

Checklist for Changes in Firm Organization: Assistance with the Merger, Acquisition, and Succession Process

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The following checklist is a general guideline designed to assist firms involved in an organizational change such as a merger, acquisition or succession. The items below suggest possible FINRA-related steps and questions a firm should consider when undergoing a merger, acquisition, or succession. This list primarily focuses on your firm's interaction with FINRA and is not all-inclusive as there may also be non-FINRA systems that you should consider. In addition, all steps of the checklist may not be applicable to all firms or all types of organizational changes. This checklist is merely a general guideline and should be used only to the extent it suits your firm's needs.

Please note that using or adhering to this checklist does not guarantee compliance with regulatory requirements nor create a safe harbor from applicable regulatory responsibilities.

District/Membership Considerations

☐ Have you reviewed Rule 1017?

Rule 1017 governs the process for a change in ownership, control, or business operations. FINRA approval is required for a number of different types of changes in firm organization, including certain mergers, acquisitions, asset transfers and material changes in business. Rule 1017 specifies when and what type of information needs to be submitted to the district to seek approval in advance of the organization change. Rule 1017 can be found at <http://www.finra.org/nasdmanual/rules/r1017/>. In addition, FINRA's Continuing Membership Guide provides additional guidance to firms regarding the approval process. The Guide can be found at <http://www.finra.org/continuingmembership/>.

☐ Have you contacted your district office?

Rule 1017 requires that an application that is required to be filed relating to a change in ownership or control must be submitted **at least 30 days before** a change is scheduled to occur. If the change involves firms in different districts, each firm should contact its respective district office.

☐ Have you determined what the surviving firm(s) will look like after the change in organization?

In preparing a Rule 1017 application, you should carefully consider whether the firm, after reorganization, will conform to all of the Rule 1014 standards. The Membership Agreement of the surviving firm(s) should also be reviewed to determine what changes are necessary to ensure accuracy after the change occurs.

- ☐ Is the successor firm approved to conduct all of the types of business that the predecessor was conducting?

You should ensure that the registered representatives are aware what types of business they are allowed to conduct with the new firm.

- ☐ Will the change result in a relocation of the firm?

If the surviving firm will be located in a different district, that district office should be contacted about the change as well.

- ☐ Additional Questions?

Contact your district office. A list of district contacts is located at <http://www.finra.org/Industry/Contacts/p085520>

Web CRD® Considerations

- ☐ Have you submitted the appropriate firm form filings (i.e., BD Amendment, BDW)?

To determine whether firm form filings are required, consider the following: Is a Form BD Amendment required to update ownership/control information on the firm, or to add new branch offices or business lines resulting from the organizational change? Is a predecessor firm withdrawing from the industry, requiring submission of a Form BDW? To submit Form BD or BDW filings, your Web CRD user(s) with appropriate entitlement should access Web CRD: <https://crd.finra.org>. If you have questions about whether succession rules apply, contact the SEC's Office of Interpretive Guidance at (202) 551-5777.

- ☐ Does your firm qualify for a mass transfer?

The Mass Transfer Program allows for the transfer of registration information in mass for qualified individuals when a firm is involved in any one of the following, and which involves at least 50 individuals: Acquisitions (Successor), Asset Purchases, Consolidations, Mergers and Successions. If the organizational change qualifies for a mass transfer, the representatives will be systematically terminated with the predecessor firm and registered with the successor firm without requiring submission of Form U4 filings, Form U5 filings, and fingerprint cards. To learn more about the mass transfer process and whether it would be suitable for your firm, contact the FINRA Gateway Call Center at (301) 869-6699 and ask to speak with a mass transfer representative.

- ☐ If you do NOT mass transfer representatives, have you submitted the appropriate form filings and fingerprint cards?

If your representatives will be moved from one firm to another without a mass transfer, Form U4 filings and fingerprint cards must be submitted to register the representatives with the new firm, and Form U5 filings will be required for any representatives who will be terminated from their current firm. To submit Form U4 or U5 filings, your Web CRD user(s) with appropriate entitlement should access Web CRD: <https://crd.finra.org>.

- ☐ After a mass transfer, have you printed and provided a current Form U4 to each registered representative?

The successor firm should encourage each registered representative to verify that the information on record is correct, as the successor firm is now responsible for the records (including disclosure information) of these representatives.

- ☐ Have you verified via Web CRD that all registrations have been requested or have transferred as intended?

If you submitted Form U4 filings to register representatives with the new firm, you may wish to verify that all necessary registrations have been requested. If you moved representatives via a mass transfer, be aware that some states may block mass transfers, so it is important to validate registrations in Web CRD after the mass transfer is complete.

- ☐ Additional Questions?

Contact the FINRA Gateway Call Center at (301) 869-6699.

FINRA User Account Management Considerations

- ☐ Have you created the necessary user accounts for individuals moving to the new firm?

If the predecessor firm is submitting a full Form BDW, the predecessor firm's entitlement accounts will be terminated once the firm termination is complete. The successor firm should consider whether new user accounts are necessary for any of the following systems:

- ☐ IARD
- ☐ FINRA Contact System
- ☐ Report Center
- ☐ Order Audit Trail System (OATS)
- ☐ Regulation Filing Applications
- ☐ Web CRD
- ☐ Web Information Request (Web IR)

The successor firm's Super Account Administrator (SAA) can create or modify account administrators and users.

