

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="91"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2012"/> - * <input type="text" value="018"/>	Amendment No. (req. for Amendments *) <input type="text"/>
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Proposed Rule Change by Financial Industry Regulatory Authority  
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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**Description**  
Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked \*).

Proposed Rule Change to Amend NASD Rules 1012 (General Provisions) and 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) to Adopt New Standardized Electronic Form CMA

**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 * <input type="text" value="Patricia"/>	Last Name * <input type="text" value="Albrecht"/>
Title * <input type="text" value="Associate General Counsel"/>	
E-mail * <input type="text" value="patricia.albrecht@finra.org"/>	
Telephone * <input type="text" value="(202) 728-8026"/>	Fax <input type="text" value="(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

By  Senior Vice President and Deputy General Counsel

(Name \*) (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.

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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

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

Add Remove View

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)**

Add Remove View

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**

Add Remove View

Exhibit Sent As Paper Document

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**

Add Remove View

Exhibit Sent As Paper Document

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**

Add Remove View

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**

Add Remove View

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**

Add Remove View

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” or “SEA”),<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 NASD Rules 1012 (General Provisions) and 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) to adopt a new standardized electronic form, Form CMA, to be used by all continuing membership applicants as part of their continuing membership applications.

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

\* \* \* \* \*

**1000. MEMBERSHIP, REGISTRATION AND QUALIFICATION REQUIREMENTS**

\* \* \* \* \*

**1010. Membership Proceedings**

\* \* \* \* \*

**1012. General Provisions**

**(a) Filing by Applicant or Service by FINRA**

(1) An Applicant for membership shall file an application in the manner prescribed in Rule 1013.

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

(2) An Applicant seeking approval of a change of ownership, control, or business operations shall file an application in the manner prescribed in Rule 1017.

(2) through (4) renumbered as (3) through (5).

(b) through (e) No change.

\* \* \* \* \*

**1017. Application for Approval of Change in Ownership, Control, or Business Operations**

(a) No change.

**(b) Filing and Content of Application**

(1) The member shall file the application in the manner prescribed by FINRA with the Department of Member Regulation (“the Department”) [at the district office in the district in which the member's principal place of business is located. If the application involves a merger between members with principal places of business in two or more districts, the application shall be filed and processed by the district office wherein the surviving firm's principal place of business will be located.]

(2) An applicant shall submit an application that includes a:

(A) Form CMA and a detailed description of [The application shall describe in detail] the change in ownership, control, or business operations, [and include] including a business plan, pro forma financials, an organizational chart, and written supervisory procedures reflecting the change.

(A) through (C) renumbered (B) through (D).

(c) through (k) No change.

\* \* \* \* \*

(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 will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be no later than 180 days following publication of the Regulatory Notice announcing Commission approval.

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

(a) Purpose

NASD Rule 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) provides parameters for certain changes in a member's ownership, control, or business operations that would require a continuing membership application. Among other things, those changes include a merger of a member with another member, a direct or indirect acquisition by a member of another member, a change in equity ownership or partnership capital of the member that results in one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital, or a material change in business operations as defined in NASD Rule

1011(k) (“material change in business operations”).<sup>2</sup> Currently, NASD Rule 1017 does not require an applicant seeking approval of a change of ownership, control, or business operations (“continuing membership applicant” or “applicant”) to submit a standardized form as part of its continuing membership application and provides little detail regarding an application’s required contents. Instead, each applicant is responsible for determining the contents of its continuing membership application. This often results in information deficiencies, which in turn, creates unnecessary delays in efficiently processing the applications. NASD Rule 1017 also generally requires a continuing membership application to be filed in the district office in which an applicant’s principal place of business is located. Additionally, NASD Rule 1012 (General Provisions) provides that, unless otherwise prescribed by FINRA, applicants may submit continuing membership applications via first-class mail, overnight courier, or hand-delivery (or facsimile upon agreement by FINRA and the applicant).

This manner of submitting a continuing membership application reduces the overall efficiency of the process and also creates unnecessary delays in properly forwarding information within FINRA, such as in conveying information to and from the centralized Membership Application Program Group formed in January 2011. To address these deficiencies, the proposed rule change amends NASD Rule 1012 to require continuing membership applicants to file an application in the manner prescribed in Rule 1017. In addition, the proposed rule change amends NASD Rule 1017(b) to require

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<sup>2</sup> NASD Rule 1011(k) defines a “material change in business operations” as including, but not limited to: (1) removing or modifying a membership agreement restriction; (2) market making, underwriting, or acting as a dealer for the first time; and (3) adding business activities that require a higher minimum net capital under SEA Rule 15c3-1.

continuing membership applicants to file an application in the manner prescribed by FINRA with the Department of Member Regulation (“the Department”) and to include the completed Form CMA as part of the contents of a continuing membership application.

New Form CMA will provide continuing membership applicants with the benefits of a streamlined application process that new member applicants currently experience via the standardized online Form NMA and is intended to significantly reducing administrative delays that exists in today’s manual application processes.

New Form CMA is structured similarly to revisions proposed for Form NMA with adjustments in the content of new Form CMA based on the differing nature of the application types.<sup>3</sup> New Form CMA will seek to elicit information from applicants in a manner consistent with the standards of admission, contained in NASD Rule 1014, against which NASD Rule 1017 requires each application to be evaluated. Additionally, the structure and guidance provided by new Form CMA is designed to obtain the basic information needed for all applicants with embedded flexibility to allow for variations based on the particular application type being submitted.

Also, new Form CMA, as with the revised Form NMA, will pre-populate certain fields with information provided 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.<sup>4</sup> In addition, new Form CMA

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<sup>3</sup> See SR-FINRA-2012-017 (proposed rule change to restructure the content of existing Form NMA).

<sup>4</sup> See id.

will include a number of optional information request fields that can be used by applicants to provide additional information if and when it is applicable to the applicant's proposed change. The optional field approach is intended to provide flexibility for the significant level of variation seen in members' structures, business lines, and proposed changes.

Below is a synopsis of the content of new Form CMA, by standard:

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

This standard seeks certain applicant overview information (e.g., details of the proposed business change, verification of current business activities, new business lines added, supervisors for new business lines, identification of other persons associated with the proposed business change).

- *Standard 2 (Licenses and Registrations):*

This standard consists of information requests regarding the continuing membership applicant's licenses and registrations that will be affected by the proposed business change (e.g., changes to required licenses and registrations, new or continuing registration or examination waivers, new or continuing two-principal requirement waiver, new or continuing Securities Information Center exemption, other self-regulatory organization ("SRO") registrations and/or withdrawals from other SRO registrations, new non-registered officers, directors, or control persons).

