

## OMB APPROVAL

OMB Number: 3235-0045  
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 hours per response.....38

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of \* 84

SECURITIES AND EXCHANGE COMMISSION  
 WASHINGTON, D.C. 20549  
 Form 19b-4

File No.\* SR - 2012 - \* 017

Amendment No. (req. for Amendments \*)

Proposed Rule Change by Financial Industry Regulatory Authority  
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial \* ☒ Amendment \* ☐ Withdrawal ☐

Section 19(b)(2) \* ☐ Section 19(b)(3)(A) \* ☒ Section 19(b)(3)(B) \* ☐

## Rule

Pilot ☐ Extension of Time Period  
 for Commission Action \* ☐ Date Expires \*

☐ 19b-4(f)(1) ☐ 19b-4(f)(4)  
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)  
☐ 19b-4(f)(3) ☒ 19b-4(f)(6)

Exhibit 2 Sent As Paper Document ☐

Exhibit 3 Sent As Paper Document ☐

## Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked \*).

Proposed Rule Change to Amend Online Form NMA, the Standardized Membership Application Form Applicants  
 Must File Pursuant to NASD Rule 1013 (New Member Application and Interview)

## Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization  
 prepared to respond to questions and comments on the proposed rule change.

First Name \* Patricia Last Name \* Albrecht  
 Title \* Associate General Counsel  
 E-mail \* patricia.albrecht@finra.org  
 Telephone \* (202) 728-8026 Fax (202) 728-8264

## Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 03/05/2012

By Patrice M. Gliniecki  
 (Name \*)

Senior Vice President and Deputy General Counsel

(Title \*)

NOTE: Clicking the button at right will digitally sign and lock  
 this form. A digital signature is as legally binding as a physical  
 signature, and once signed, this form cannot be changed.

Patrice Gliniecki,

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

**Form 19b-4 Information (required)**

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change (required)**

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications**

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Exhibit Sent As Paper Document

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

**Exhibit 3 - Form, Report, or Questionnaire**

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Exhibit Sent As Paper Document

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

**1. Text of Proposed Rule Change**

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> Financial Industry Regulatory Authority, Inc. (“FINRA”) (f/k/a National Association of Securities Dealers, Inc. (“NASD”)) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to amend online Form NMA, the standardized membership application form applicants must file pursuant to NASD Rule 1013 (New Member Application and Interview) as part of their new membership application. The proposed change would restructure the content of existing Form NMA to more closely align the requested information and documentation with the manner in which the standards are presented in NASD Rule 1014 (Department Decision).

The proposed rule change does not propose amendments to existing rule text.

(b) Not applicable.

(c) Not applicable.

**2. Procedures of the Self-Regulatory Organization**

At its meeting on September 21, 2011, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date for the revised Form NMA will be July 23, 2012.

**3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

(a) Purpose

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

Pursuant to NASD Rule 1012 (General Provisions) and NASD Rule 1013 (New Member Application and Interview), each applicant for FINRA membership must complete and electronically file the standardized online Form NMA as part of its new member application. The standardized online Form NMA was implemented several years ago to streamline the new member application process and to assist applicants in compiling a complete application package by identifying and organizing the information and supporting documentation required by NASD Rule 1013 into eight major sections: (1) Section I (General Information); (2) Section II (Business Lines); (3) Section III (Personnel); (4) Section IV (Net Capital and Sources of Funding); (5) Section V (Contractual and Business Arrangements); (6) Section VI (Policies and Procedures); (7) Section VII (Facilities); and (8) Section VIII (Recordkeeping).

Prior to FINRA's adoption of Form NMA, applicants would often submit inadequate or incomplete new member applications that were subject to rejection pursuant to NASD Rule 1013(a)(3) as not substantially complete.<sup>2</sup>

FINRA is now proposing to revise Form NMA to further streamline the new member application process and to organize Form NMA according to the 12 standards for membership enumerated in NASD Rule 1014 (Department Decision) and further

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<sup>2</sup> See Securities Exchange Act Release No. 53564 (March 29, 2006), 71 FR 16847 (April 4, 2006) (SR-NASD-2006-038) (Order Approving File No. SR-NASD-2006-038); NASD Notice to Members 06-16 (April 2006) (NASD Amends Rule 1013 to Adopt a Standardized Application Form (Form NMA) to be Used by All New Member Applicants); see also Securities Exchange Act Release No. 55412 (March 7, 2007), 72 FR 11414 (March 13, 2007) (Order Approving File No. SR-NASD-2007-015); NASD Notice to Members 07-20 (May 2007) (NASD Amends Rules 1012 and 1013 to Require Applicants for Membership to Submit Applications Using Online Form NMA).

detailed below.<sup>3</sup> The revisions also seek to group information requests on specific topics that currently are located throughout existing Form NMA, as well as reduce current duplicative information requests in Form NMA. Additionally, revised Form NMA provides the following new user-friendly features intended to reduce the administrative burden placed on applicants:

- information fields, included in standards 1, 2, 8, and 12, that are pre-populated with information previously provided by applicants to FINRA in other submissions (e.g., Central Registration Depository (“CRD”®) entitlement forms and Form BD) or otherwise available to FINRA from CRD records (e.g., continuing education status), thereby minimizing the time necessary for applicants to complete the new form;
- information fields, included in standards 2, 3, 5, 6, 8, and 12, requesting information that applicants are currently required to provide during FINRA’s review of the new member application that were not included in current Form NMA but rather obtained during application review through requests from FINRA for additional information. These information fields, which were added based on industry and staff feedback on existing Form NMA and the new member application process should reduce the need for extensive follow-up during the review process which currently results in processing delays; and

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<sup>3</sup> While NASD Rule 1014 sets forth 14 standards for membership, Form NMA does not elicit specific information from the applicant regarding standards 13 (FINRA does not possess information indicating that the applicant may circumvent the federal securities laws or FINRA rules) or 14 (the application is consistent with the federal securities laws and FINRA rules). See NASD Rule 1014(a)(13) and (14).

- information fields, included in all standards except standard 9, allowing applicants to provide additional information, if applicable to their proposed business activities, structures, or circumstances.

Below is a synopsis of the content of revised Form NMA, by standard, and its nexus to existing Form NMA:

- *Standard 1 (Overview of the Applicant):*

This standard seeks certain applicant overview information currently contained primarily in Sections I (General Information) and VII (Facilities) of existing Form NMA (e.g., formation information, identification of business activities, types of customers (and/or counterparties), owners, officers, directors, and control persons, validation of clearing arrangements).

- *Standard 2 (Licenses and Registrations):*

This standard consists of information requests regarding licenses and registrations (e.g., required licenses and registrations, two-principal requirement waiver, Securities Information Center exemption, other self-regulatory organization registrations) currently contained primarily in Sections I and III (Personnel) of existing Form NMA as well as incorporating additional information requests (e.g., intent to claim exemptions from registration or seek examination waivers for personnel).

- *Standard 3 (Compliance with Securities Laws, Just and Equitable Principles of Trade):*

This standard consists of specific requests for information (e.g., disciplinary history) contained in Sections I and III of existing Form NMA that FINRA considers necessary for the applicant to demonstrate compliance with the requirements of this

standard in the revised Form NMA and also incorporates additional information requests (e.g., state or federal orders or decrees, statements of claims, settlement agreements).

- *Standard 4 (Contractual and Business Relationships):*

This standard includes the information requests regarding an applicant's contractual and business relationships currently contained in Sections I, IV (Net Capital and Sources of Funding) and V (Contractual and Business Arrangements) of existing Form NMA (e.g., description of contractual arrangements, expense sharing agreements, financing arrangements, fidelity bonds or fidelity bond applications, support and service agreements, auditor information).

- *Standard 5 (Facilities):*

This standard consists of information requests regarding an applicant's facilities primarily contained in Section VII of existing Form NMA (e.g., space sharing arrangements, leasing or sub-leasing arrangements). This standard also incorporates requests for additional information (e.g., authorizations to sublet, deeds of ownership).

- *Standard 6 (Communications and Operational Systems):*

This standard includes information requests regarding an applicant's communications and operational systems currently in Sections VI (Policies and Procedures) and VII of existing Form NMA (e.g., communications and operational systems descriptions, supervision arrangements of multiple locations, business continuity plan documents). The standard also incorporates requests for additional information (e.g., information relating to the use of social media sites).

- *Standard 7 (Maintaining Adequate Net Capital):*

This standard includes information regarding an applicant's net capital requirements currently requested primarily in Section IV of existing Form NMA (e.g., information on the nature and source of capital, additional funding plans, minimum net capital requirements, future funding sources).

- *Standard 8 (Financial Controls):*

This standard seeks information regarding an applicant's financial controls currently requested primarily in Sections I, III, and VI of existing Form NMA (e.g., information regarding the FINOP's experience, financial controls, FINOP outside business activity notification) as well as incorporates requests for additional information (e.g., net capital deficiency plans).

- *Standard 9 (Written Procedures):*

This standard seeks information regarding an applicant's written procedures currently requested in Sections III, VI, and VIII (Recordkeeping System) of existing Form NMA (e.g., written supervisory procedures ("WSP"), WSP checklist, sample reports to support supervision and financial controls, heightened supervisory procedures attestation).

- *Standard 10 (Supervisory Structure):*

This standard seeks information regarding an applicant's supervisory structure currently requested in Sections I and III of the existing Form NMA (e.g., information regarding supervisors' experience and duties, chief compliance officers' experience, non-FINOP outside business activities notifications).

- *Standard 11 (Books and Records):*

This standard seeks information regarding an applicant's books and records currently requested primarily in Section VIII of existing Form NMA (e.g., recordkeeping system, sample books and records, recordkeeping service providers).

- *Standard 12 (Continuing Education):*

This standard seeks information regarding an applicant's continuing education ("CE") obligations currently requested in Section VI of existing Form NMA (e.g., firm element owner identification, CE checklist, CE needs assessment) as well as incorporates additional requests for information (e.g., information regarding the applicant's CE deficiency mitigation plan).

FINRA worked closely with an industry task force, comprised of seven representatives from small and large firms, several of whom also act as consultants, during the development of revised Form NMA.<sup>4</sup> Among other things, the task force's input assisted FINRA to make changes intended to reduce applicants' administrative burden when completing Form NMA. Overall, FINRA believes that revised Form NMA will facilitate more effective and efficient application processing for applicants.

As noted in Item 2 of this filing, FINRA has filed the proposed rule change for immediate effectiveness. The implementation date will be July 23, 2012.