If the successor firm has not yet named an SAA or needs to replace the current SAA, the firm should review the instructions on the SAA Entitlement Web page:

<http://www.finra.org/entitlement/saa> on how to entitle someone at your firm to serve in this role.

- ☐ Have you deleted user accounts for individuals that no longer require access?

It is the SAA's responsibility to remove entitlement immediately for account administrators or users who are no longer with the firm. An account administrator is also able to remove access from users who no longer require it or immediately for individuals who are no longer with the firm; however, account administrators cannot alter the access of another account administrator – that can only be performed by an SAA. User accounts are deleted via the FINRA Account Management tool (<https://accountmgmt.finra.org/ewsadmin2/index.jsp>).

- ☐ If you access the Report Center, are the appropriate MPID(s)/MSRB number(s) associated with your user accounts?

The Entitlement group will update the successor's SAA account with any new MPID(S)/MSRB number(s) which can then be entitled to account administrators and users.

- ☐ Additional Questions?

Contact the FINRA Gateway Call Center at (301) 869-6699.

TRACE Considerations

- ☐ Have you notified TRACE that the firm is going through a change in organization?

To notify TRACE that a change is occurring, please call FINRA Operations at (866) 776-0800 or send an e-mail to finraoperations@finra.org.

- ☐ Have you terminated the predecessor firm's FINRA Participation Agreement?

If the firm is filing a full Form BDW filing to terminate, the firm also needs to submit written notice to disable its FINRA Participation Agreement. The FINRA Participation Agreement can be found on the Transparency Services Legal Agreements Web page, <http://www.finra.org/RegulatorySystems/TRACE/LegalAgreements>.

- ☐ Have you submitted a new FINRA Participation Agreement and TRACE Order Forms as necessary?

A new signed contract is required when a merger occurs. The TRACE Order Form enables you to request, modify, or terminate your TRACE service. The TRACE Order Form can be found on the Transparency Services Legal Agreements Web page, <http://www.finra.org/RegulatorySystems/TRACE/LegalAgreements>.

- ☐ Additional Questions?

Contact FINRA Operations at (866) 776-0800.

OATS Considerations

- ☐ Have you established or updated the appropriate reporting relationships in OATS?

In order for a firm to give other organization(s) permission to transmit on the firm's behalf, the relationship needs to exist in OATS. See Chapter 6 of the [OATS](http://www.finra.org/Industry/Compliance/MarketTransparency/OATS/WebInterface) Web Interface User Guide (<http://www.finra.org/Industry/Compliance/MarketTransparency/OATS/WebInterface>) for instructions on accessing, creating, and modifying firm relationships.

- ☐ Have you transferred necessary open limit orders to the successor's MPID?

If the predecessor firm has open limit orders on their books that will be executed under the successor firm's MPID, the firm should route the orders to the new MPID, and report the

route to OATS, or provide the predecessor's Broker/Dealer Number in the "Originating Broker/Dealer Number" field on the OATS report.

☐ Have you requested a User ID and password for an OATS administrator?

If a new administrator is necessary based on the firm's change, a new User ID and password must be requested.

☐ Have you ensured that all necessary departments within the firm are submitting to OATS as required?

FINRA has seen instances, during organizational changes, of non-reporting of required order events because the firm has not clearly identified all departments and/or individuals responsible for OATS submissions. You should verify that all departments are submitting to OATS as required.

☐ Additional Questions?

Contact the OATS Help Desk at (800) 321-6273.

Other Considerations

☐ Have you updated the FINRA Contact System (FCS) with current information?

FINRA Member firms are required to update contact information via the FINRA Contact System (FCS) within 30 days following any changes and to review required contact information annually, pursuant to NASD Rule 1160. FCS is located at <https://firms.finra.org/fcs>. For questions, contact the FINRA Gateway Call Center at (301) 869-6699.

☐ Have you contacted NASDAQ Subscriber Services (if applicable to your firm's business)?

Contact NASDAQ Subscriber Services at (212) 231-5180. NASDAQ Subscriber Agreements and forms can be found at: <http://www.nasdaqtrader.com/trader.aspx/Trader.aspx?id=AgreementsTrading>.

☐ Have you contacted the MSRB (if applicable to your firm's business)?

Contact the MSRB at www.msrb.org, or by calling (703) 797-6600.

☐ Have you notified any service providers the firm uses?

If the firm uses a service provider to do any or all of the firm's filings, ensure that the service provider knows which identifiers to use when filing on the firm's behalf.

☐ Have you notified the appropriate jurisdictions of the change?

You should be aware of the jurisdiction rules governing your firm's business as well. A list of state securities contacts can be found at: http://www.nasaa.org/About_NASAA/2062.cfm.

FINRA Contact Summary

Questions about?	Contact:
Rule 1017 (notifying FINRA of change)	Appropriate district. District contact list: www.finra.org/ContactUs/DistrictOffices
Web CRD	Gateway Call Center: (301) 869-6699
Mass Transfers	Gateway Call Center: (301) 869-6699
Account Management	Gateway Call Center: (301) 869-6699
TRACE	TRACE Toll Free Help Line: (866) 776-0800, or by email: finraoperations@finra.org
OATS	OATS Help Desk (800) 321-6273

If you have feedback about additional items that should be included on this checklist or would like to suggest improvements to the checklist, please send an email to compliancetools@finra.org.