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

This standard consists of specific requests for information (e.g., disciplinary history) and documentation (e.g., state or federal orders or decrees, statements of claims,



cancelled checks for payment of arbitration awards, proofs of settlement, settlement agreements) that FINRA considers necessary for the applicant to demonstrate compliance with the requirements of this standard.

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

This standard includes the information requests regarding a continuing membership applicant's contractual and business relationships (e.g., description of contractual arrangements, expense sharing agreements, financing arrangements, fidelity bonds or fidelity bond applications, support and service agreements).

- *Standard 5 (Facilities):*

This standard consists of information requests regarding a continuing membership applicant's facilities (e.g., material changes to facilities or locations, departmental information barriers, space sharing arrangements, lease and/or sub-lease agreements).

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

This standard includes information requests regarding a continuing membership applicant's communications and operational systems (e.g., communications and operational systems changes, supervision arrangements of multiple locations, business continuity plan documents, information relating to the applicant's use of social media sites).

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

This standard includes information regarding an applicant's net capital requirements (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 a continuing membership applicant's financial controls (e.g., information regarding changes to the applicant's registered financial and operations principal ("FINOP"), impact of proposed business change on financial controls).

- *Standard 9 (Written Procedures):*

This standard seeks information regarding a continuing membership applicant's written procedures (e.g., impact of proposed change on written supervisory procedures ("WSP"), WSP checklist, sample reports to support supervision and financial controls).

- *Standard 10 (Supervisory Structure):*

This standard seeks information regarding a continuing membership applicant's supervisory structure (e.g., changes to supervisory or management personnel, information regarding supervisors' experience and duties, chief compliance officer experience, non-FINOP outside business activities notifications).

- *Standard 11 (Books and Records):*

This standard seeks information regarding a continuing membership applicant's books and records (e.g., impact of potential business change on applicant's recordkeeping systems and recordkeeping service providers, sample books and records relating to new business activities).

- *Standard 12 (Continuing Education):*

This standard seeks information regarding a continuing membership applicant's continuing education ("CE") obligations (e.g., changes to the applicant's CE program, revised CE training needs assessment and written training 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 the new Form CMA. Among other things, the task force's input assisted FINRA to make changes intended to reduce applicants' administrative burden when completing Form CMA. Overall, FINRA believes that the new Form CMA will facilitate more effective and efficient application processing for the applicants.

As noted in Item 2 of this filing, FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be no later than 180 days following publication of the Regulatory Notice announcing Commission approval.

(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 rule change amends NASD Rules 1012 and 1017 to adopt a new standardized electronic form, Form CMA, to be used by all continuing membership applicants as part of their continuing membership applications. Form CMA elicits information from applicants in a manner consistent with the standards of admission contained in NASD Rule 1014, against which continuing membership applications are evaluated. FINRA believes that new Form CMA will reduce applicants' administrative

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

burden and ensure a more streamlined and efficient continuing 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>

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

Not applicable.

**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 CMA.

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

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34- ; File No. SR-FINRA-2012-018)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change to Amend NASD Rules 1012 (General Provisions) and 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) to Adopt New Standardized Electronic Form CMA

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, II, and III below, which Items have been prepared by FINRA. 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 NASD Rules 1012 (General Provisions) and 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) to adopt new standardized electronic Form CMA.

The text of the proposed rule change is available on FINRA’s website at <http://www.finra.org>, at the principal office of FINRA and at the Commission’s Public Reference Room.

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

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

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

NASD Rule 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) provides parameters for certain changes in a member's ownership, control, or business operations that would require a continuing membership application. Among other things, those changes include a merger of a member with another member, a direct or indirect acquisition by a member of another member, a change in equity ownership or partnership capital of the member that results in one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital, or a material change in business operations as defined in NASD Rule 1011(k) ("material change in business operations").<sup>3</sup> Currently, NASD Rule 1017 does not require an applicant seeking approval of a change of ownership, control, or business operations ("continuing membership applicant" or "applicant") to submit a standardized

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<sup>3</sup> NASD Rule 1011(k) defines a "material change in business operations" as including, but not limited to: (1) removing or modifying a membership agreement restriction; (2) market making, underwriting, or acting as a dealer for the first time; and (3) adding business activities that require a higher minimum net capital under SEA Rule 15c3-1.

form as part of its continuing membership application and provides little detail regarding an application's required contents. Instead, each applicant is responsible for determining the contents of its continuing membership application. This often results in information deficiencies, which in turn, creates unnecessary delays in efficiently processing the applications. NASD Rule 1017 also generally requires a continuing membership application to be filed in the district office in which an applicant's principal place of business is located. Additionally, NASD Rule 1012 (General Provisions) provides that, unless otherwise prescribed by FINRA, applicants may submit continuing membership applications via first-class mail, overnight courier, or hand-delivery (or facsimile upon agreement by FINRA and the applicant).

This manner of submitting a continuing membership application reduces the overall efficiency of the process and also creates unnecessary delays in properly forwarding information within FINRA, such as in conveying information to and from the centralized Membership Application Program Group formed in January 2011. To address these deficiencies, the proposed rule change amends NASD Rule 1012 to require continuing membership applicants to file an application in the manner prescribed in Rule 1017. In addition, the proposed rule change amends NASD Rule 1017(b) to require continuing membership applicants to file an application in the manner prescribed by FINRA with the Department of Member Regulation ("the Department") and to include the completed Form CMA as part of the contents of a continuing membership application.

New Form CMA will provide continuing membership applicants with the benefits of a streamlined application process that new member applicants currently experience via

the standardized online Form NMA and is intended to significantly reducing administrative delays that exists in today's manual application processes.

New Form CMA is structured similarly to revisions proposed for Form NMA with adjustments in the content of new Form CMA based on the differing nature of the application types.<sup>4</sup> As with revised Form NMA, new Form CMA will seek to elicit information from applicants in a manner consistent with the standards of admission, contained in NASD Rule 1014, against which NASD Rule 1017 requires each application to be evaluated. Additionally, the structure and guidance provided by new Form CMA is designed to obtain the basic information needed for all applicants with embedded flexibility to allow for variations based on the particular application type being submitted.