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<sup>4</sup> The task force also assisted FINRA in creating a new online Form CMA for continuing member applicants. See SR-FINRA-2012-018 (February 28, 2012) (proposed rule change amending NASD Rules 1012 and 1017 to adopt a new standardized online Form CMA).

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>5</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The proposed change restructures the content of existing Form NMA to more closely align the requested information and documentation with the manner in which the standards are presented in NASD Rule 1014. FINRA believes that revised Form NMA will reduce new member applicants' administrative burden and ensure a more streamlined and efficient membership application process for both FINRA and applicants.

**4. Self-Regulatory Organization's Statement on Burden on Competition**

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

**5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others**

Written comments were neither solicited nor received.

**6. Extension of Time Period for Commission Action**

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.<sup>6</sup>

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<sup>5</sup> 15 U.S.C. 78o-3(b)(6).

<sup>6</sup> 15 U.S.C. 78s(b)(2).

**7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

The proposed rule change is effective upon filing pursuant to Section 19(b)(3) of the Act<sup>7</sup> and paragraph (f)(6) of Rule 19b-4 thereunder,<sup>8</sup> in that the proposed rule change does not significantly affect the protection of investors or the public interest; does not impose any significant burden on competition; and does not become operative for 30 days after filing or such shorter time as the Commission may designate.

**8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

**9. Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 3. Form NMA.

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<sup>7</sup> 15 U.S.C. 78s(b)(3).

<sup>8</sup> 17 CFR 240.19b-4(f)(6).

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2012-017)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend Online Form NMA, the Standardized Membership Application Form Applicants Must File Pursuant to NASD Rule 1013 (New Member Application and Interview)

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) (f/k/a National Association of Securities Dealers, Inc. (“NASD”)) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by FINRA. FINRA has designated the proposed rule change as constituting a “non-controversial” rule change under paragraph (f)(6) of Rule 19b-4 under the Act,<sup>3</sup> which renders the proposal effective upon receipt of this filing by the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend online Form NMA, the standardized membership application form applicants must file pursuant to NASD Rule 1013 (New Member Application and Interview) as part of their new membership application.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 17 CFR 240.19b-4(f)(6).

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Pursuant to NASD Rule 1012 (General Provisions) and NASD Rule 1013 (New Member Application and Interview), each applicant for FINRA membership must complete and electronically file the standardized online Form NMA as part of its new member application. The standardized online Form NMA was implemented several years ago to streamline the new member application process and to assist applicants in compiling a complete application package by identifying and organizing the information and supporting documentation required by NASD Rule 1013 into eight major sections: (1) Section I (General Information); (2) Section II (Business Lines); (3) Section III (Personnel); (4) Section IV (Net Capital and Sources of Funding); (5) Section V (Contractual and Business Arrangements); (6) Section VI (Policies and Procedures); (7) Section VII (Facilities); and (8) Section VIII (Recordkeeping).

Prior to FINRA's adoption of Form NMA, applicants would submit inadequate or incomplete new member applications that were subject to rejection pursuant to NASD Rule 1013(a)(3) as not substantially complete.<sup>4</sup>

FINRA is now proposing to revise Form NMA to further streamline the new member application process and to organize Form NMA according to the 12 standards for membership enumerated in NASD Rule 1014 (Department Decision) and further detailed below.<sup>5</sup> The revisions also seek to group information requests on specific topics that currently are located throughout existing Form NMA, as well as reduce current duplicative information requests in Form NMA. Additionally, revised Form NMA provides the following new user-friendly features intended to reduce the administrative burden placed on applicants:

- information fields, included in standards 1, 2, 8, and 12, that are pre-populated with information previously provided by applicants to FINRA in other submissions (e.g., Central Registration Depository ("CRD"®) entitlement forms and Form BD) or otherwise available to FINRA from CRD records (e.g.,

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<sup>4</sup> See Securities Exchange Act Release No. 53564 (March 29, 2006), 71 FR 16847 (April 4, 2006) (SR-NASD-2006-038) (Order Approving File No. SR-NASD-2006-038); NASD Notice to Members 06-16 (April 2006) (NASD Amends Rule 1013 to Adopt a Standardized Application Form (Form NMA) to be Used by All New Member Applicants); see also Securities Exchange Act Release No. 55412 (March 7, 2007), 72 FR 11414 (March 13, 2007) (Order Approving File No. SR-NASD-2007-015); NASD Notice to Members 07-20 (May 2007) (NASD Amends Rules 1012 and 1013 to Require Applicants for Membership to Submit Applications Using Online Form NMA).

<sup>5</sup> While NASD Rule 1014 sets forth 14 standards for membership, Form NMA does not elicit specific information from the applicant regarding standards 13 (FINRA does not possess information indicating that the applicant may circumvent the federal securities laws or FINRA rules) or 14 (the application is consistent with the federal securities laws and FINRA rules). See NASD Rule 1014(a)(13) and (14).

continuing education status), thereby minimizing the time necessary for applicants to complete the new form;

- information fields, included in standards 2, 3, 5, 6, 8, and 12, requesting information that applicants are currently required to provide during FINRA's review of the new member application that were not included in current Form NMA but rather obtained during application review through requests from FINRA for additional information. These information fields, which were added based on industry and staff feedback on existing Form NMA and the new member application process should reduce the need for extensive follow-up during the review process which currently results in processing delays; and
- information fields, included in all standards except standard 9, allowing applicants to provide additional information, if applicable to their proposed business activities, structures, or circumstances.

Below is a synopsis of the content of revised Form NMA, by standard, and its nexus to existing Form NMA:

- *Standard 1 (Overview of the Applicant):*

This standard seeks certain applicant overview information currently contained primarily in Sections I (General Information) and VII (Facilities) of existing Form NMA (e.g., formation information, identification of business activities, types of customers (and/or counterparties), owners, officers, directors, and control persons, validation of clearing arrangements).

- *Standard 2 (Licenses and Registrations):*

This standard consists of information requests regarding licenses and registrations (e.g., required licenses and registrations, two-principal requirement waiver, Securities Information Center exemption, other self-regulatory organization registrations) currently contained primarily in Sections I and III (Personnel) of existing Form NMA as well as incorporating additional information requests (e.g., intent to claim exemptions from registration or seek examination waivers for personnel).

- *Standard 3 (Compliance with Securities Laws, Just and Equitable Principles of Trade):*

This standard consists of specific requests for information (e.g., disciplinary history) contained in Sections I and III of existing Form NMA that FINRA considers necessary for the applicant to demonstrate compliance with the requirements of this standard in the revised Form NMA and also incorporates additional information requests (e.g., state or federal orders or decrees, statements of claims, settlement agreements).

- *Standard 4 (Contractual and Business Relationships):*

This standard includes the information requests regarding an applicant's contractual and business relationships currently contained in Sections I, IV (Net Capital and Sources of Funding) and V (Contractual and Business Arrangements) of existing Form NMA (e.g., description of contractual arrangements, expense sharing agreements, financing arrangements, fidelity bonds or fidelity bond applications, support and service agreements, auditor information).

- *Standard 5 (Facilities):*

This standard consists of information requests regarding an applicant's facilities primarily contained in Section VII of existing Form NMA (e.g., space sharing arrangements, leasing or sub-leasing arrangements). This standard also incorporates requests for additional information (e.g., authorizations to sublet, deeds of ownership).

- *Standard 6 (Communications and Operational Systems):*

This standard includes information requests regarding an applicant's communications and operational systems currently in Sections VI (Policies and Procedures) and VII of existing Form NMA (e.g., communications and operational systems descriptions, supervision arrangements of multiple locations, business continuity plan documents). The standard also incorporates requests for additional information (e.g., information relating to the use of social media sites).

- *Standard 7 (Maintaining Adequate Net Capital):*

This standard includes information regarding an applicant's net capital requirements currently requested primarily in Section IV of existing Form NMA (e.g., information on the nature and source of capital, additional funding plans, minimum net capital requirements, future funding sources).

- *Standard 8 (Financial Controls):*

This standard seeks information regarding an applicant's financial controls currently requested primarily in Sections I, III, and VI of existing Form NMA (e.g., information regarding the FINOP's experience, financial controls, FINOP outside business activity notification) as well as incorporates requests for additional information (e.g., net capital deficiency plans).

- *Standard 9 (Written Procedures):*

This standard seeks information regarding an applicant's written procedures currently requested in Sections III, VI, and VIII (Recordkeeping System) of existing Form NMA (e.g., written supervisory procedures ("WSP"), WSP checklist, sample reports to support supervision and financial controls, heightened supervisory procedures attestation).

- *Standard 10 (Supervisory Structure):*

This standard seeks information regarding an applicant's supervisory structure currently requested in Sections I and III of the existing Form NMA (e.g., information regarding supervisors' experience and duties, chief compliance officers' experience, non-FINOP outside business activities notifications).

- *Standard 11 (Books and Records):*

This standard seeks information regarding an applicant's books and records currently requested primarily in Section VIII of existing Form NMA (e.g., recordkeeping system, sample books and records, recordkeeping service providers).

- *Standard 12 (Continuing Education):*

This standard seeks information regarding an applicant's continuing education ("CE") obligations currently requested in Section VI of existing Form NMA (e.g., firm element owner identification, CE checklist, CE needs assessment) as well as incorporates additional requests for information (e.g., information regarding the applicant's CE deficiency mitigation plan).

FINRA worked closely with an industry task force, comprised of seven representatives from small and large firms, several of whom also act as consultants,

during the development of revised Form NMA.<sup>6</sup> Among other things, the task force's input assisted FINRA to make changes intended to reduce applicants' administrative burden when completing Form NMA. Overall, FINRA believes that revised Form NMA will facilitate more effective and efficient application processing for applicants.

FINRA has filed the proposed rule change for immediate effectiveness. The implementation date for the revised Form NMA will be July 23, 2012.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>7</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. The proposed change restructures the content of existing Form NMA to make the requested information and documentation more consistent with the standards in NASD Rule 1014 against which they are evaluated and elicits information that applicants are currently required to provide during FINRA's review of the new member application. FINRA believes that revised Form NMA will reduce new member applicants' administrative burden and ensure a more streamlined and efficient membership application process for both FINRA and applicants.

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<sup>6</sup> The task force also assisted FINRA in creating a new online Form CMA for continuing member applicants. See SR-FINRA-2012-018 (February 28, 2012) (proposed rule change amending NASD Rules 1012 and 1017 to adopt a new standardized online Form CMA).

<sup>7</sup> 15 U.S.C. 78o-3(b)(6).

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>8</sup> and Rule 19b-4(f)(6) thereunder.<sup>9</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

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<sup>8</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>9</sup> 17 CFR 240.19b-4(f)(6).

