customer Information and Disclosures	Regulation SP requirement to provide initial, annual, and revised privacy policy notice; description of how and when distributed to customers; administrative, technical, and physical safeguard of	Regulation SP (“Privacy of Consumer Financial Information”).	

		information; testing of firewalls		
Sales Practices	Customer Information and Disclosures	Disclosures	SEA Rule 10b-9 (“Prohibited Representations in Connection with Certain Offerings”).	
Firm Supervision and Oversight	General Supervisory Obligations	Conduct and fair dealing; fraud	CAB Rule 202 (“Use of Manipulative, Deceptive or Other Fraudulent Devices”), which incorporates FINRA Rule 2020.	
<b>C. Customer Information Controls</b>				
Sales Practices	Customer Information Controls	Customer records	CAB Rule 211 (“Suitability”); CAB Rule 451 (“Books and Records”); SEA Rule 17a-3 (“Records to be maintained by exchange members, brokers and dealers”).	
<b>D. Suitability</b>				
Sales Practices	Suitability	Suitability	CAB Rule 201 (“Standards of Commercial Honor and Principles of Trade”), which incorporates FINRA Rule 2010; CAB Rule 211 (“Suitability”); CAB Rule 451 (“Books and Records”), which incorporates FINRA Rule 4511.	
Sales Practices	Suitability	Suitability; review of subscription agreements	CAB Rule 211 (“Suitability”).	
Sales Practices	Due Diligence	Due diligence (public/private) review of prospective offerings and files	SEA Rule 10b-5 (“Employment of manipulative and deceptive devices”).	

<b>E. Transaction Review and Handling of Customer Complaints</b>				
Sales Practices	Reviewing Transactions and Handling Customer Complaints	Customer complaints	CAB Rule 453 (“Reporting Requirements”), which incorporates FINRA Rule 4530; CAB Rule 451(c) (“Records of Written Customer Complaints”), which incorporates FINRA Rule 4513.	
<b>V. FINANCIAL AND OPERATIONAL ISSUES</b>				
<b>A. Financial Reporting</b>				
Firm Supervision and Oversight	FinOp Responsibilities	FinOp's duties and responsibilities (including FinOps registered with multiple firms)	CAB Rule 122 (“Registration Categories”), which incorporates FINRA Rule 1220. <i>See also</i> Regulatory Notice 06-23.	
Financial and Operational	Filing of FOCUS and Related Forms	Financial reporting/backup - Net Capital computation, FOCUS filings	CAB Rule 014 (“Application of the By-Laws and the Capital Acquisition Broker Rules”); <sup>9</sup> CAB Rule 451(a) (“Books and Records – General Requirements”), which incorporates FINRA Rule 4511; CAB Rule 452(b) (“Supplemental FOCUS Information”), which incorporates FINRA Rule 4524; CAB Rule 411 (“Capital Compliance”); FINRA By-Laws, Schedule A; SEA Rule 17a-5 (“Reports to be made by certain brokers and dealers”); SEA Rule 17a-11 (“Notification provisions for brokers and dealers”).	
<b>B. Financial and Operational Responsibilities</b>				
Financial and Operational	Net Capital Requirements	Net Capital Rule	SEA Rule 15c3-1 (“Net capital requirements for brokers or dealers”); SEA Rule 17a-11 (“Notification provisions for brokers and dealers”).	

<sup>9</sup> *Supra* at Note 1. All CABs and their associated persons shall be subject to the FINRA By-Laws (including the schedules thereto) unless the context requires otherwise.

<b>C. Capital and Credit Regulation</b>				
Financial and Operational	Capital & Credit Regulation	Disclosure of firm balance sheets upon customer request	SEA Rule 17a-5 (“Reports to be made by certain brokers and dealers”).	
<b>VI. RECORDKEEPING</b>				
Recordkeeping	Maintenance of Books and Records	Maintenance of books and records (main office; other offices; and update customer account information)	CAB Rule 451(a) (“Books and Records – General Requirements”), which incorporates FINRA Rule 4511.	
Recordkeeping	Electronic Communications	Instant messaging	CAB Rule 311 (“Capital Acquisition Broker Compliance and Supervision”), which incorporates FINRA Rule 3110(b)(1)(4) and .06 (“Supervision”); CAB Rule 451(a) (“Books and Records – General Requirements”), which incorporates FINRA Rule 4511. <i>See also</i> Regulatory Notice 11-39, Regulatory Notice 07-59 and Notice to Members 03-33.	
<b>VII. INTERNAL CONTROLS</b>				
Internal Controls	Systems and Operations Controls	Information security measures ( <i>e.g.</i> , securing equipment, controls on system entitlements, limits on password sharing, administrative procedures to change passwords, audit trail for tracking changes in entitlements, etc.)	Regulation S-P, Section 248.30 (“Privacy of Consumer Financial Information”).	
<b>VIII. FIXED INCOME SECURITIES</b>				
Municipal Securities	Municipal Securities	Solicitation of municipal securities business	CAB Rule 203 (“Engaging in Distribution and Solicitation Activities with Government Entities”), which incorporates FINRA Rule 2030.	



<b>IX. PRIVATE PLACEMENTS</b>				
Private Placements	Advising on Offerings	Exemptions from registration	CAB Rule 512 (“Private Placements of Securities Issued by Members”), which incorporates FINRA Rule 5122; See also Regulation A (“Conditional Small Issues Exemption”); Regulation D (“Rules Governing the Limited Offer and Sale of Securities Without Registration Under the Securities Act of 1933”).	
Private Placements	Advising on Securities Registration	Public offerings (securities registration)	Securities Act of 1933, Section 5 (“Prohibitions Relating to Interstate Commerce and the Mails”).	
Private Placements	Advising on Securities Registration	Misrepresentations as to registration	SEA Rule 15c1-3 (“Misrepresentation by brokers, dealers, and municipal securities dealers as to registration”).	
Private Placements	Advising on Offerings	Regulation M - Rules 101 - 105	Regulation M (“Anti-Manipulation Rules Concerning Securities Offerings”).	

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