Also, new Form CMA, as with the revised Form NMA, will pre-populate certain fields with information provided 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.<sup>5</sup> In addition, new Form CMA will include a number of optional information request fields that can be used by applicants to provide additional information if and when it is applicable to the applicant's proposed change. The optional field approach is intended to provide flexibility for the significant level of variation seen in members' structures, business lines, and proposed changes.

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<sup>4</sup> See SR-FINRA-2012-017 (proposed rule change to restructure the content of existing Form NMA to, among other things, make the requested information and documentation more consistent with the standards in NASD Rule 1014 (Department Decision)).

<sup>5</sup> See id.



Below is a synopsis of the content of new Form CMA, by standard:

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

This standard seeks certain applicant overview information (e.g., details of the proposed business change, verification of current business activities, new business lines added, supervisors for new business lines, identification of other persons associated with the proposed business change).

- *Standard 2 (Licenses and Registrations):*

This standard consists of information requests regarding the continuing membership applicant's licenses and registrations that will be affected by the proposed business change (e.g., changes to required licenses and registrations, new or continuing registration or examination waivers, new or continuing two-principal requirement waiver, new or continuing Securities Information Center exemption, other self-regulatory organization ("SRO") registrations and/or withdrawals from other SRO registrations, new non-registered officers, directors, or control persons).

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

This standard consists of specific requests for information (e.g., disciplinary history) and documentation (e.g., state or federal orders or decrees, statements of claims, cancelled checks for payment of arbitration awards, proofs of settlement, settlement agreements) that FINRA considers necessary for the applicant to demonstrate compliance with the requirements of this standard.

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

This standard includes the information requests regarding a continuing membership applicant's contractual and business relationships (e.g., description of contractual arrangements, expense sharing agreements, financing arrangements, fidelity bonds or fidelity bond applications, support and service agreements).

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financial and operations principal (“FINOP”), impact of proposed business change on financial controls).

- *Standard 9 (Written Procedures):*

This standard seeks information regarding a continuing membership applicant’s written procedures (e.g., impact of proposed change on written supervisory procedures (“WSP”), WSP checklist, sample reports to support supervision and financial controls).

- *Standard 10 (Supervisory Structure):*

This standard seeks information regarding a continuing membership applicant’s supervisory structure (e.g., changes to supervisory or management personnel, information regarding supervisors’ experience and duties, chief compliance officer experience, non-FINOP outside business activities notifications).

- *Standard 11 (Books and Records):*

This standard seeks information regarding a continuing membership applicant’s books and records (e.g., impact of potential business change on applicant’s recordkeeping systems and recordkeeping service providers, sample books and records relating to new business activities).

- *Standard 12 (Continuing Education):*

This standard seeks information regarding a continuing membership applicant’s continuing education (“CE”) obligations (e.g., changes to the applicant’s CE program, revised CE training needs assessment and written training 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 the new Form CMA. Among other things, the task force’s

input assisted FINRA to make changes intended to reduce applicants' administrative burden when completing Form CMA. Overall, FINRA believes that the new Form CMA will facilitate more effective and efficient application processing for the applicants.

FINRA will announce the effective date of the proposed rule change in a Regulatory Notice to be published no later than 60 days following Commission approval. The effective date will be 180 days following publication of the Regulatory Notice announcing Commission approval.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,<sup>6</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 rule change amends NASD Rules 1012 and 1017 to adopt a new standardized electronic form, Form CMA, to be used by all continuing membership applicants as part of their continuing membership applications. Form CMA elicits information from applicants in a manner consistent with the standards of admission contained in NASD Rule 1014, against which continuing membership applications are evaluated. FINRA believes that new Form CMA will reduce applicants' administrative burden and ensure a more streamlined and efficient continuing membership application process for both FINRA and applicants.

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<sup>6</sup> 15 U.S.C. 78q-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

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

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-2012-018 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-2012-018. 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-2012-018 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>7</sup>

Elizabeth M. Murphy

Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).

# Proposed Continuing Membership Application Screenshots

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## Page: Introduction (screenshot 1 of 3)

### Introduction

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### Introduction

The Continuing Membership Application Form ("Form CMA," "Form," or "Application") is designed to assist Applicants in the preparation of an Application filed pursuant to NASD Rule 1017 in which the Applicant seeks approval from the Financial Industry Regulatory Authority, Inc. ("FINRA") for a change in ownership, control or business operations. 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 CMA, important information is provided below concerning the following:

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### Completing the Form

The Form references information and documentation required under the Membership Rules of FINRA (see NASD Rule 1010 Series). Form CMA is structured to capture information and documentation pertinent to the Applicant's proposed change in ownership, control or business operations. 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 CMA 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 proposed change, 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 CMA are evaluated. Applicants are encouraged to review additional materials about the Continuing Membership Application process, available on [www.finra.org](http://www.finra.org). Applicants should also consider consulting the Staff in advance of submitting Form CMA, particularly for any Application involving novel or complex business arrangements.

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### Substantially Complete Requirement

Form CMA 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 CMA, 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 change. It is also important to note that, since the Form is submitted exclusively on an electronic basis, it is critical that the Applicant ensure that each attached document is actually the document indicated and contains relevant information.

Every Form CMA 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 change, a submitted Form CMA may be rejected as "not substantially complete."

### Form Structure and Using the Form

The Form is structured to collect information, data and documentation from the Applicant in order for 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®). In instances where information from other sources are 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 CMA. (Typically it takes one business day after updating the source system for Form CMA to reflect such changes.)

### Mandatory Information

Certain aspects of the Form are indicated with a red asterisk (\*), indicating that such aspect (e.g., question, data field, information, document request) of the Form is a required field. A system completeness check is conducted on every Form CMA attempted to be submitted to FINRA. Any Form CMA 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 Applicant's proposed change.

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### 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:

"Associated Person" has the meaning prescribed to such term in NASD Rule 1011(b).

"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 CMA 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 CMA is retained on FINRA's electronic filing platform until a final version is submitted to FINRA.

### Submitting the Form

After completing the Form CMA, an Applicant must submit the Form for review by Staff. An electronic completeness check is run on the Form CMA 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 CMA via FINRA's electronic filing system.

### Maintaining the Accuracy of the Application

Each Applicant 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.

Save

Print Preview

Submit

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### Type of Continuing Membership Application

Identify the type of change that is contemplated (select all that apply).