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2012-017 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2012-017. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street,

NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2012-017 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>10</sup>

Elizabeth M. Murphy

Secretary

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<sup>10</sup> 17 CFR 200.30-3(a)(12).

## Proposed New Membership Application Screenshots

## Page: Introduction (screenshot 1 of 3)

### Introduction

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Standard 1: Overview of the Applicant

Standard 2: Licenses and Registrations

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### Introduction

The New Member Application Form ("Form NMA," "Form," or "Application") is designed to assist Applicants in the preparation of an Application for registration as a broker-dealer with the Financial Industry Regulatory Authority, Inc. ("FINRA"). The completed Form, with all required questions answered, and all required supporting documentation attached, must be filed electronically with FINRA.

To assist in the completion of Form NMA, important information is provided below concerning the following:

#### Completing the Form

Substantially Complete Requirement

Form Structure and Using the Form

Mandatory Information

Terms Used in the Form

Saving the Form Prior to Submission

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#### Maintaining the Accuracy of the Application

### Completing the Form

The Form references information and documentation required under the Membership Rules of FINRA (see NASD Rule 1010 Series). Form NMA is structured to capture information and documentation pertinent to the Applicant's proposed business activities. However, additional information and documentation may be requested once the FINRA Staff ("Staff") has had an opportunity to review the Application.

Applicants are encouraged to include as much of the requested information and documentation in their initial Form NMA submission as possible. Experience has shown that Applications containing well thought out, detailed, and complete information and documentation can be processed more efficiently with less need for Staff to seek out supplemental information. Complete Applications help the Staff to gain a prompt understanding of the Applicant's business plan, which facilitates FINRA's ability to review whether the Applicant meets the standards for admission contained in NASD Rule 1014, against which applications submitted utilizing the Form NMA are evaluated. Applicants are encouraged to review additional materials about the New Member Application process, available on [www.finra.org](http://www.finra.org). Applicants should also consider consulting Staff in advance of submitting its Form NMA, particularly for any Application involving novel or complex business arrangements.

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### Substantially Complete Requirement

Form NMA is intended to provide an Applicant with information and requests that are required of it in the Application process. Applicants should note that an Application will not be accepted for processing unless it is deemed substantially complete. While the Form identifies information and documentation that is minimally required in order to file Form NMA, an Applicant is urged not to limit itself to completion of the required fields if and when any optional information fields are applicable or if additional information can be provided that is material to the Applicant's planned business activities. It is also important to note that, since the Form is submitted exclusively on an electronic basis, it is critical the Applicant ensure that each document attached is actually the document indicated and contains relevant information.

Every Form NMA will be reviewed initially for content by Staff. Should an Applicant fail to provide accurate material information or documentation relevant to the Applicant's proposed business activities, a submitted Form NMA may be rejected as "not substantially complete." If an Application is deemed not substantially complete, FINRA shall refund the Application fee, less a \$350 processing fee. If the Applicant determines to continue to seek registration as a broker-dealer member of FINRA, the Applicant must submit a new Application and associated fee.

### Form Structure and Using the Form

The Form is structured to collect information, data, and documentation from the Applicant in order for FINRA Staff to evaluate the Application against the standards for admission contained in NASD Rule 1014. The Form requests that information be provided in formats including narrative text, fields that require a selection or mouse-click (e.g., drop-down lists, radio buttons), data entered directly into the Form, information entered into tables in the Form or connected to the Form, and attachments of supporting documents.

The Form is designed to leverage, where possible, certain information provided by the Applicant to FINRA through means other than the Form itself, in particular, information submitted via the Central Registration Depository (CRD® or WebCRD® system). In instances where information from other sources is leveraged, if any such information presented to the Applicant in the Form is inaccurate, an Applicant must update the source system before ultimately submitting or amending the Form NMA. (Typically it takes one business day from updating the source system for Form NMA to reflect such changes.)

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### Mandatory Information

Certain aspects of the Form are indicated with a red asterisk (\*), indicating that such aspect (e.g., question, data field, information, or document request) of the Form is a required field. A system completeness check is conducted on every Form NMA attempted to be submitted to FINRA. Any Form NMA that fails to address each of the required fields will not be permitted to proceed with submission. Failure to address required fields will, when attempting to submit the Form, result in identification of the missing or unanswered information to the Applicant, who will be responsible for addressing the missing information before attempting to resubmit the Application.

While certain aspects of the Form are indicated as required, Applicants are strongly encouraged to address any optional information fields of the Form that are applicable to the conduct of the Applicant's intended business activities.

### Terms Used in the Form

Unless otherwise stated, the terms used in this Form (e.g., "Applicant", "Associated Person") have the same definition as prescribed in NASD Rule 1011. Additionally, the Form makes certain references that should be construed in a consistent manner. Please note the following references have the meaning prescribed here:

"CRD system" means the Central Registration Depository, the central licensing and registration system for the U.S. securities industry and its regulators.

"SEA" means the Securities Exchange Act of 1934.

"SEA Rule" means a rule promulgated under the SEA.

### Saving the Form Prior to Submission

An Applicant may review, enter, and otherwise prepare Form NMA and save the most recent version of the Form prior to submitting the Application for review by Staff. The Form need not be fully prepared or completed in order to be saved. The most recent saved version of a draft Form NMA is retained on FINRA's electronic filing platform until a final version is submitted to FINRA.

### Submitting the Form

After completing the Form NMA, an Applicant must submit the Form for review by Staff. An electronic completeness check is run on the Form NMA upon attempting submission to determine whether all required fields have been addressed. Upon successfully passing the electronic completeness check, the Form is routed to Staff for a determination of whether the Application is substantially complete. If determined to be substantially complete, the Application will be assigned for continuing review. After submission, an Applicant will be able to view its submitted Form NMA via FINRA's electronic filing system.

### Maintaining the Accuracy of the Application

Each Applicant for membership with FINRA must, at all times, ensure the accuracy of its Application. The Applicant is responsible for keeping its Application current and accurate throughout the Application review process. The Applicant must amend or otherwise notify Staff of any information in, or any information omitted from, its Application that is or makes the Application inaccurate, incomplete or misleading.

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### Applicant contact information

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### Applicant contact information

Provide the following information for the person who will be the primary contact for the Applicant during FINRA's review of the New Member Application. Note that this is the person to whom FINRA will direct Application related questions and correspondence.

#### Contact person

First name \*

Last name \*

Email address \*

Phone number \*

Fax number

#### Mailing address

Company name \*

Street address, line 1 \*

Street address, line 2

City \*

State \*

ZIP Code \*

Save

Print Preview

Submit

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### Standard 1: Overview of the Applicant

NASD Rule 1014(a)(1): The application and all supporting documents are complete and accurate.

#### Verify and describe business activities identified on Form BD

The business activities identified below, which are grouped within categories, have been obtained from the Applicant's Form BD. Those business activities that contain a checkmark in the box next to the business activity description were selected by the Applicant on its Form BD. Please verify that the indicated activities accurately represent the Applicant's intended business activities. If any changes are required, please leave this Form, make the changes on the Form BD, and return to this Form. (Please allow one business day for the changes made on Form BD to be reflected in this Form.)

#### Exchange Member Activities (EMC, EMF)

☐ **EMC** Exchange member engaged in exchange commission business other than floor activities

☐ **EMF** Exchange member engaged in floor activities

#### Trading and Market Making (IDM, TRA)

☒ **IDM** Broker or dealer making inter-dealer markets in corporate securities over-the-counter

☒ **TRA** Trading securities for own account

Across all business lines within this category:

1. Provide a written narrative describing the scope of activities to be conducted as well as describing each step of a typical transaction to be conducted by the Applicant, beginning with any initial customer contact.\*

*Note that this description should be independent of trading or other platforms. Those platforms are addressed in Standard 6.*

You have 4000 character(s) left.

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2. Provide a detailed description of how a typical transaction will be settled and cleared, including handling of funds and securities. Be sure to indicate what, if any, exemption to SEA Rule 15c3-3 will be claimed.\*

You have 4000 character(s) left.

3. Provide a statement describing how the Applicant and its Associated Persons (registered and unregistered) will be compensated for the proposed activities.\*

You have 4000 character(s) left.

For each individual business activity to be conducted by the Applicant:

4. If any of the below business activities deviates from the description entered above, please describe the nature of the deviation underneath the appropriate business activity.

**IDM** Broker or dealer making inter-dealer markets in corporate securities over-the-counter

You have 4000 character(s) left.

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#### TRA Trading securities for own account

You have 4000 character(s) left.

5. Provide additional details regarding the noted business line(s) including, as applicable, the Applicant's plans to distribute or maintain securities products in proprietary positions; the number of markets to be made; the risks, volatility, degree of liquidity, speculative nature and type of products; and the anticipated maximum inventory.\*

You have 4000 character(s) left.

#### Equity Securities (BDR, BIA, NEX)

- ☐ **BDR** Broker or dealer retailing corporate equity securities over-the-counter
- ☐ **BIA** Broker or dealer selling securities of only one issuer or associated issuers (other than mutual funds)
- ☐ **NEX** Non-exchange member effecting transactions in listed securities through exchange member

#### Corporate Debt (BDD)

- ☐ **BDD** Broker or dealer selling corporate debt securities

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### Underwriter or Selling Group Member (USG, RES)

☒ **USG** Underwriter or selling group participant (corporate securities other than mutual funds)

☐ **RES** Seller of real estate securities

Across all business lines within this category:

1. Provide a written narrative describing the scope of activities to be conducted as well as describing each step of a typical transaction to be conducted by the Applicant, beginning with any initial customer contact.\*

*Note that this description should be independent of trading or other platforms. Those platforms are addressed in Standard 6.*

You have 4000 character(s) left.

2. Provide a detailed description of how a typical transaction will be settled and cleared, including handling of funds and securities. Be sure to indicate what, if any, exemption to SEA Rule 15c3-3 will be claimed.\*

You have 4000 character(s) left.

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3. Provide a statement describing how the Applicant and its Associated Persons (registered and unregistered) will be compensated for the proposed activities.\*

You have 4000 character(s) left.

#### Mutual Funds, Variable Products (MFU, MFR, VLA)

- ☐ **MFU** Mutual fund underwriter or sponsor
- ☒ **MFR** Mutual fund retailer
- ☒ **VLA** Broker or dealer selling variable life insurance or annuities

Across all business lines within this category:

1. Provide a written narrative describing the scope of activities to be conducted as well as describing each step of a typical transaction to be conducted by the Applicant, beginning with any initial customer contact.\*

*Note that this description should be independent of trading or other platforms. Those platforms are addressed in Standard 6.*

You have 4000 character(s) left.

