

## Attachment B: Carrying Firm Questionnaire

**Questionnaire to be submitted by the carrying firm prior to the carrying of any accounts of a new introducing firm(s) (including omnibus firms whose accounts are to be carried by the carrying firm) ("correspondents") pursuant to FINRA Rules 4311(b)(3) and 4311.02. The completed questionnaire shall be sent to the carrying firm's Regulatory Coordinator at FINRA no later than 10 business days prior to the carrying of any accounts of a new correspondent.**

If using a pre-approved form of carrying agreement pursuant to FINRA Rule 4311(b)(2), please specify form and date of FINRA's approval of such form:

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### Section I: Correspondent Profile

1. Name of correspondent: \_

2. Is the correspondent acting as an intermediary introducing firm for any other introducing firm(s) that is a party(ies) to the carrying agreement?

**Yes** If yes, please list the names of the other introducing firms and provide separate correspondent profile questionnaires for each:

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**No**

3. Is the correspondent a FINRA member?

**Yes** (if yes, please skip to Question 4)

**No** If no, please provide the following information:

**Is the proposed correspondent a US-registered broker-dealer?**

**Yes** If yes, please provide its SEC Registration No.: \_

**No** If no, please list the foreign jurisdiction(s) in which the correspondent operates: \_

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4. Method of Conversion of Accounts:

ACATS?  **Yes**

**No**

Bulk Transfer?

**Yes** If yes, expected conversion date: \_

**No** -

Name of Delivering Broker: \_

Other? Please specify: \_

5. Amount of clearing deposit collected from correspondent \$ \_

6. Is this an arrangement for the carrying of an omnibus account(s)?

Yes (If yes, please skip to Question 8)

No

7. Approximate number of retail accounts: \_ Institutional accounts: \_\_\_

8. Expected correspondent customer:

Debit balances: \$\_

Credit balances: \$\_

9. Customer Business Mix: (Please indicate approximate number of monthly tickets):

Listed equities	-	Asset Backed Securities	_
Unlisted equities	-	Commodities	-
Municipals	-	Options	_____
Governments	-	Other (please specify	_____
Corporate Bonds	-	type(s) of product(s))	_____

10. Does the correspondent engage in proprietary trading activities to be cleared and/or carried by the firm? If yes, please specify trading strategies (e.g., market making, speculative trading, customer facilitation, risk arbitrage, statistical arbitrage, etc.) and indicate products traded below:

Trading strategies engaged in: \_

\_\_\_\_\_

\_\_\_\_\_

Listed equities	-	Asset Backed Securities	_
Unlisted equities	-	Commodities	-
Municipals	-	Options	_____
Governments	-	Other (please specify	_____
Corporate Bonds	-	type(s) of product(s))	-

**11. Will the correspondent be provided the following special margin privileges and/or have special margin requirements been established for the correspondent's customer and/or proprietary accounts?**

If yes, please specify by completing a.- d. below:

a. **Portfolio Margining:** Proprietary Accounts:  Yes  No

Customer Accounts:  Yes  No

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b. **Day Trading:** Proprietary Accounts:  Yes  No

Customer Accounts:  Yes  No

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c. **Special house requirements:** Proprietary Accounts:  Yes  No

Customer Accounts:  Yes  No

d. **Other (specify):** \_\_\_\_\_

**12. Has a Proprietary Accounts of Introducing Brokers (PAIB) agreement been executed with the correspondent?**

**Yes**

**No** If no, please explain. \_\_\_\_\_

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## **Section II: Correspondent Risk Management**

Please respond to the following questions as they apply to the proposed correspondent relationship.

Please note that FINRA Rule 4311(b)(4) requires that each carrying firm shall conduct appropriate due diligence with respect to any new introducing firm relationship to assess the financial, operational, credit and reputational risk that such arrangement will have upon the carrying firm. The questions below are representative of the type of reviews FINRA expects firms to conduct as part of their correspondent due diligence performed in accordance with this rule. However, the firm is expected to assess the extent of the review required for each correspondent and perform additional reviews as it deems necessary. Please note that a record of the due diligence conducted for each new introducing firm must be maintained by the carrying firm in accordance with the time frames prescribed by Exchange Act Rule 17a-4(b).

1. Has a review been conducted of the correspondent's business mix and customer account activities?  Yes  No  NA
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2. Is your operational staff familiar with the clearance and settlement requirements and the associated risks of the products in which the correspondent and its customers will transact?  Yes  No  NA
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3. Has a review of the correspondent's proprietary (including error account) and customer positions been conducted to assess any potential financial or credit risks that may result from:
- a. Low-priced securities?  Yes  No  NA
- b. Concentrated securities?  Yes  No  NA
- c. Control or restricted securities?  Yes  No  NA
- d. Unique trading strategies?  Yes  No  NA
- e. Other? (please specify) \_\_\_\_\_  Yes  No  NA
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4. Has a review been conducted of the correspondent's FOCUS or similar reports (if non-broker-dealer) for the past year?  Yes  No  NA
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5. Has a review of the correspondent's last audited financial report been performed?  Yes  No  NA
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6. Has a review of complaint and disciplinary history for the correspondent and its principal officers and Form U4 information for persons named on Form BD, as applicable, been conducted?  Yes  No  NA
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7. Have the accounts of the correspondent been reviewed for Master and Sub-Account structures in light of the guidance of FINRA *Regulatory Notice 10-18* (April 2010) (Master and Sub-Accounts)?  Yes  No  NA
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8. If direct market access or sponsored access is being provided to the correspondent or its customers, has the firm reviewed, and is the firm satisfied with, the correspondent's procedures for such activities?  Yes  No  NA
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With respect to the questions above (in this Section II), any "no" response must be accompanied by a written explanation included with this questionnaire, indicating why management believes that the omission of this review is appropriate (or why a "no" answer is otherwise appropriate) and does not represent an undue risk to the carrying firm.

\_\_\_\_\_  
Signature of Chief Executive, Financial or Operational Officer/Partner

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title