#### Ownership or asset transfer changes

- Merger of the member with another member
- Direct or indirect acquisition by the member of another member
- Direct or indirect acquisition or transfer of 25% or more in the aggregate of the member's assets or any asset, business or line of operation that generates revenues comprising 25% or more in the aggregate of the member's earnings measured on a rolling 36 month basis
- Change in the equity ownership or partnership capital of the member resulting in one person or entity directly or indirectly owning or controlling 25% or more of the equity or partnership capital

#### Change(s) in business operations

- Material change in business operations
  - Removal or modification of a membership agreement restriction
  - Market making, underwriting or acting as a dealer for the first time
  - Adding a business activity that requires a higher minimum net capital under Securities Exchange Act (SEA) Rule 15c3-1.
  - Expansion of Associated Persons, offices, or number of markets made
  - Other

Save

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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 Continuing Membership 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

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Submit

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### **Standard 1: Overview of the Applicants**

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

#### **Overview of the proposed change**

1. Provide a complete description of the proposed change, identifying\*
  - a. the terms and nature of the proposed change,
  - b. the date the transaction is expected to be completed,
  - c. the business reason(s) for the change,
  - d. the financing for the transaction, including the source of funding for the purchase and recapitalization (as applicable), and
  - e. an overview of the impact(s) (e.g., financial, operational, managerial, supervisory), or lack thereof, to the Applicant as a result of the change.

You have 4000 character(s) left.

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2. For any persons or entities, including other broker-dealers and investment advisory firms, that will become associated or affiliated with the Applicant, through ownership, employment, or otherwise, as a result of the proposed transaction, please provide the name of the person or entity, describe the relationship such person or entity will have with the Applicant, for any entity describe the business conducted by such entity, and identify whether the Applicant will be conducting business with or on behalf of the person or entity.\*

You have 4000 character(s) left.

3. Regarding the transfer of assets, business or line of operation, please provide\*
  - a. a statement indicating whether the assets or line of business being transferred will also include the liabilities pertaining to that asset or line of business, and
  - b. for liabilities that will not be transferred, a detailed description of each liability, and a statement of how each will be satisfied.

You have 4000 character(s) left.



## Page: Standard 1 (screenshot 3 of 21: before and after direct owners)

### Specify changes in direct ownership.

Below is a read-only view of the current direct owners of the Applicant (information obtained from the CRD system).

Current direct owners			
Full legal name	CRD number	Domestic or Foreign Entity, or Individual	Role
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

1 Row(s)

Please edit the chart below to describe the proposed changes in the Applicant's direct ownership. (Information provided here will be used solely for the review of this Application and will not update the CRD system).

Proposed changes in direct ownership			
Full legal name	CRD number	Domestic or Foreign Entity, or Individual	Role
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Add New Delete All 1 Row(s)



## Page: Standard 1 (screenshot 4 of 21: direct owner pop up)

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**Specify changes**  
Below is a read-only list of all current directors.  
Full legal name: [Redacted]  
[Add] [Remove] [Flow(+)]

**Proposed changes**  
Full legal name: [Redacted]  
[Add] [Remove] [Delete]

**Specify changes**

### Person Details

CRD ID: [Redacted] Name: [Redacted]  
Domestic or Foreign Entity, or Individual: [Redacted]  
Roles: [Redacted]  
Date role acquired: [Redacted]  
Ownership percentage: [Redacted]  
Control person?  Yes  No

Code	Date	
S24	02/06/1999	[Delete]
S41	12/21/1985	[Delete]

[Add New] [Delete All] 4 flow(s)

Continuing education\*  Active  Inactive

Will the Applicant claim any registration exemptions for this person? If so, list them. [Text Area]

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

Scheduled examinations and dates [Text Area]

You have 4000 character(s) left.

Provide a description of 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 (refer to Rule 1020 – 1022 and 1060, and 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.\*

[Text Area]

## Page: Standard 1 (screenshot 5 of 21: before and after indirect owners)

### Specify changes in indirect ownership.

Below is a read-only view of the current indirect owners of the Applicant (information obtained from the CRD system).

Current indirect owners		
Full legal name ▲	Domestic or Foreign Entity, or Individual	Entity in which interest is owned

0 Row(s)

Please edit the chart below to describe the proposed changes in the Applicant's indirect ownership. (Information provided here will be used solely for the review of this Application and will not update the CRD system).

Proposed changes in indirect ownership		
Full legal name ▲	Domestic or Foreign Entity, or Individual	Entity in which interest is owned

Add New   Delete All   0 Row(s)

## Page: Standard 1 (screenshot 6 of 21: indirect owner pop up)

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### Specify changes in indirect ownership.

Below is a read-only view of the current indirect owners of the Applicant (information obtained from CRD).

**Current indirect owners**

Full legal name -	Domestic or Foreign Entity, or Individual	Entity in which interest is owned
0 Row(s)		

Please edit the will be used sol

**Proposed cha**

Full legal name
1 Row(s)

**Person Details**

CRD ID  Name

Domestic or Foreign Entity, or Individual

Entity in which interest is owned

Roles

Date role acquired

Ownership percentage

Control person?  Yes  No

Update Row Clear

Add New Delete All

## Page: Standard 1 (screenshot 7 of 21)

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### **Provide supporting documents.**

1. Pre- and post-change business organizational charts, identifying the Applicant's owners and affiliated entities (indicate all direct and indirect owners of the Applicant and percentage of ownership for each)\*

2. Any modified formation documents of the Applicant stemming from the change\*

3. Formation documents for any entities (e.g., corporations, partnership, trusts), including holding companies, that are or will be new owners, directly or indirectly, of the Applicant\*

4. As applicable, if this Application is filed on behalf of multiple firms: a signed statement, from a principal officer of each Applicant, indicating this Application is being filed on the firm's behalf

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

## Page: Standard 1 (screenshot 8 of 21)

### Verify current business activities.

The business lines noted below have been obtained from information submitted to the CRD system by the Applicant. Please verify the business activities of the Applicant, selecting the appropriate status for each business line. If the Applicant's contemplated change in business operations for which this Form CMA is being filed relates to one of these business lines, select "Change" for the respective business line and answer the required questions.

*(Note that any changes to business lines indicated here will not automatically flow to the Form BD; they are captured here solely for the CMA process. Upon completion of the CMA process, Applicants must update Form BD appropriately.)*

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

**BDR** Broker or dealer retailing corporate equity securities over-the-counter\*

No change  Change  Remove

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

**MFR** Mutual fund retailer\*

No change  Change  Remove

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

No change  Change  Remove

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.*

**Page: Standard 1 (screenshot 9 of 21)**

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.\*

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

Please describe any changes unique to the MFR business line.

Please describe any changes unique to the VLA business line.