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2. Provide a detailed description of how a typical transaction will be settled and cleared, including handling of funds and securities. Be sure to indicate what, if any, exemption to SEA Rule 15c3-3 will be claimed.\*

You have 4000 character(s) left.

3. Provide a statement describing how the Applicant and its Associated Persons (registered and unregistered) will be compensated for the proposed activities.\*

You have 4000 character(s) left.

For each individual business activity to be conducted by the Applicant:

4. If any of the below business activities deviates from the description entered above, please describe the nature of the deviation underneath the appropriate business activity.

**MFR** Mutual fund retailer

You have 4000 character(s) left.

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Applicant contact information

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**VLA** Broker or dealer selling variable life insurance or annuities

You have 4000 character(s) left.

### Government and Municipal Debt (GSD, GSB, MSD, MSB)

☐ **GSD** U.S. government securities dealer

☐ **GSB** U.S. government securities broker

☐ **MSD** Municipal securities dealer

☐ **MSB** Municipal securities broker

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### Private Placements/Private Offerings (OGI, NPB, TAP, TAS, PLA)

- ☐ **OGI** Broker or dealer selling oil and gas interests
- ☐ **NPB** Broker or dealer selling securities of non-profit organizations (e.g., churches, hospitals)
- ☐ **TAP** Broker or dealer selling tax shelters or limited partnerships in primary distributions
- ☐ **TAS** Broker or dealer selling tax shelters or limited partnerships in the secondary market
- ☐ **PLA** Private placement of securities

### Options (PCB)

- ☒ **PCB** Options broker or dealer or option writer

Across all business lines within this category:

1. Provide a written narrative describing the scope of activities to be conducted as well as describing each step of a typical transaction to be conducted by the Applicant, beginning with any initial customer contact.\*

*Note that this description should be independent of trading or other platforms. Those platforms are addressed in Standard 6.*

You have 4000 character(s) left.

2. Provide a detailed description of how a typical transaction will be settled and cleared, including handling of funds and securities. Be sure to indicate what, if any, exemption to SEA Rule 15c3-3 will be claimed.\*

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3. Provide a statement describing how the Applicant and its Associated Persons (registered and unregistered) will be compensated for the proposed activities.\*

You have 4000 character(s) left

### Networking Arrangements (BNA, INA)

- ☐ **BNA** Broker or dealer involved in networking, kiosk or similar arrangement with a bank, savings bank or association, or credit union
- ☐ **INA** Broker or dealer involved in networking, kiosk or similar arrangement with an insurance company or agency

## Page: Standard 1 (screenshot 10 of 22)

Introduction	<u>Other (SSL, IAD, MRI, OTH)</u>
Applicant contact information	<input type="checkbox"/> <b>SSL</b> Solicitor of time deposits in a financial institution
<b>Standard 1: Overview of the Applicant</b>	<input type="checkbox"/> <b>IAD</b> Investment advisory services
Standard 2: Licenses and Registrations	<input type="checkbox"/> <b>MRI</b> Broker or dealer selling interests in mortgages, receivables or other asset-backed securities
Standard 3: Compliance with securities laws, just and equitable principles of trade	<input type="checkbox"/> <b>OTH</b> Other (description from Form BD is below)
Standard 4: Contractual and business relationships	
Standard 5: Facilities	
Standard 6: Communications and operational systems	
Standard 7: Maintaining adequate net capital	
Standard 8: Financial controls	<input checked="" type="checkbox"/> Broker or dealer that offers or engages in on-line trading / electronic trading
Standard 9: Written procedures	
Standard 10: Supervisory structure	
Standard 11: Books and records	
Standard 12: Continuing education	

**Identify and describe additional business activities**

In addition to business activities identified on Form BD (and described above), please specify whether the Applicant intends to engage in any of the below referenced business activities. If selected, describe how the Applicant intends to conduct each business activity. (Note: This portion of the business activities of the Applicant, unlike the above section, must be entered and edited directly in the Form NMA, not by updating Form BD.)

☒ Broker or dealer that offers or engages in on-line trading / electronic trading

1. Provide a written narrative describing the scope of activities to be conducted as well as describing each step of a typical transaction to be conducted by the Applicant, beginning with any initial customer contact. \*

*Note that this description should be independent of trading or other platforms. Those platforms are addressed in Standard 6.*

2. Provide a detailed description of how a typical transaction will be settled and cleared, including handling of funds and securities. Be sure to indicate what, if any, exemption to SEA Rule 15c3-3 will be claimed. \*

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3. Provide a statement describing how the Applicant and its Associated Persons (registered and unregistered) will be compensated for the proposed activities. \*

- ☐ Broker or dealer selling securities futures products
- ☐ Broker or dealer selling interests in unregistered private investment funds
- ☐ Underwriter of municipal securities
- ☐ Securities clearance and settlement
- ☐ Prime brokerage services
- ☐ Securities lending
- ☐ Research and/or soft dollar activities
- ☐ Repurchase/reverse repurchase transactions
- ☐ Operation of alternative trading systems, including electronic communications networks
- ☐ Mergers and acquisitions

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### Describe customers and/or counterparties.

Provide a detailed description of the type of customers and counterparties with which the Applicant intends to conduct business as well as describe any minimum criteria the Applicant intends to utilize to determine acceptability of customers and/or counterparties for the Applicant. This description should also identify whether activity will be solicited or unsolicited.\*

### Verify registered officers, directors, owners and control persons.

The personnel listed below have been identified from submissions to the CRD system made by the Applicant. Please verify that the identified individuals are associated with the Applicant and provide the requested information. If any change(s) to the identified Associated Person(s) is required, please leave this Form, make the change(s) in the CRD system, and return to this Form. (Please allow one business day for any changes made in the CRD system to be reflected in this Form.)

Registered officers, directors, owners, and control persons		
CRD ID ▲	Name	
██████████	██	Delete
██████████	██	Delete
██████████	██	Delete
██████████	██	Delete
██████████	██	Delete
██████████	██	Delete
Add New    Delete All    11 Row(s)		

**Page: Standard 1 (screenshot 13 of 22: pop up for an associated individual, with options for title and role)**

Registered officers, directors, owners, and control persons		Titles	Roles
CRD number	Person Details	Anti-Money Laundering Officer	Agency Order Entry / Execution, Equity Trader
	CRD # [redacted] Name [redacted]	Branch Office Manager	Assistant Representative – Order Processing
		Branch Office Manager – NYSE	Branch Office Manager – NYSE / General Securities Sales
		Branch Office Manager-non-FINRA	Financial and Operations Principal (Series 28)
		Chairman	Financial and Operations Principal (Series 27)
	Title *	Chief Compliance Officer	Corporate Securities Representative
		Chief Executive Officer	Direct Participation Principal – Only
		Chief Financial Officer	Direct Participation Programs Representative
		Compliance Manager	General Securities Principal
		Compliance Officer	General Securities Representative
		Director	General Securities Representative – Canada
	Expected role within the Applicant *	DPP Principal	General Securities Sales Supervisor – NYSE
		Agency Order Entry / Execution, Ec	Government Securities Limited Representative
		Assistant Representative – Order F	Government Securities Principal
		Branch Office Manager – NYSE / G	Investment Banking Principal
		Financial and Operations Principal	Investment Banking Representative
		Financial and Operations Principal	Investment Company Products / Variable Contracts
	Exam(s) anticipated to be taken *	Member	Municipal Fund / 529 Securities Principal
		Municipal Fund Securities Principal Only	Municipal Securities Principal
		Municipal Securities Principal	Municipal Securities Representative
	Will this person be registered as a principal? *	Partner / Senior Partner	Operations Professional
	<input checked="" type="radio"/> Yes <input type="radio"/> No	President	Options Principal
	Will this person act as a supervisor? *	Principal	Options Representative
	<input checked="" type="radio"/> Yes <input type="radio"/> No	Registered Options and Security Futures Principal	Other – Not Registered or Required to Register
	What business activities (if any) will be supervised by this	Representative	Principal – Investment Company / Variable Products
		Sales Supervisor	Private Placement Representative
		Secretary	Registered Options Representative
		Senior Managing Director	Research Analyst
		Variable Products Principal	Research Principal
		Variable Products Principal Only	Securities Futures Principal
		Vice President	Trader
		Non-registered Person	Trading Manager / Market-Making Manager

## Page: Standard 1 (screenshot 14 of 22: continuation of pop up)

<p>What business activities (if any) will be supervised by this person? *</p> <hr/> <div style="border: 1px solid #ccc; padding: 5px; margin: 5px 0;"> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; font-weight: normal;">Code</th> <th style="text-align: left; font-weight: normal;">Date</th> </tr> </thead> <tbody> <tr> <td>PC</td> <td>Fri May 06 1977</td> </tr> <tr> <td>S1</td> <td>Wed Dec 28 1960</td> </tr> </tbody> </table> <div style="text-align: right; font-size: small;">4 Row(s)</div> </div> <p>Registrations</p> <p>Continuing education <input type="radio"/> Active <input checked="" type="radio"/> Inactive</p> <p>Will the Applicant claim any exemptions from registration for this person? If so, list them.</p> <hr/> <p>Will the Applicant apply for any waivers of required examinations for this person? If so, list them.</p> <hr/> <p>Scheduled examinations and dates:</p> <hr/> <p>Standard 10 (Supervisory Structure) information:</p> <p>a. i. Where was this person's prior experience obtained?</p> <hr/> <p>a. ii. What was the duration of that experience?</p> <hr/> <p>a. iii. What positions were held by this person, and what were the responsibilities for each?</p> <hr/> <p>b. i. What are the proposed duties for this person?</p> <hr/>	Code	Date	PC	Fri May 06 1977	S1	Wed Dec 28 1960	<p>b. ii. Where will this person's office be located?</p> <hr/> <p>b. iii. Will this person be on or off-site where he or she is supervising?</p> <hr/> <p>b. iv. Will this person have responsibilities other than supervision?</p> <hr/> <p>b. v. Will this person be full-time or part-time with the Applicant? If part time, how many hours with the Applicant?</p> <hr/> <p>b. vi. Will this person engage in any outside business activities? If so, how many hours per week?</p> <hr/> <p>b. vii. If part-time or off-site, explain how this person will discharge his or her designated functions.</p> <hr/> <p>b. viii. If this person (if not a FinOp Principal) will be dually registered or associated with other entities, list those entities, this person's capacity there, and the percentage of time that will be spent there.</p> <hr/> <p>For each individual having a continuing education deficiency, provide the date by which it is anticipated that he or she will complete the required certifications. *</p> <div style="border: 1px solid #ccc; height: 20px; width: 100%;"></div>
Code	Date						
PC	Fri May 06 1977						
S1	Wed Dec 28 1960						

## Page: Standard 1 (screenshot 15 of 22: retrieval of an individual from CRD)

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### Add additional officers, directors, owners and control persons who will be registered with the Applicant.

