

Small Firm Emergency Partner Program Agreement Template

This template is provided to assist introducing firms that wish to take part in the Small Firm Emergency Partner Program by formally agreeing to back each other up. The language in it must be customized to fit each firm's situation and reflect the arrangement made with the other introducing firm and the clearing firm. The Small Firm Emergency Partner Program and the use of this template are voluntary and nothing in this template creates any new regulatory requirements or new requirements for Business Continuity Plans (BCPs).

This template is intended to be used as a guide to facilitate the creation of your contract; parties should personalize the template according to your specific needs and should consider all issues that may require changes or additions to this template. Each partnership is unique; this template should be modified to fit your partnership's particular situation.

Before participating in the program, the pair of introducing firms:

- should share the same clearing firm;
- should have substantially similar business models to facilitate covering for each other (for example, if one has a municipal or options business, the other should also);
- should be located in geographically different areas to minimize the risk that a significant business disruption will affect both of them; and
- should have sufficient capacity and expertise to support each other's clients.

1) Program Description

The Small Firm Emergency Partner program allows small introducing firms to supplement their Business Continuity Plans by pairing them with a similar but distant firm that shares the same clearing firm. If a significant business disruption affects one of the firms beyond what it can otherwise handle under its existing BCP, the other introducing firm, using access to customer information provided by the common clearing firm, supports the affected firm by answering its customer's inquiries, handling liquidating transactions for its customers, and providing temporary facilities for limited affected firm staff to continue the affected firm's business. The introducing firms have agreed to provide these services to each other.

2) Parties

	Introducing Firm	Introducing Firm	Clearing Firm
Firm Name			
Shortened name			
Contact			
Address			
Phones: Business (B) Home (H) Cell (C)			
email			
Web page			
Other authorized parties: Name; Phones: Business (B) Home (H) Cell (C); email			
Other authorized parties: Name;			

Phones: (B) (H) (C); Phones: Business (B) Home (H) Cell (C);email			
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Both contacts and other authorized parties have the authority to make decisions about this agreement and invoke temporary support. The parties will review the contact information periodically to keep it up to date.

3) Invoking Temporary Support

Temporary support will be invoked after a significant business disruption by:

- the affected firm notifying the supporting firm or the clearing firm that it seeks temporary support; or,
- by the clearing or supporting firm when neither the clearing firm nor the supporting firm can contact the affected firm for a period of [number] hours after the clearing or supporting firm believes the affected firm has suffered a significant business disruption.

4) Services

Access to affected firm records. When temporary support is invoked, the clearing firm will provide access to the affected firm's accounts to the supporting firm, and the affected firm, supporting firm, or the clearing firm will post notice on the affected firm's Web site and forward their phone calls, if possible, to direct customer inquiries to the supporting firm.

Customer calls and liquidating transactions. The supporting firm will answer the affected firm's customer calls to assist those customers, relay the affected firm's status, and to process liquidating transactions for customers of the affected firm. The supporting firm will provide, where requested, good faith advice on which assets are suitable for sale, as well as good faith advice and service on application way/direct accounts, if any. This service will last a maximum of [number] days or until the affected firm can get staff to a location, which may include the supporting firm's offices, where that staff can work directly with the clearing firm and customers. The supporting firm may charge a service fee at cost for liquidating trades.

Office facilities. The introducing firms agree that they will provide office space and facilities for each other for up to [number] staff and [number] days after temporary support has been invoked. Any additional expenses for that space or facilities will be paid at cost by the affected firm, and the firms may extend the time period of this support by mutual agreement.

5) Customer Disclosure

Each introducing firm will set up the capability for the other introducing firm or the clearing firm to post a notice to customers on the other introducing firm's Web site and to forward that firm's phones, if possible, to direct customer inquiries to the supporting firm.

Each introducing firm will modify its BCP Disclosure Statement to inform customers of its participation in the program and will insert in their Statement's section on "Contacting Us" language similar to

In addition, to further protect you, we have arranged with an emergency partner firm, a firm like ours, to respond to your questions, and allow you to sell your securities if we or our clearing firm are unable to do so. In that case, we will temporarily share your account information with them [*or insert supporting firm's name and phone number if you wish to disclose it before a business disruption requires temporary support*] so that they can service or maintain your account. You will be directed to our emergency partner firm by our phones being

forwarded to them or by sending you a phone number and email for them, and our Web site will give you their contact information.

6) Clearing Firm Authorization

Each introducing firm authorizes the clearing firm to give full access to the other introducing firm when temporary support is invoked.

7) Anti-Solicitation

Neither introducing firm will attempt to use opportunities afforded by this agreement to make the other firm's customers or employees theirs.

8) Confidential Information

Each introducing firm will protect the confidentiality of the other firm's data (including a customer's nonpublic personal information), not use it for any purpose other than maintaining or servicing the customer's account, and not divulge it even after the firms terminate this agreement. *[If not already included in its Reg S-P privacy notices, each introducing firm will include in them either: 1) (where the firm **does not** otherwise disclose nonpublic personal information to nonaffiliated third parties) that it does not disclose nonpublic personal information about its customers or former customers except as permitted by law, or 2) (where the firm **does** otherwise disclose nonpublic personal information to nonaffiliated third parties) that it may also disclose nonpublic personal information about its customers or former customers as permitted by law.]*

9) Regulator Notification

The introducing firms will notify FINRA that they have made this emergency partner agreement with each other. The party invoking temporary support will report the event to their FINRA district office or FINRA headquarters at compliancetools@finra.org. FINRA will notify the North American Securities Administrators Association (NASAA), who will in turn notify the state regulators where the affected firm has clients but the supporting firm is not registered and request emergency relief if needed.

Please remember that in the event of an emergency and the partnership is invoked, firms must notify the SEC directly at marketreg@sec.gov of the emergency and invocation of this program.

10) Dispute Resolution

The parties recognize their obligation to resolve disputes among them under the NASD Code of Arbitration Procedure.

11) Indemnification

The affected firm will indemnify the supporting firm and the clearing firm for losses and claims, including reasonable attorney's fees, stemming from its providing services under this agreement, but not for claims from the supporting firm's gross negligence or fraud. This obligation continues even after this agreement terminates.

12) Clearing Agreement Control

This agreement does not supersede the clearing agreement.

13) Fidelity Bond

Each introducing firm will obtain an agent rider to its fidelity bond so that an affected firm's bond will cover the acts of a supporting firm's employees working for the affected firm's benefit during temporary support.

14) Termination

This agreement may be terminated by either introducing firm or the clearing firm at any time by giving 30 days notice, but may not be terminated during a period of temporary support unless performance is impossible for the supporting firm. Parties must notify FINRA when the agreement has been terminated.

15) Signatures

The contract should be legally executed by all parties involved. It should be signed by persons authorized to sign on behalf of each firm that is a party to the agreement (including both introducing firms and the clearing firm). The contract should identify, for each signature, the name of the person, the person's title, the name of the firm on whose behalf the person signed, and the date the person signed the contract.