## Page: Standard 1 (screenshot 10 of 21)

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

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

No change  Change  Remove

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

No change  Change  Remove

**MSB** Municipal securities broker\*

No change  Change  Remove

### Other (SSL, IAD, MRI, OTH)

**IAD** Investment advisory services\*

No change  Change  Remove

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### Indicate which business lines are being added.

Please select the business activities in which the Applicant intends to engage as a result of the change.

*(Note that any changes to business lines indicated here will not automatically flow to the Form BD; they are captured here solely for the CMA process. Upon completion of the CMA process, Applicants must update Form BD appropriately.)*

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

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

**EMF** Exchange member engaged in floor activities

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.



## Page: Standard 1 (screenshot 12 of 21)

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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.

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

Please describe any changes unique to the EMC business line.

You have 4000 character(s) left.

Please describe any changes unique to the EMF business line.

You have 4000 character(s) left.

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### 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.

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.

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

Please describe any changes unique to the IDM business line.

You have 4000 character(s) left.

Please describe any changes unique to the TRA business line.

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, and the risks, volatility, degree of liquidity, speculative nature and type of the products; the number of markets to be made; the type and volatility of the products; and the anticipated maximum inventory positions.\*

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You have 4000 character(s) left.

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#### 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

#### 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

#### 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

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### 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

### 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

## Page: Standard 1 (screenshot 17 of 21)

### Options (PCB)

- PCB** Options broker or dealer or option writer

### 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

### Other (SSL, IAD, MRI, OTH)

- SSL** Solicitor of time deposits in a financial institution
- IAD** Investment advisory services
- MRI** Broker or dealer selling interests in mortgages, receivables or other asset-backed securities
- OTH** Other (description from Form BD is below)

## Page: Standard 1 (screenshot 18 of 21)

- Broker or dealer that offers or engages in on-line trading / electronic trading
- 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 network
- Mergers and acquisitions
- Other

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### Specify supervisors for new business lines

Please enter individual CRD IDs for registered persons who will be supervising the proposed new business lines.

*Note that this information is solely for purposes of the CMA review: any association of individuals with this Form CMA will not flow through to the CRD system.*

Business Line Supervisors	
CRD ID ▲	Name

Add New   Delete All



## Page: Standard 1 (screenshot 20 of 21: supervising principals popup)

**Supervisor Details**

CRD ID: [Redacted] Name: [Redacted]

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

Intended exams \*

What business activities (if any) will be supervised by this person? \*

Code	Date	
S1	1970-09-29	Delete

Registrations  
Add New Delete All 1 Row(s)

Continuing education \*  Active  Inactive

Will the Applicant claim any registration exemptions 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

**Titles**  
Anti-Money Laundering Officer  
Branch Office Manager  
Branch Office Manager – NYSE  
Branch Office Manager-non-FINRA  
Chairman  
Chief Compliance Officer  
Chief Executive Officer  
Chief Financial Officer  
Compliance Manager  
Compliance Officer  
Director  
DPP Principal  
Executive Representative  
Investment Banking  
Managing Director  
Managing Member  
Managing Principal  
Member  
Municipal Fund Securities Principal Only  
Municipal Securities Principal  
Partner / Senior Partner  
President  
Principal  
Registered Options and Security Futures Principal  
Representative  
Sales Supervisor  
Secretary  
Senior Managing Director  
Variable Products Principal  
Variable Products Principal Only  
Vice President  
Non-registered Person

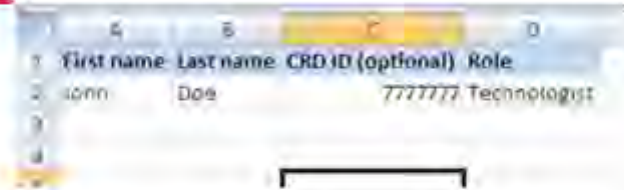
## Page: Standard 1 (screenshot 21 of 21)

### Specify other persons associated with this change.

Please provide information on other persons associated with this change. This includes registered persons and other associated 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:\*

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

### Provide supporting documents.

1. 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

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

## Page: Standard 2 (screenshot 1 of 7)

Introduction

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### Standard 2: Licenses and registrations

NASD Rule 1014(e)(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 completed in advance of the filing of the Form CMA where possible or be scheduled within the first 30 days of filing Form CMA, and that all registration requirements be completed within the first 60 days of filing Form CMA to avoid delays in processing of the Application.*

#### Provide information regarding direct owners

The list of direct owners below is repeated from the Applicant's input in Standard 1 above. If the information displayed is incomplete or inaccurate, please edit Standard 1 before completing this section of the Form.

Please provide the information below for all direct owners who will have an ownership stake in the Applicant after the proposed change.

CRD ID	Name	Continuing education
[REDACTED]	[REDACTED]	[REDACTED]

#### Provide information about the Applicant following the proposed change

1. Does the Applicant anticipate being registered with or withdrawing registration from any other regulatory or self-regulatory organization(s) and/or state(s) as a result of the change?\*

Yes  No

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

## Page: Standard 2 (screenshot 2 of 7)

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**Standard 2: Licenses and registration**

NASD Rule 1014(a)(2): The Applicant and and federal authorities and self-regulatory.

*The Applicant is reminded that failure of qualification examinations in a timely lapse or denial of the Application. It is str advance of the filing of the Form CMA wh that all registration requirements be com of the Application.*

**Provide information regarding direct**

The list of direct owners below is repeate incomplete or inaccurate, please edit Stan

Please provide the information below for e proposed change.

CRD number	Name
[REDACTED]	[REDACTED]

**Provide information about the Applic**

1. Does the Applicant anticipate being r self-regulatory organization(s) and/o

Yes  No

2. Each Applicant, except a sole proprie respect to each aspect of its invest

Name [REDACTED]

CRD ID [REDACTED]

Roles [REDACTED]

Code	Date
------	------

Add New Delete All 0 Row(s)

Continuing education: Active

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:

Provide a description of 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 (refer to Rule 1020 – 1022 and 1060, and 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.\*



## Page: Standard 2 (screenshot 3 of 7)

2. 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.