If there are officers, directors, owners, and control persons currently registered in the CRD system but not yet associated with the Applicant and who are anticipated to be associated with the Applicant, please identify them here. (Please note that identifying these individuals on this Form will NOT associate such individuals with the Applicant in the CRD system; filings in CRD by the Applicant will ultimately be required for such individuals.)

Please enter a CRD ID:

Additional Registered officers, directors, owners, and control persons	
CRD ID ▲	Name
<input type="text"/>	<input type="text"/> <input type="button" value="Delete"/>

1 Row(s)

**Page: Standard 1 (screenshot 16 of 22)**

## Introduction

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**Add unregistered officers, directors, owners, and control persons.**

Does the Applicant have or anticipate any additional officers, directors, owners, and/or control persons of the Applicant who are not registered in CRD but are anticipated to be Associated Persons of the Applicant?\*

☒ Yes ☐ No

Provide information regarding any unregistered officers, directors, owners, and/or control persons not registered in CRD:

Unregistered officers, directors, owners, and control persons	
First Name ▲	Last Name

Add New
Delete All
0 Row(s)

## Page: Standard 1 (screenshot 17 of 22: pop up for unregistered individual)

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**Unregistered officers, directors, owners, and control persons**

First Name	Last Name	
John	Doe	Delete

Add New Delete

**Person Details**

First Name \* John

Middle Name \* A

Last Name \* Doe

Title \*  
 Anti-Money Laundering Officer  
 Branch Office Manager  
 Branch Office Manager – NYSE  
 Branch Office Manager-non-FINRA  
 Chairman

Expected role within the Applicant\*  
 Agency Order Entry / Execution, Equity Trade  
 Assistant Representative – Order Processing  
 Branch Office Manager – NYSE / General Sec  
 Financial and Operations Principal (Series 28)  
 Financial and Operations Principal (Series 27)

Exam(s) anticipated to be taken \*  
 test

Will this person be registered as a principal? \* ☒ Yes ☐ No

**Add other persons**  
 Please provide information for all persons, not just principals, who are involved in the business.  
 Please download the form automatically from the system.  
 Upload the completed form.

**Validate clearing**  
 The following clearing requirements are required, please reflect on this.  
 Applicant will not be registered as a principal? \* ☒ Yes ☐ No

**Values for title and expected role are identical to the lists above.**

## Page: Standard 1 (screenshot 18 of 22: continuation of pop up)

<p>What business activities (if any) will be supervised by this person?*</p> <div></div> <p>Provide a description of the duties and responsibilities of any non-registered officers, directors, owners and control persons, along with an explanation for why they should not be required to register with the Applicant (please refer to NASD Rules 1021, 1022 and 1060, as well as Notice to Members 99-49. ). This description should include details regarding responsibilities performed: at the Applicant; at any affiliated companies; and at any other companies anticipated to conduct business with the Applicant.*</p> <div></div> <p>Continuing education* <input type="radio"/> Active <input checked="" type="radio"/> Inactive</p> <p>Will the Applicant claim any exemptions from registration for this person? If so, list them.</p> <div></div> <p>Will the Applicant apply for any waivers of required examinations for this person? If so, list them.</p> <div></div> <p>Scheduled examinations and dates:</p> <div></div>	<p>b.i. What are the proposed duties for this person?</p> <div></div> <p>b.ii. Where will this person's office be located?</p> <div></div> <p>b.iii. Will this person be on or off-site where he or she is supervising?</p> <div></div> <p>b.iv. Will this person have responsibilities other than supervision?</p> <div></div> <p>b.v. Will this person be full-time or part-time with the Applicant? If part time, how many hours with the Applicant?</p> <div></div> <p>b.vi. Will this person engage in any outside business activities? If so, how many hours per week?</p> <div></div> <p>b.vii. If part-time or off-site, explain how this person will discharge his or her designated functions.</p> <div></div> <p>b.viii. If this person (if not a FinOp Principal) will be dually registered or associated with other entities, list those entities, this person's capacity there, and the percentage of time that will be spent there.</p> <div></div> <p>Continuing education deficiency: provide the date by which it is anticipated that this person will complete the required certifications.*</p> <div></div> <p><span>Add Row</span> <span>Clear</span></p>
<p>Standard 10 (Supervisory Structure) information:</p> <p>a.i. Where was this person's prior experience obtained?</p> <div></div> <p>a.ii. What was the duration of that experience?</p> <div></div> <p>a.iii. What positions were held by this person, and what were the responsibilities for each?</p> <div></div>	

## Page: Standard 1 (screenshot 19 of 22, including template for other persons)

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### Add other persons.

Please provide information for all other persons currently associated or anticipated to be associated with the Applicant (other than principals, owners, officers, directors, and control persons).

Please download this [spreadsheet](#) and complete all fields. Do not change the structure of the spreadsheet; it will be automatically loaded into FINRA systems.

Upload the completed spreadsheet:

 

### Validate clearing arrangements

The following clearing arrangements have been identified from submissions made by the Applicant in CRD. If any changes are required, please leave this Form, make the changes in CRD, and return to this Form. (Changes made to CRD should be reflected on this Form after one business day.)

Applicant will hold or maintain funds or securities or provide clearing services for another broker-dealer:

☒ Yes ☐ No

Applicant will refer or introduce customers to another broker-dealer:

☒ Yes ☐ No

### Clearing Firms

Firm Name \*

	A	B	C	D
1	First name	Last name	CRD ID (optional)	Role
2	John	Doe	7777777	Technologist
3				
4				
5				

## Page: Standard 1 (screenshot 20 of 22)

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## Clearing Firms

Firm Name▲

0 Row(s)

**Provide additional information regarding the Applicant.**

1. Provide a statement describing both the direct and indirect ownership structure of the Applicant, including the percentage ownership of the Applicant held by each individual or entity.\*

2. Identify the date and State of formation for the Applicant and any newly formed holding companies in the chain of ownership of the Applicant.\*

3. Describe the types of customers intended to be serviced by the Applicant. Describe the methods and media to be employed to develop a customer base and to offer and sell products and services to customers, including the use of the Internet, telephone solicitations, seminars, mailings, or otherwise.\*

## Page: Standard 1 (screenshot 21 of 22)

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4. Identify by name all entities (including other broker-dealers and investment advisory firms) under common control with the Applicant, describe the nature of each such entity's business, and identify each entity's relationship to the Applicant.\*

5. Provide the number of branch offices and non-branch locations the Applicant intends to operate.\*

6. Provide the number of personnel (registered and unregistered) the Applicant anticipates for the first year of operation.\*

7. Provide the number of registered representatives and supervisors of such persons that will be conducting business with the public that the Applicant anticipates for the first year of operation.\*

8. Provide any additional information that would be useful for FINRA in evaluating this Standard.

## Page: Standard 1 (screenshot 22 of 22)

Standard 7: Maintaining adequate net capital

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### Provide supporting documents.

1. Applicant's business organizational chart, identifying the Applicant's owners and affiliated entities (this chart should indicate all direct and indirect owners of the Applicant and percentage of ownership for each)\*

 

2. Applicant's and all owners' (if non-natural persons (e.g., corporations, partnership, trusts), including holding companies) formation documents\*

 

3. For all transactions to be conducted by the Applicant that will not involve a clearing firm, a graphical depiction of the steps involved in the transactions, including but not limited to order receipt, execution, and clearance and settlement\*

 

4. Any other documentation that would be pertinent to FINRA's review of this Standard

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### Standard 2: Licenses and Registrations

NASD Rule 1014(a)(2): The Applicant and its Associated Persons have all licenses and registrations required by state and federal authorities and self-regulatory organizations.

*The Applicant is reminded that failure of its Associated Persons to schedule and successfully complete any required qualification examinations in a timely manner may result in a significant delay of the Application review process, or a lapse or denial of the Application. It is strongly suggested that any qualification examination(s) be scheduled within the first 45 days of filing Form NMA and that all registration requirements be completed within the first 90 days of filing Form NMA to avoid delays in processing of the Application.*

#### Two principal requirement and Applicant's other registrations

Each Applicant, except a sole proprietorship, is required to have a minimum of two registered principals with respect to each aspect of its investment banking and securities business. Pursuant to the FINRA Rule 9600 Series, FINRA may waive the requirement in situations that indicate conclusively that only one person associated with an Applicant should be required to register as a principal. Each Applicant must also have a Financial and Operations (FinOp) Principal (or Introducing Broker-Dealer FinOp Principal, as applicable). Additionally, an Applicant engaged in certain activities must have other appropriately registered principals (for example, an Applicant that will be engaged in options transactions with the public must have a Registered Options Principal). Please refer to NASD Rules 1021 (Registration Requirements) and 1022 (Categories of Principal Registration) for the appropriate categories of principal registration.

1. Is the Applicant seeking a waiver of the two principal requirement pursuant to NASD Rule 1021?\*

☒ Yes ☐ No

Provide a detailed explanation that demonstrates the reason(s) for the exemption. Additionally, provide a contingency plan for situations where the sole General Securities Principal is unavailable to carry out his or her responsibilities.\*

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2. Is the Applicant currently registered (or does the Applicant anticipate being registered) with any other regulatory or self-regulatory organization(s) and/or state(s)?\*

☒ Yes ☐ No

List all existing or proposed registrations (e.g., MSRB, CFTC, NFA, state registrations, registrations with Exchanges).\*

3. Is the Applicant exempt from registration with the Securities Information Center (SIC) pursuant to SEA Rule 17f-1?\*

☒ Yes ☐ No

Identify which exemption applies to the Applicant with a brief explanation. \*

## Page: Standard 2 (screenshot 3 of 4, showing popup)

### Standard 2: Licenses and Registrations

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### Provide specific information regarding registrations, examinations and exemptions.

4. The list of personnel below is derived from the Applicant's responses to Standard 1 above. (If the information presented here is inaccurate or incomplete, please update Standard 1 accordingly before completing this section.) Provide the requested information, as applicable, for each person.

CRD number	Name	Continuing education
[REDACTED]	[REDACTED]	Inactive
(unregistered)	Doe, John	unregistered

  

Name  
CRD number  
Continuing education: Inactive

Will the Applicant claim any exemptions from registration for this person? If so, list them.