Is the Applicant seeking a waiver, or seeking to maintain a waiver already in place, of the two principal requirement under NASD Rule 1021?\*

Yes  No

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

3. Will the Applicant have any non-registered officers, directors, or control persons following the change?\*\*\*

Yes  No

Provide a description of duties and responsibilities of any non-registered officers, directors, and control persons, along with an explanation for why they should not be required to register with the Applicant. (Please refer to the applicable registration provisions, such as NASD Rules 1021, 1022 and 1060, as well as Notice to Members 99-49.) This description should include responsibilities performed

- a. at the Applicant;
- b. at any affiliated companies; and
- c. at any other companies anticipated to conduct business with the Applicant.\*\*

## Page: Standard 2 (screenshot 4 of 7)

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Standard 9: Written procedures

Standard 10: Supervisory structure

Standard 11: Books and records

Standard 12: Continuing education

### Provide supporting documents.

1. Management organizational chart, identifying officers, principals and supervisors of the Applicant and the proposed business activities and/or product lines supervised by each person following the change\*

2. 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

### Provide specific information regarding supervisors.

The list of personnel below is repeated from the Applicant's input in Standard 1 above. If the information listed is inaccurate or incomplete, please edit Standard 1 before completing this section of the Form.

CRD ID	Name	Continuing education
--------	------	----------------------

## Page: Standard 2 (screenshot 5 of 7: supervisor popup)

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### Provide supporting documents.

1. Management business

Name

CRD ID

2. An attest investment registered

Title

3. Any other

Current Registrations

### Provide specific

The list of persons incomplete, please

CRD ID

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:

The screenshot shows a popup window with a light blue border and a close button (X) in the top right corner. The window contains a form with several sections. At the top, there are three numbered items: '1. Management business', '2. An attest investment registered', and '3. Any other'. Each item has a corresponding input field. The '1. Management business' section has fields for 'Name' and 'CRD ID', both containing blacked-out text. The '2. An attest investment registered' section has a 'Title' field. The '3. Any other' section has a 'Current Registrations' section, which is a table with columns for 'Code' and 'Date'. Below the table are buttons for 'Add New' and 'Delete All', and a text box showing '0 Row(s)'. Below the table, there are two questions: 'Continuing education: Inactive', 'Will the Applicant claim any exemptions from registration for this person? If so, list them.', and 'Will the Applicant apply for any waivers of required examinations for this person? If so, list them.'. At the bottom of the window, there is a 'Clear' button.

Clear

## Page: Standard 2 (screenshot 6 of 7)

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1. Does the Applicant anticipate being registered with or withdrawing registration from any other regulatory or self-regulatory organization(s) and/or state(s) as a result of the change?\*

Yes  No

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

You have 4000 character(s) left.

2. Does the Applicant anticipate being exempt from registration with the Securities Information Center, pursuant to SEA Rule 17f-1, following implementation of the proposed change?\*

Yes  No

Identify the exemption that applies to the Applicant with a brief explanation of its application in light of the proposed change.\*

You have 4000 character(s) left.



## Page: Standard 2 (screenshot 7 of 7)

### 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 the proposed business activities and/or product lines supervised by each person following the proposed change\*

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

## Page: Standard 3 (screenshot 1 of 5)

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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.

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### 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;
  - 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; and
  - 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.\*

You have 4000 character(s) left.

## Page: Standard 3 (screenshot 3 of 5)

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2. 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.\*

You have 4000 character(s) left.

3. Indicate whether the Applicant or any Associated Persons have been found to have violated the same federal securities laws or regulations, the rules thereunder, or FINRA Rules on more than one occasion. In such instances, identify the nature of the repetitive occurrences, the corrective action the Applicant has taken to prevent future violations, and the specific persons with responsibility for supervision in the areas noted with repeat violations and/or Associated Persons who have been found to have repeat violations.\*

You have 4000 character(s) left.

4. Will this Application involve a transfer of assets without a corresponding transfer of liabilities?\*

Yes  No

Provide details regarding any pending arbitration claims or closed or settled arbitration matters as follows:

a. A summary that clearly describes each claim, including the amounts claimed for pending matters, the current status, and the amount of settled matters.\*

## Page: Standard 3 (screenshot 4 of 5)

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- b. A statement detailing the treatment of unpaid and pending arbitration claims on the Applicant's financial statements. If pending arbitrations are classified as contingent liabilities, the Applicant should explain its method for calculating amounts on its financial statements. If pending arbitrations are not included on its financial statements, explain why they are not disclosed. Additionally, the Applicant must promptly update information provided regarding arbitration claims. The updates should include new arbitrations filed, settlements made and awards granted against the Applicant.

You have 4000 character(s) left.

### Provide supporting documents.

1. Documentation of any of the events described in NASD Rule 1014(a)(3), unless the event has been reported to the CRD system

2. If this Application involves a transfer of assets with no corresponding transfer of associated liabilities, and there are pending arbitration claims or closed or settled arbitration matters, provide the following:

- a. For claims pursuant to which an award was granted: documentation (e.g., copies of the front and back of cancelled checks) evidencing that the Applicant has satisfied the award in full (in cases of unpaid awards, the Applicant must pay the awards before closing the transaction)

- b. For matters that have been settled: a copy of the settlement documentation and evidence that the required settlement payments have been made in full

## Page: Standard 3 (screenshot 5 of 5)

Standard 2: Licenses and registrations

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

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- c. Opinions of counsel and any documentation developed by the Applicant's FinOp Principal, accountants, and/or auditors that support the Applicant's treatment of unpaid and pending arbitration or civil litigation claims

- d. Three additional documents: a written "Arbitration Plan" explaining how the Applicant will handle the arbitrations and awards that may result; a statement describing the relationship of the firms involved in the transaction ("Relationship Statement"); and a statement of the plans of key personnel of the Applicant and the Applicant's owners ("Statement of Future Plans")

- i. The Arbitration Plan should include (i) the expected date for concluding the arbitrations, (ii) the method by which the Applicant expects to resolve the arbitrations (e.g., mediation, settlement, hearing), and (iii) the provision that the Applicant will make for payment of awards (e.g., reserve fund, retention of proceeds of asset transfer, no provision for payment).

- ii. The Relationship Statement should cover (i) whether the firms are affiliated or have common (direct or indirect) ownership greater than 5% and (ii) plans of key personnel or owners to associate with the acquiring firm.

- iii. The Statement of Future Plans should describe (i) intended use of proceeds of the transaction and (ii) future plans in the securities business of owners and key personnel (if known) (e.g., Will they associate with another firm? Do they plan to start a new firm?).

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

## Page: Standard 4 (screenshot 1 of 3)

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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. Identify whether any new agreements or business relationships are being established or whether existing agreements are being modified in order to effectuate the proposed change. Such agreements may include, but are not limited to, expense sharing, clearing, custody, outsourcing, independent contractor, etc.\*

You have 4000 character(s) left.