Will the Applicant apply for any waivers of required examinations for this person? If so, list them.

Scheduled examinations and dates:

**Details for individuals in this grid are provided via the same popup shown in Standard 1.**

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### Provide supporting documents.

#### 1. For the Applicant:

- a. Options allocation form (if applicable)

 

- b. Lost and stolen securities registration (if applicable)

 

- c. Evidence of registration with MSRB (if applicable)

 

#### 2. For personnel:

- a. A management organizational chart, identifying officers, principals, and supervisors of the Applicant and its proposed business activities and/or product lines

 

- b. An attestation for officers, directors, owners, and control persons who will not participate in the day-to-day securities or investment banking operations of the Applicant or act in any capacity that would require that these individuals become registered

 

#### 3. Any other documentation that would be pertinent to FINRA's review of this Standard

## Page: Standard 3 (screenshot 1 of 3)

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### **Standard 3: Compliance with securities laws, just and equitable principles of trade**

NASD Rule 1014(a)(3): The Applicant and its Associated Persons are capable of complying with the federal securities laws, the rules and regulations thereunder, and FINRA Rules, including observing high standards of commercial honor and just and equitable principles of trade. In determining whether this standard is met, the Department shall take into consideration whether:

(A) a state or federal authority or self-regulatory organization has taken permanent or temporary adverse action with respect to a registration or licensing determination regarding the Applicant or an Associated Person;

(B) an Applicant's or Associated Person's record reflects a sales practice event, a pending arbitration, or a pending private civil action;

(C) an Applicant or Associated Person is the subject of a pending, adjudicated, or settled regulatory action or investigation by the Commission, the Commodity Futures Trading Commission, a federal, state, or foreign regulatory agency, or a self-regulatory organization; an adjudicated, or settled investment-related private civil action for damages or an injunction; or a criminal action (other than a minor traffic violation) that is pending, adjudicated, or that has resulted in a guilty or no contest plea or an Applicant, its control persons, principals, registered representatives, other Associated Persons, any lender of 5% or more of the Applicant's net capital, and any other member with respect to which these persons were a control person or a 5% lender of its net capital is subject to unpaid arbitration awards, other adjudicated customer awards, or unpaid arbitration settlements;

(D) an Associated Person was terminated for cause or permitted to resign after an investigation of an alleged violation of a federal or state securities law, a rule or regulation thereunder, a self-regulatory organization rule, or industry standard of conduct;

(E) a state or federal authority or self-regulatory organization has imposed a remedial action, such as special training, continuing education requirements, or heightened supervision, on an Associated Person; and

(F) a state or federal authority or self-regulatory organization has provided information indicating that the Applicant or an Associated Person otherwise poses a threat to public investors.

### **Explain how this Standard is met.**

1. Is the Applicant or any of its Associated Persons the subject of any of the following?\*

- a. Adverse actions by state or federal authority or self-regulatory organizations with respect to registration or license determinations
- b. A sales practice event, pending arbitration or pending private civil action

## Page: Standard 3 (screenshot 2 of 3)

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- c. Pending, adjudicated or settled regulatory action or investigation by any regulatory or self-regulatory authority, or any civil or criminal action resulting in guilty or no contest plea
- d. Unpaid arbitration awards involving the Applicant, its control persons, principals, registered representatives, any lender of 5% or more of the Applicant's net capital, or any other Associated Person of the Applicant
- e. Termination for Cause or permitted to resign after an investigation of an alleged violation of federal or state securities law, rules or regulations or a self-regulatory rule or industry standard of conduct
- f. Regulatory imposed remedial action such as special training, continuing education requirements, or heightened supervision on an Associated Person by a state or federal authority or self-regulatory organization
- g. Information from an industry authority indicating the Applicant or its Associated Persons are a threat to public

☒ Yes ☐ No

Regarding the event(s), unless details of a particular event have been reported to the CRD system, provide information (e.g., subject party, nature of the activity, any findings, any fine, other dispositions) for each event involving the Applicant and/or its Associated Persons.\*

Pursuant to NASD Rule 1014(b)(1), where the history of the Applicant or its Associated Persons includes any of the events set forth in NASD Rule 1014(a)(3)(A) and (C) through (E), there is a presumption that the Application should be denied. The Applicant may overcome the presumption of denial by demonstrating that it can meet each of the standards for admission in NASD Rule 1014(a), notwithstanding the existence of any of the events set forth in NASD Rule 1014(a)(3)(A) and (C) through (E). To the extent that any of the referenced events exist for the Applicant or its Associated Persons, provide a detailed explanation, in light of the existence of such events, as to how the Applicant is nonetheless capable of complying with industry rules, regulations, laws, and observing high standards of commercial honor and just and equitable principles of trade. Please reference any controls or systems put in place and refer to any specific pages or sections in the Applicant's written supervisory procedures that address heightened supervisory requirements.\*

## Page: Standard 3 (screenshot 3 of 3)

### Provide supporting documents.

1. Copies of any state, federal, or other orders, decrees or formal actions

 

2. Relevant/supporting documents (e.g. statements of claim or settlement agreements)

 

3. Any other documentation that would be pertinent to FINRA's review of this Standard

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### Standard 4: Contractual and business relationships

NASD Rule 1014(a)(4): The Applicant has established all contractual or other arrangements and business relationships with banks, clearing corporations, service bureaus, or others necessary to:

(A) initiate the operations described in the Applicant's business plan, considering the nature and scope of operations and the number of personnel; and

(B) comply with the federal securities laws, the rules and regulations thereunder, and FINRA Rules.

#### Explain how this Standard is met.

1. Provide a detailed description of each contractual or other arrangements and/or business relationships the Applicant has or will enter into, pertinent to the execution of the proposed business activities. In doing so, describe how each agreement supports the Applicant's ability to conduct the proposed securities business. (Please do not include lease and/or floor plans in response to this question as they will be requested below in Standard 5.)\*

You have 4000 character(s) left.

2. Has or will the Applicant enter into an expense sharing agreement ("ESA")?\*

☒ Yes ☐ No

Provide a detailed description of the financial wherewithal of the parties to the ESA to support their obligations under the ESA. (Be sure to attach documentary supports, including bank statements, tax returns, etc., if appropriate, to support this.)\*

You have 4000 character(s) left.

## Page: Standard 4 (screenshot 2 of 4, showing date and month pickers)

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**Provide auditor information.**

Accounting firm

Accounting firm PCAOB number

Date accountant engaged

Month of audit

*Note that although auditor information may not be available to the Applicant at the time of the first submission of Form NMA, it is required in order for FINRA to complete its review of the Application.*

January

February

March

April

May

June

July

August

September

October

November

December

February 2012						
M	T	W	T	F	S	S
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	1	2	3	4
5	6	7	8	9	10	11

Today

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### Provide supporting documents.

1. Fidelity bond (or the application for the bond), including cancellation rider\*

*Note that although a fidelity bond may not be available at the time of the first submission of Form MMA, it is required in order for FINRA to complete its review of the Application.*

 

2. Agreements, such as:

- a. Clearing agreements (either executed, or a letter of intent)

 

- b. Expense sharing agreements (if applicable), including bank statements, tax returns, etc., to support the wherewithal of the party to the agreement to carry out its obligations

 

- c. Administrative services agreement (if applicable)

 

- d. Agreement with FinOp principal (if applicable)

 

- e. Commission sharing agreement (if applicable)

 

- f. Technology services agreement, including arrangements with third-party providers of electronic storage media (see SEA Rule 17a-4(f) (if applicable)

## Page: Standard 4 (screenshot 4 of 4)

Standard 3: Compliance with securities laws, just and equitable principles of trade

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g. Compliance services/support agreement (if applicable)

 

h. Other agreements that may be pertinent to the conduct of the proposed business activities (if applicable)

 

3. Auditor information (once known):

a. Evidence of valid state registration for the proposed auditor

 

b. Designation of accountant form

 

c. Audit engagement letter

 

d. Proof of PCAOB registration for proposed auditor

 

4. Any other documentation that would be pertinent to FINRA's review of this Standard

## Page: Standard 5 (screenshot 1 of 4)

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### Standard 5: Facilities

NASD Rule 1014(a)(5): The Applicant has or has adequate plans to obtain facilities that are sufficient to:

- (A) initiate the operations described in the Applicant's business plan, considering the nature and scope of operations and the number of personnel; and
- (B) comply with the federal securities laws, the rules and regulations thereunder, and FINRA Rules.

#### Explain how this Standard is met.

1. Provide a statement regarding the adequacy of the Applicant's facilities to conduct the proposed business activities and meet the Applicant's personnel needs. This description must address, among other things, the designated supervisor for each office, the total number of Associated Persons that will be located in each office, the business activities to be conducted from each location, the square footage, business equipment, and secure storage for books and records.\*

You have 4000 character(s) left.

2. As applicable, identify whether various departments (e.g., research, investment banking, trading) of the Applicant are separated by appropriate information and physical barriers and describe the methods for maintaining such barriers.

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3. Will the Applicant, at any of its locations, share office space with an entity or an individual conducting activities other than the Applicant's business activities?\*

☒ Yes ☐ No

Regarding the space sharing arrangements, provide a written description addressing the following:\*

- Provide a detailed explanation of how the Applicant will separate its space from the entity or individual with which it is sharing space and ensure its customers have clarity about which entity or individual they are dealing with when on the premises.
- Explain how the Applicant will establish and maintain the integrity and confidentiality of its broker-dealer information in light of the shared space.
- State how the Applicant's hard copy and electronic files (including emails), computers, copiers, and fax machines will be segregated.
- As the Applicant is sharing space, describe how the Applicant will prevent individuals not employed or associated with the Applicant from gaining access to Applicant's facilities, and describe any other restrictions imposed.

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4. Will the Applicant be party to any lease and/or sublease arrangements?\*

☒ Yes ☐ No

Regarding the lease and/or sublease arrangements, provide a written description addressing the following:\*

- a. Are premises currently, or will the premises be, leased directly to the Applicant? If no, are they leased to a parent, affiliate or other entity? Identify the lessor, tenant, sublessee, and describe the relationship, if any, to the Applicant.
- b. If the premises are or will be leased to an entity other than the Applicant or to an individual, does the lease permit the sublet without landlord's consent? And, if not, was consent to sublet obtained, if required?

5. Will the Applicant's facilities include owned premises or the use of private residences?\*

☒ Yes ☐ No

Regarding the Applicant's owned premises and/or use of private residence locations, provide a written description addressing the following:\*

- a. Will any of the proposed offices of the broker-dealer be located in a residence of any of the proposed principals? If so, state whether any costs of using the space, including rent and utilities, will be charged to the Applicant. State also whether the Applicant has obtained the appropriate landlord or other consent to use the residential location for business purposes.
- b. Describe the intended use of any private residence locations for the Applicant's business.

## Page: Standard 5 (screenshot 4 of 4)

Standard 4: Contractual and business relationships

### Standard 5: Facilities

Standard 6: Communications and operational systems

Standard 7: Maintaining adequate net capital

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Standard 12: Continuing education

### Provide supporting documents.

*(Note: At least one attachment supporting this Standard must be supplied by the Applicant in order to submit Form MMA.)*

1. For each location, the draft or executed master lease (the agreement between the owner of the property and the initial lessee)

 

2. For each location, the draft or executed sub-lease (if applicable)

 

3. For each sub-lease, written authorization from landlord evidencing consent to sublet the premises (if required)

*Note that the existence of an Expense Sharing Agreement does not negate the requirement to evidence that the Applicant has the right to operate from the premises.*

 

4. Draft or executed deed of ownership (if applicable)

 

5. Any other documentation that would be pertinent to FINRA's review of this Standard

## Page: Standard 6 (screenshot 1 of 3)

Introduction

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**Standard 6: Communications and operational systems**

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### Standard 6: Communications and operational systems

NASD Rule 1014(a)(6): The communications and operational systems that the Applicant intends to employ for the purpose of conducting business with customers and other members are adequate and provide reasonably for business continuity in each area set forth in NASD Rule 1013(a)(1)(F)(xii).

#### Explain how this Standard is met.

1. Proposed Systems: provide a description of the communications and operational systems the Applicant will employ to conduct business with customers or other members, and explain how the Applicant's communications and operational systems appear adequate for the proposed business. This includes, but is not limited to, trading platforms to be used by the Applicant.\*

2. Will the Applicant conduct business from multiple locations?\*

☒ Yes ☐ No

Describe how the Applicant will carry out supervision and monitoring of the electronic communications taking place at the Applicant's multiple locations and describe any systems used to assist the Applicant in doing so.\*

## Page: Standard 6 (screenshot 2 of 3)

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3. Will one or more of the Applicant's proposed locations be the residence of an Associated Person?\*

☒ Yes ☐ No

Explain the Applicant's plan regarding how information will be backed up and stored for such residential locations.\*

4. Will the Applicant or its Associated Persons use social media sites, such as blogs and social networking sites for business communications?\*

☒ Yes ☐ No

Describe how the Applicant will employ social media sites to conduct business with customers or other financial institutions, and describe the steps to be taken by the Applicant to ensure compliance with FINRA guidance (for example, see Regulatory Notices 10-06 and 11-39).\*

## Page: Standard 6 (screenshot 3 of 3)

### Standard 6: Communications and operational systems

#### Provide supporting documents.

Standard 7: Maintaining adequate net capital

1. Business continuity plan\*

 

Standard 8: Financial controls

2. Business continuity disclosure statement\*

 

Standard 9: Written procedures

Standard 10: Supervisory structure

Standard 11: Books and records

Standard 12: Continuing education

3. A step-by-step description of the order flow on the trading platforms, supported by screenshots or schematic diagrams (as applicable)

 

4. Screenshots of both Applicant-facing and outward-facing pages of the social media sites, showing the flow from one screen to another (if applicable)

 

5. Any other documentation that would be pertinent to FINRA's review of this Standard

## Page: Standard 7 (screenshot 1 of 4)

Introduction	<b>Standard 7: Maintaining adequate net capital</b>
Applicant contact information	NASD Rule 1014(a)(7): The Applicant is capable of maintaining a level of net capital in excess of the minimum net capital requirements set forth in SEA Rule 15c3-1 adequate to support the Applicant's intended business operations on a continuing basis, based on information filed under NASD Rule 1013(b)(5). The Department may impose a reasonably determined higher net capital requirement for the initiation of operations after considering:
Standard 1: Overview of the Applicant	
Standard 2: Licenses and Registrations	(A) the amount of net capital sufficient to avoid early warning level reporting requirements, such as SEA Rule 17a-11;
Standard 3: Compliance with securities laws, just and equitable principles of trade	(B) the amount of capital necessary to meet expenses net of revenues for at least twelve months, based on reliable projections agreed to by the Applicant and the Department;
Standard 4: Contractual and business relationships	(C) any planned market making activities, the number of markets to be made, the type and volatility of products, and the anticipated maximum inventory positions;
Standard 5: Facilities	(D) any plan to enter into other contractual commitments, such as underwritings or other securities-related activities;
Standard 6: Communications and operational systems	(E) any plan to distribute or maintain securities products in proprietary positions, and the risks, volatility, degree of liquidity, and speculative nature of the products, and
<b>Standard 7: Maintaining adequate net capital</b>	(F) any other activity that the Applicant will engage in that reasonably could have a material impact on net capital within the first twelve months of business operations.
Standard 8: Financial controls	<b>Explain how this Standard is met.</b>
Standard 9: Written procedures	1. Provide a detailed description of"
Standard 10: Supervisory structure	a. the nature and source of the Applicant's capital;
Standard 11: Books and records	b. the terms and conditions of all financing arrangements; and
Standard 12: Continuing education	c. any activity, agreements or arrangements that are anticipated to have a material impact on capital during the first twelve months of the Applicant's operations.
	<div style="border: 1px solid black; height: 80px; width: 100%;"></div>
	2. Will the Applicant rely on any form of subordinated lending relating to its capital position?"
	<input checked="" type="radio"/> Yes <input type="radio"/> No

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Describe the relationship between the anticipated lender and Applicant, the intended use of proceeds from the subordination, and any business arrangements or agreements related to the subordination. \*

3. Describe plans for additional funding of the Applicant, should such additional funding become necessary in the future. \*

4. Provide a statement of the Applicant's statutory minimum net capital requirement, pursuant to SEA Rule 15c3-1. \*

5. Does the Applicant propose to rely on a pre-existing stream of revenue to support its capitalization? \*

☒ Yes ☐ No

Provide a detailed description of the revenue stream, how it is earned, and the entity or individual that is earning that revenue. \*

## Page: Standard 7 (screenshot 3 of 4, showing populated grid)

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**Provide specific data regarding infusions of capital to fund the Applicant.**

6. Provide a list of all persons or entities that have contributed or plan to contribute equity capital or debt financing to the Applicant's business and provide information regarding the nature of the capital and/or financing. \*

Capital Contributions					
Date	Source	Recipient	Amount	Transfer Instrument	
11/08/2011	Sample test firm	Sample applicant firm	\$10,000	Wire	Delete
Add New Delete All 1 Row(s)					

**Provide supporting documents.**

1. Net capital and supporting documents, including:

a. Current balance sheet\*

Browse...

b. Net capital computation\*

Browse...

c. Trial balance\*

Browse...

d. Other supporting documents

Browse...

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2. Documentation reflecting all funding/capitalization of the Applicant. The information submitted must provide Staff with a clear picture of the movement of funds from its ultimate source of origin to the Applicant. The documentation provided to reflect funding/ capitalization should include:

- a. For each source of funding, bank statements, checks (front and back), or wire advices (or the equivalent) covering the month of the withdrawal of funds from the source account(s), and also the three prior months\*

[Browse...](#)

- b. For the Applicant: bank statements, checks (front and back), or wire advices (or the equivalent) covering the month of the deposit of funds into the Applicant's account(s), and also the three prior months\*

[Browse...](#)

- c. For both the source and receiving entities, the corporate minutes (or equivalent) reflecting the authorization of funding

[Browse...](#)

3. Evidence of the financial wherewithal of anticipated sources of future funding, such as bank statements (or the equivalent)

[Browse...](#)

4. A monthly projection of income and expenses for the Applicant's first twelve months of operation (this document must also specify the amount of fixed expenses vs. variable expenses the Applicant anticipates on a monthly basis)\*

[Browse...](#)

5. The supporting rationale, including any assumptions for the monthly projections of the Applicant's first twelve months of operation\*

[Browse...](#)

6. If the Applicant plans to be a party to a subordination agreement, a draft of the anticipated agreement and related supporting documentation (as detailed in Regulatory Notice 10-15)\*

[Browse...](#)

7. Any other documentation that would be pertinent to FINRA's review of this Standard

[Browse...](#)

## Page: Standard 8 (screenshot 1 of 4)

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### Standard 8: Financial controls

NASD Rule 1014(a)(8): The Applicant has financial controls to ensure compliance with the federal securities laws, the rules and regulations thereunder, and FINRA Rules.

#### Provide specific information regarding the Applicant's FinOp Principal(s).

1. Provide a detailed description of the prior work experience of the Applicant's FinOp Principal in support of his or her ability to maintain and oversee financial compliance of the Applicant given the Applicant's proposed business activities. This description must also address how the individual's experience satisfies NASD Rule 1014(a)(10)(D), which requires one year of direct or two years of related experience in the subject area to be supervised.\*

You have 4000 character(s) left.

## Page: Standard 8 (screenshot 2 of 4, showing grid populated with FinOp)

### Introduction

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Standard 7: Maintaining adequate net capital

2. Will the Applicant's FinOp Principal be part-time with the Applicant or dually associated with another broker-dealer?\*

☒ Yes ☐ No

FinOp Principal CRD ID

[Redacted]

Retrieve this person

Upon entering the CRD ID of the FinOp Principal(s) of the Applicant, certain information will be populated in the table below, such as information obtained from submissions made through CRD. Regarding the Applicant's proposed FinOp Principal, complete the table by providing the requested information with respect to each broker-dealer with which the FinOp Principal(s) is (are) associated and provide additional information as follows:\*

- a. In the table provided, identify the percentage of time that the principal(s) will spend at each applicable broker-dealer carrying out his or her responsibilities on a weekly basis.
- b. In the table provided, describe:
  - i. the capacities (both FinOp and non-FinOp) in which the FinOp Principal(s) will be serving (examples might include general securities principal, chief compliance officer, others) for each listed firm; and
  - ii. the type of broker-dealer the FinOp Principal is associated with for each listed firm (examples might include introducing firm, wire order business, dealer activities firm, self-clearing firm).