2. Identify any dependencies or conditions (e.g., shareholder approval, regulatory approval) that must be satisfied prior to conducting the proposed change.\*

You have 4000 character(s) left.

3. Will the proposed change result in the creation of an expense sharing agreement ("ESA") or amendment to an existing 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.)\*

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### Provide supporting documents.

1. Copies of the Applicant's Fidelity bond and cancellation rider (if impacted by the proposed change)

2. Agreements, to the extent any such agreements are put in place, replaced or amended as a result of the proposed change, including:

- a. Clearing agreements

- b. Administrative services agreement

- c. Agreement with FinOp Principal

- d. Commission sharing agreement

- e. Technology services agreement, including arrangements with third-party providers of electronic storage media (SEC Rule 17a-4(f))



## Page: Standard 4 (screenshot 3 of 3)

f. Compliance services/support agreement

g. Expense sharing agreements and supporting documents, including bank statements, tax returns, etc., as applicable

h. Other agreements pertinent to the conduct of the proposed change

3. Transaction documents (e.g., letter(s) of intent, asset purchase agreements, share purchase agreements, merger agreements, board resolutions)

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

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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. Is the Applicant making any material changes to existing facilities or locations, or will any proposed change in business require additional space and/or locations?\*

Yes  No

Regarding changes to existing facilities or locations or the addition of space:\*

- Describe the contemplated changes, including the location of any additional branch offices and non-branch locations.
- 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 are anticipated to 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.

## Page: Standard 5 (screenshot 2 of 4)

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

Yes  No

Regarding the space sharing arrangements:\*

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

You have 4000 character(s) left.

4. Will the Applicant enter into or acquire any new lease or sublease arrangements as a result of the proposed change?\*

Yes  No

Regarding the lease and/or sublease arrangements:\*

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

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5. Will the proposed change result in any change in locations of the Applicant that are owned premises, or result in the addition of private residence used as offices of the Applicant?\*

Yes  No

Regarding the Applicant's owned premises and/or use of private residence locations:\*

- 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 utilize the residential location for business purposes.
- Describe the intended use of any private residence locations for the Applicant's business.
- Describe any change to Applicant owned premises as a result of the change.

You have 4000 character(s) left.

### Provide supporting documents.

1. For each leased location impacted by the proposed change, the master lease (the agreement between the owner of the property and the initial lessee)

2. For each sub-leased location impacted by the proposed change, the sub-lease

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

4. For each owned premises impacted by the proposed change, draft or executed deed of ownership

*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.*

5. Space sharing agreements impacted by or implemented as a result of the proposed change

6. A supervisory chart or listing which evidences the supervisory structure, the location of each designated supervisor, the number of Associated Persons currently supervised by each, and the anticipated additional number of Associated Persons to be supervised as a result of the proposed change

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

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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. Describe (i) the impact, if any, on the communication and operational systems of the Applicant which are utilized for the purpose of conducting business with customers and other firms, (ii) the adequacy of such systems in light of the proposed change, and (iii) the impact on plans in place to ensure business continuity.\*

You have 4000 character(s) left.

2. Describe how the systems and equipment of the Applicant will be impacted by the proposed change, and how the Applicant will address potential issues (e.g., adding new systems/equipment, modifying existing systems).\*

You have 4000 character(s) left.

3. Regarding business continuity, describe how the proposed change impacts capacity in light of any anticipated increase in usage levels, and describe in detail any changes to contingency plans to address system failures, disaster recovery plans, system security, etc.\*

You have 4000 character(s) left.

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4. Will the Applicant conduct business from multiple locations as a result of the proposed change?\*

Yes  No

Describe how the Applicant will supervise and monitor the electronic communications taking place at the Applicant's impacted locations, describing any systems to be used to assist the Applicant in doing so.\*

You have 4000 character(s) left.

5. Will, as a result of the proposed change, one or more of the Applicant's proposed locations be the residence of an Associated Person?\*

Yes  No

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

You have 4000 character(s) left.

6. Will the proposed change affect or result in the Applicant's use of 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 regarding such mediums (see for example, Regulatory Notices 10-06 and 11-39).\*

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You have 4000 character(s) left.

### Provide supporting documents.

1. Business continuity plan (if impacted)

2. Business continuity disclosure statement (if available)

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

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. A systems conversion timeline, testing plan, and implementation schedule for proposed changes (if applicable)

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



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### **Standard 7: Maintaining adequate net capital**

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:

- (A) the amount of net capital sufficient to avoid early warning level reporting requirements, such as SEA Rule 17a-11;
- (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;
- (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;
- (D) any plan to enter into other contractual commitments, such as underwritings or other securities-related activities;
- (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
- (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.

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

1. Provide a detailed description of<sup>\*</sup>
  - a. the nature and source of the Applicant's capital;
  - b. the terms and conditions of all financing arrangements; and
  - c. any impact to the Applicant's ability to maintain net capital in excess of the Applicant's existing (or revised) minimum net capital requirement, and to support, on a continuing basis the business operations as proposed by the Applicant.

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2. Will the Applicant, in connection with the proposed change, rely on any form of subordinated lending relating to its capital position?\*

Yes  No

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, and any change in net capital calculation methodology by the Applicant, as a result of the proposed change.\*

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

Yes  No

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

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

6. In connection with the proposed change, 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.

Date or Anticipated Date	Source	Recipient	Amount	Transfer Instrument
12/25/11	ABC Ventures	XYZ Securities	\$100,000	Wire

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### Provide supporting documents.

1. Verification of all funding, including but not limited to the below list. The information provided must provide Staff with a clear picture of the movement of funds from their origin to the Applicant, including any movement between intermediary and/or holding companies.

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, and also the three prior months

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, and also the three prior months

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

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

e. As applicable to the proposed change: pro-forma financial statements of the Applicant for twelve months, specifically identifying revenues and expenses related to the proposed change as well as the impact to equity, net capital, and projected profit or loss

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Standard 11: Books and records

f. Financial assumptions supporting the monthly projections\*

Standard 12: Continuing education

2. If the Applicant proposes to use a form of subordinated lending: a draft of the anticipated agreement and related supporting documentation (as detailed in Regulatory Notice 10-15)

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

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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 financial controls

1. Identify the impact of the proposed change on the financial controls, systems, policies, and procedures that the Applicant will use to enable the 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.\*

You have 4000 character(s) left.