### FinOp Principals

Principal	Principal CRD ID ▾	Associated firm(s)	Associated firm CRD ID	Percentage of time per week	Capacities and firm type
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted] <a href="#">Delete</a>
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted] <a href="#">Delete</a>
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted] <a href="#">Delete</a>
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted] <a href="#">Delete</a>
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted] <a href="#">Delete</a>

[Add New](#)
[Delete All](#)
7 Row(s)

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- c. Provide an explanation of how the FinOp Principal proposes to allot sufficient time to execute his or her duties for the Applicant, given his or her responsibilities with other broker-dealers (e.g., contingency plan, part-time vs. full-time).

- d. Describe any system, policies and procedures that the Applicant will implement to enable the part-time or dually associated FinOp Principal to promptly access the Applicant's books and records, and to keep abreast of any financial and related problems occurring at the Applicant.

### Provide information regarding financial controls

3. Provide a detailed description of the financial controls to be employed by the Applicant, including:\*

- Accounting system, and whether it is manual or electronic
- Hardcopy and/or electronic books and records
- Authorized signatories on bank and trading accounts
- Individual(s) responsible for daily journal entries and monthly closing of books and records
- Authorizations required and procedures regarding withdrawals of capital
- (If the Applicant's FinOp Principal works offsite or remotely) whether he or she will have online or otherwise independent access to bank accounts, clearing accounts, etc., and whether that access will be read-only or otherwise
- Whether the Applicant will employ or associate with other persons who will support the financial and operation functions (e.g., internal bookkeeping staff) — if so, identify each such person and their roles and responsibilities

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4. Describe the procedures the Applicant will follow in the event the Applicant encounters a situation that may cause a net capital deficiency, including describing what action will be taken to comply with SEA Rules 17a-5 and 17a-11. (If the Applicant's FinOp Principal is part-time or dually associated, the provided description should also address when and how the Applicant's FinOp Principal will be made aware of potential deficiencies.)\*

5. Will the Applicant have more than one FinOp Principal?\*

☒ Yes ☐ No

Provide a statement explaining the rationale for the Applicant's use of more than one FinOp Principal and describe the duties that each will execute.\*

### Provide supporting documents.

1. FINRA Rule 3270 (Outside Business Activities; formerly NASD Rule 3030) notifications for the FinOp Principal (if applicable)

2. Any other documentation that would be pertinent to FINRA's review of this Standard

## Page: Standard 9 (screenshot 1 of 2)

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### Standard 9: Written procedures

NASD Rule 1014(a)(9): The Applicant has compliance, supervisory, operational, and internal control practices and standards that are consistent with practices and standards regularly employed in the investment banking or securities business, taking into account the nature and scope of Applicant's proposed business.

#### Provide attestation

1. The Applicant acknowledges that heightened supervisory procedures and special educational programs may be required pursuant to Notice to Members 97-19 for an Associated Person whose record reflects disciplinary actions or sales practice events.\*

☐ Acknowledgment of heightened supervision

## Page: Standard 9 (screenshot 2 of 2)

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Standard 10: Supervisory structure

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### Provide supporting documents.

#### 1. Written Supervisory Procedures ("WSPs"), including:\*

- a. Written supervisory control procedures
- b. Anti-money laundering procedures
- c. Financial control procedures
- d. Internal operating procedures
- e. Internal control procedures

*Ensure that the WSPs contain a Designation of Principals identifying the principal(s) responsible for each area (e.g., AML, Supervisory Controls) and type of business (including those categorized as OTH or Other that require broker-dealer registration).*

*As a reminder, please ensure that the WSPs clearly state:*

*who: the identification of the principal/supervisor responsible for conducting the subject procedure;*

*what: a description of the specific procedure that is to be conducted by the principal/supervisor;*

*when: a statement as to when or how often the specific procedure is to be conducted; and*

*how evidenced: a statement as to how the Applicant will evidence the fact that the procedure has been conducted.*

*WSPs that do not conform to the above may be deemed inadequate under this Standard.\**

 

#### 2. WSP checklist\*

 

#### 3. Sample reports used to support supervisory, AML, financial control, internal operating and internal control procedures\*

 

#### 4. Any other documentation that would be pertinent to FINRA's review of this Standard

## Page: Standard 10 (screenshot 1 of 3)

### Introduction

### Applicant contact information

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### **Standard 10: Supervisory structure**

### Standard 11: Books and records

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### **Standard 10: Supervisory structure**

NASD Rule 1014(a)(10): The Applicant has a supervisory system, including written supervisory procedures, internal operating procedures (including operational and internal controls), and compliance procedures designed to prevent and detect, to the extent practicable, violations of the federal securities laws, the rules and regulations thereunder, and FINRA Rules. In evaluating the adequacy of a supervisory system, the Department shall consider the overall nature and scope of the Applicant's intended business operations and shall consider whether:

(A) the number, location, experience, and qualifications of supervisory personnel are adequate in light of the number, location, experience, and qualifications of persons to be supervised; the Central Registration Depository record or other disciplinary history of supervisory personnel and persons to be supervised; and the number and locations of the offices that the Applicant intends to open and the nature and scope of business to be conducted at each office;

(B) the Applicant has identified specific Associated Persons to supervise and discharge each of the functions in the Applicant's business plan, and to supervise each of the Applicant's intended offices, whether or not such offices are required to be registered under FINRA Rules;

(C) the Applicant has identified the functions to be performed by each Associated Person and has adopted procedures to assure the registration with FINRA and applicable states of all persons whose functions are subject to such registration requirements;

(D) each Associated Person identified in the business plan to discharge a supervisory function has at least one year of direct experience or two years of related experience in the subject area to be supervised;

(E) the Applicant will solicit retail or institutional business;

(F) the Applicant will recommend securities to customers;

(G) the location or part-time status of a supervisor or principal will affect such person's ability to be an effective supervisor;

(H) the Applicant should be required to place one or more Associated Persons under heightened supervision pursuant to Notice to Members 97-19;

(I) any remedial action, such as special training or continuing education requirements or heightened supervision, has been imposed on an Associated Person by a state or federal authority or self-regulatory organization; and

(J) any other condition that will have a material impact on the Applicant's ability to detect and prevent violations of the federal securities laws, the rules and regulations thereunder, and FINRA Rules.

## Page: Standard 10 (screenshot 2 of 3)

Introduction

**Explain how this Standard is met.**

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**Standard 10: Supervisory structure**

Standard 11: Books and records

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1. For each Supervisor/Principal, use the grids below to provide:

- a. A detailed description of professional background and prior experience that must, at a minimum, address all prior work experience as it relates (directly or indirectly) to the proposed business activities including the following:
  - i. Where such experience was obtained
  - ii. Duration of the experience
  - iii. Positions held and responsibilities for each position
- b. A detailed description of how he or she will conduct activities for the Applicant, including:
  - i. His or her proposed duties
  - ii. The office location of the Supervisor/Principal
  - iii. Whether the individual will be on or off-site of the location which he or she is supervising
  - iv. Any responsibilities of the Supervisor/Principal other than supervision (e.g., if they will also be producing supervisors, provide a detailed description of how they will be able to effectively carry out their supervisory duties while also acting as a producing principal)
  - v. The Supervisor/Principal's full-time or part-time status with the Applicant (including the number of hours to be devoted to the Applicant in case of part-time status)
  - vi. Any outside business activities that the Supervisor/Principal may engage in beyond their employment or association with the Applicant (including employment/association with any affiliated entities of the Applicant), and the hours per week devoted to such activities
  - vii. If applicable, an explanation of how a part-time or off-site Supervisor/Principal will be able to discharge his or her designated functions given his or her part-time and/or off-site status (note: this description must also address any tools, systems, reports of other mechanisms to be used to assist them in this regard)
  - viii. If any of the Applicant's proposed Supervisor/Principal (other than the FinOp Principal) are or will be dually registered or associated with other entities, list those broker-dealers or entities with which the principals are associated, in what capacity, and state the percentage of time that will be spent at the Applicant in carrying out their responsibilities on a weekly basis

## Page: Standard 10 (screenshot 3 of 3)

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CRD ID	Name	Duration of experience	Positions	Proposed duties
<p><b>Details for individuals in this grid are provided via the same popup shown in Standard 1.</b></p>				

2. Provide a detailed description of the direct experience of the proposed Chief Compliance Officer ("CCO"). Additionally, if the proposed CCO does not possess prior direct experience in the business activities proposed by the Applicant, provide a detailed description of the proposed CCO's related experience, and how, in the Applicant's view, that experience qualifies him/her as CCO. In the description provided, be sure to specify whether the proposed CCO has experience with products, with business activities, with compliance, and experience with the SEA, rules and regulations thereunder, and FINRA rules.\*

#### **Provide supporting documents.**

1. FINRA Rule 3270 (Outside Business Activities) notification(s) (for Supervisors/Principals, other than the FinOp Principal (addressed in Standard 8), that have outside business activities) (if applicable)\*

2. Any other documentation that would be pertinent to FINRA's review of this Standard

## Page: Standard 11 (screenshot 1 of 2)

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**Standard 11: Books and records**

Standard 12: Continuing education

### Standard 11: Books and records

NASD Rule 1014(a)(11): The Applicant has a recordkeeping system that enables Applicant to comply with federal, state, and self-regulatory organization recordkeeping requirements and a staff that is sufficient in qualifications and number to prepare and preserve required records.

#### Explain how this Standard is met.

1. Describe the Applicant's recordkeeping system, specifically identifying\*
  - a. procedures,
  - b. books and records,
  - c. communication systems, and
  - d. the software and systems to be used to prepare business and financial records, including general ledger, trial balance, balance sheet, and net capital computation (e.g., PeopleSoft, ADP, Creative Solutions).

2. Describe the entities and the scope of services provided by any recordkeeping services used by the Applicant, specifically identifying any service bureaus, clearing/correspondent arrangements, or other arrangements involving the creation and retention of books and records.

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3. Describe how the Applicant's records (including email) will be stored, specifically identifying (for example)\*

- hardcopy,
- microfilm/microfiche,
- optical storage technology, or
- other media or methods.

4. List the types of proposed records to be maintained by the Applicant.

**Provide supporting documents.**

1. A copy of the proposed electronic storage notification pursuant to SEA Rule 17a-4(f) (if applicable)

 

2. Copies of sample books and records intended for use by the Applicant (this shall include, but is not limited to: customer account forms, blotters, ledgers, order tickets, confirmations, subscription agreements, and customer statements)\*

 

3. Any other documentation that would be pertinent to FINRA's review of this Standard

**Standard 12: Continuing education**

## Page: Standard 12 (screenshot 2 of 2)

### Provide supporting documents.

1. Continuing education plan checklist \*

Browse...

2. Continuing education training needs assessment and written training plan \*

Browse...

3. Any other documentation that would be pertinent to FINRA's review of this Standard

Browse...