2. Describe how the proposed change will affect any of the following items:\*

- a. Accounting system
- b. Hardcopy and/or electronic books and records
- c. Authorized signatories on bank and trading accounts
- d. Individual(s) responsible for daily journal entries and monthly closing of books and records
- e. Authorizations required and procedures regarding withdrawals of capital
- f. If the FinOp Principal works offsite or remotely: whether he or she will have online access to bank accounts, clearing accounts, etc., and whether that access will be read-only
- g. Whether the Applicant will employ or associate 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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You have 4000 character(s) left.

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

3. Will the FinOp Principal change as a result of this Application?\*

Yes  No

Provide the name and CRD ID of the Applicant's proposed FinOp Principal\*

You have 4000 character(s) left.

4. Will the Applicant have more than one FinOp Principal as a result of the change?\*

Yes  No

Provide a statement explaining the rationale for more than one FinOp Principal and the duties that each will execute.\*

You have 4000 character(s) left.

5. Provide a detailed description of the prior work experience of the Applicant's FinOp Principal relative to the business activities the Applicant will conduct following the change. (This description must also address how the individual satisfies NASD Rule 1014(a)(10)(D) which requires one year of direct or two years related experience in the subject area to be supervised. )\*

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

Yes  No

FinOp Principal CRD ID\*  [Retrieve this person](#)

Upon entering the CRD ID of the part-time or dually associated FinOp Principal(s) of the Applicant, certain information will be populated in the table below, such as information obtained from submissions made through the CRD system. 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 FinOp 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 Principal and non-FinOp principal) in which the FinOp Principal(s) will be serving (examples might include general securities principal, chief compliance officer, others) for each listed firm
  - 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, etc.)

Principal	Principal CRD ID	Associated firm(s)-	Associated firm CRD ID	Percentage of time per week	Capacities and firm type
██████████	██	██████████	██		Delete
██████████	██	██████████	██████████		Delete



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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, particularly in light of the proposed change.

You have 4000 character(s) left.

- 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, particularly in light of the proposed change.

You have 4000 character(s) left.

### Provide supporting documents.

1. Rule 3270 (formerly Rule 3030) notifications for the FinOp Principal (if applicable)

2. Financial control procedures (if altered by the proposed change)

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

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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.

#### Explain how this Standard is met.

1. Describe any impact upon the Applicant's compliance, supervisory, operational, and internal control practices and standards in light of the proposed change.\*

You have 4000 character(s) left.

#### Provide supporting documents.

1. Written supervisory procedures ("WSPs") impacted by the proposed change, including:

- a. Written supervisory control procedures

- b. Anti money laundering procedures

- c. Financial control procedures

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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 business activity or product line (including activities or product lines 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*
- *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 not be deemed adequate under this Standard.*

2. WSP checklist, as it pertains to procedures impacted by the change

3. Sample of the reports (if impacted by the proposed change) utilized 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

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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.

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**Standard 10: Supervisory structure**

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### Explain how this Standard is met.

1. Describe any changes or additions to<sup>\*</sup>
  - a. management or supervisory personnel (including heads of business lines),
  - b. addition of offices,
  - c. changes to supervisory responsibilities,
  - d. changes involving heightened supervision, and
  - e. any changes to supervisory systems or to the supervisory framework.

You have 4000 character(s) left.

2. Persons identified in Form CMA who are or will be responsible for discharging supervisory functions must have a minimum of one year of direct experience or two years of related experience in the subject area to be supervised. (See NASD Rule 1014(a)(10)) In light of the noted requirement, describe the relevant experience of personnel to supervise new or expanded areas of the Applicant's business relating to the proposed change, including (at a minimum)<sup>\*</sup>
  - a. where such experience was obtained,
  - b. duration of the experience, and
  - c. positions held and responsibilities.

You have 4000 character(s) left.

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3. Will the proposed change to the Applicant result in a change in Chief Compliance Officer?\*

Yes  No

- a. Provide the name, CRD ID and a detailed description of the direct experience of the proposed Chief Compliance Officer in light of the proposed business activities the Applicant will conduct following implementation of the proposed change. If the proposed CCO does not possess prior direct experience, 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, the rules and regulations thereunder, and FINRA Rules.\*

You have 4000 character(s) left.

- b. If the proposed change will result in the expansion of the product or business areas for which the existing CCO is responsible, provide a description of the current CCO's direct experience (related to the new product or business area). If the current CCO does not possess prior direct experience, provide a detailed description of the current 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 current CCO has experience with products, with business activities, with compliance, and experience with the SEA, the rules and regulations thereunder, and FINRA Rules.\*

You have 4000 character(s) left.

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### Standard 10: Supervisory structure

Standard 11: Books and records

Standard 12: Continuing education

#### Provide supporting documents.

1. Rule 3270 (formerly Rule 3030) notification(s) for 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.

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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 any changes to the Applicant's recordkeeping system as a result of the proposed change, specifically identifying any impact to\*
  - 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).

You have 4000 character(s) left.

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

You have 4000 character(s) left.



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3. Describe how the Applicant's records storage (including email) will be impacted by the proposed change, specifically identifying (for example):\*

- a. hardcopy,
- b. microfilm/microfiche,
- c. optical storage technology, or
- d. other media or methods.

You have 4000 character(s) left.

4. Describe any changes to the location where the Applicant's electronic records will be maintained (including email archives).\*

You have 4000 character(s) left.

5. Identify all new types of records to be created and maintained as a result of the proposed change.\*

You have 4000 character(s) left.

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Standard 9: Written procedures

**Provide supporting documents.**

Standard 10: Supervisory structure

**Standard 11: Books and records**

1. A conversion timeline, testing plan, and implementation schedule for the proposed recordkeeping system changes (if applicable)

Standard 12: Continuing education

2. Samples of relevant books and records that will be created and maintained relating to the new business activities or as a result of the proposed change

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

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**Standard 12: Continuing education**

### **Standard 12: Continuing education**

NASD Rule 1014(a)(12): The Applicant has completed a training needs assessment and has a written training plan that complies with the continuing education requirements imposed by the federal securities laws, the rules and regulations thereunder, and NASD Rules.

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

1. Identify any changes to the Applicant's Continuing Education ("CE") program, including the Firm Element needs assessment and written training plan as a result of the proposed change. This should include identification of what additional courses may be required, which personnel will be required to participate, and the timeline for implementing the planned modification to the CE Firm Element.\*

2. Identify any changes to the person(s) responsible for the Firm Element and the Regulatory Element of the Applicant's CE program.\*

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

1. Revised continuing education training needs assessment and written training plan (if applicable)

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