




# New Member Application (NMA) Readiness Checklist

2024

This Readiness Checklist is intended to help a prospective applicant for FINRA membership evaluate whether it is prepared to apply for new FINRA membership. Refer to the [Guidance for New Member Applications \(NMA\)](#) for more details of the new membership application process. Prospective applicants can also email the [Membership Application Program](#) for further information.

I. Overview of the Applicant	
Status	Category
 Completed	Prepare a detailed description of each of the activities that the applicant proposes to conduct, describing each step of a typical transaction, beginning with any initial customer contact, and including, but not limited to, customer interface, clearance and settlement, trade errors/corrections, cancellations, as applicable.
 Completed	If the applicant proposes to operate a mobile application, alternative trading system (ATS), platform or other electronic interface (collectively, the Platform), confirm that the Platform is operationally ready for a live demonstration with FINRA staff. The term “operationally ready” means: <ul style="list-style-type: none"> <li>a. The version of the Platform to be used in the conduct of its securities business is complete at the time the matter is submitted to FINRA, which includes, but is not limited to, all quality assurance and similar testing as well as all proposed broker-dealer functions vis-à-vis use of the platform in the conduct of the applicant’s business; and</li> <li>b. The applicant is prepared to conduct a demonstration of its Platform via videoconference on the day the application is submitted as well as to provide screenshots of all relevant components as of the date of application submission to FINRA. At a minimum, the relevant components would include:                             <ul style="list-style-type: none"> <li>i. A customer onboarding and the entire life cycle of a transaction from inception to completion, including clearance and settlement, as applicable;</li> <li>ii. An internal supervisory and operational review of components; and</li> <li>iii. A “customer-facing” view of the system.</li> </ul> </li> </ul>
 Completed	Identify all principals who will supervise the applicant’s activities.



<p style="text-align: center;">○ Completed</p>	<p>Confirm whether each of the principals identified above has the appropriate licenses or a scheduled exam window within 60 days of the anticipated date of application submission.</p>
<p style="text-align: center;">○ Completed</p>	<p>Prepare an organizational chart describing both the applicant's direct and indirect ownership structure, including the percentage ownership of the applicant held by each direct and indirect owner.</p>
<p style="text-align: center;">○ Completed</p>	<p>If the applicant is proposing to engage in digital asset securities activities, provide the following:</p> <ul style="list-style-type: none"> <li>a. Confirmation that the applicant has determined that any digital asset securities it proposes to engage in qualify as securities under applicable securities laws and regulations, and with applicable FINRA rules, and current guidance;</li> <li>b. A detailed description of each step of the proposed digital asset securities activities transaction process; and</li> <li>c. A detailed description of the clearance, settlement and custody of such digital asset securities.</li> </ul>
<p style="text-align: center;">○ Completed</p>	<p>If the applicant is proposing to operate an ATS for primary and/or secondary trading of digital asset securities, provide confirmation of the following:</p> <ul style="list-style-type: none"> <li>a. Determination of whether the applicant will operate the ATS pursuant to the Four-Step Process or the Three-Step Process in accordance with applicable SEC and FINRA guidance; and</li> <li>b. A detailed, step-by step description of the transaction process on the ATS, including the clearance, settlement and custody of the digital asset securities.</li> </ul>

## II. Contractual and Business Relationships


Status	Category
<p style="text-align: center;">○ Completed</p>	<p>Provide copies of the following agreements, as applicable, to the applicant's proposed activities:</p> <ul style="list-style-type: none"> <li>a. An expense sharing agreement;</li> <li>b. The fidelity bond (or the application for the bond), including the FINRA cancellation rider;</li> <li>c. Administrative services agreement (if applicable);</li> <li>d. Agreement with Financial Operations principal (if applicable);</li> <li>e. Technology services agreement, including arrangements with third-party providers of electronic storage media (see SEA Rule 17a-4(f));</li> <li>f. Clearing Agreement or a Letter of Intent from the clearing firm (if applicable); and</li> </ul>


	g. Other agreements that may be pertinent to the conduct of the proposed business activities (if applicable).
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### III. Maintaining Adequate Net Capital


Status	Category
 Completed	Provide a detailed description of the nature and source of the applicant's capital.
 Completed	Provide documentation reflecting all funding/capitalization of the applicant. The information submitted must provide a clear picture of the movement of funds from its ultimate source of origin to the applicant.

### IV. Compliance with Securities Laws, Just and Equitable Principles of Trade

Status	Category
 Completed	<p>Be prepared to provide detailed information as to whether the applicant or any of its associated persons is the subject of any event that would trigger the rebuttable presumption of denial of the application under FINRA <a href="#">Rule 1014(b)(1)</a>. These events include:</p> <ol style="list-style-type: none"> <li>a. A state or federal authority or self-regulatory organization has taken adverse action against the applicant or an associated person;</li> <li>b. The applicant or associated person is the subject of any of the following:             <ol style="list-style-type: none"> <li>i. A pending, adjudicated, or settled regulatory action or investigation by the SEC, the CFTC, a federal or state regulatory agency, or foreign financial regulatory authority, or a self-regulatory organization;</li> <li>ii. An adjudicated or settled investment-related private civil action for damages or an injunction; or</li> <li>iii. A criminal action (other than a minor traffic violation) that is pending, adjudicated or that has resulted in a guilty or no contest plea;</li> </ol> </li> <li>c. The applicant, its control persons, principals, registered representatives, other associated persons, or other persons described in <a href="#">Rule 1014(a)(3)(D)</a> are subject to unpaid arbitration awards, other adjudicated customer awards, or unpaid arbitration settlements;</li> <li>d. An applicant or associated person is the subject of a pending arbitration claim;</li> <li>e. 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 or rules, a self-regulatory organization rule, or industry standard of conduct; or</li> <li>f. A state or federal authority or self-regulatory organization has</li> </ol>

	imposed a remedial action, such as special training, continuing education requirements, or heightened supervision, on an associated person of the applicant.
	Be prepared to provide detailed information as to whether the applicant or any of its associated persons has been found to have violated the federal securities laws or regulations, the rules thereunder, or FINRA rules.

## V. Written Supervisory Procedures (WSPs)

Status	Category
	Provide documentation for each of the following: <ol style="list-style-type: none"> <li>WSPs;<sup>1 2</sup></li> <li>Anti-money laundering procedures;</li> <li>Financial control procedures;</li> <li>Internal operating procedures; and</li> <li>Internal control procedures.</li> </ol>

<sup>1</sup> As a reminder, please ensure that the WSPs clearly state:

- Who** – the identification of the principal/supervisor responsible for conducting the subject procedure;
- What** – a description of the specific procedure that is to be conducted by the principal/supervisor;
- When** – a statement as to when or how often the specific procedure is to be conducted; and
- How Evidenced** – a statement as to how the applicant will evidence the fact that the procedure has been conducted.

<sup>2</sup> See [Notice to Members 98-96](#), *NASD Elaborates On Member Firms' Supervision Responsibilities For Trade Reporting And Market-Making Activities*, (December 1998)

## FINRA Compliance Tool Disclaimer

This optional tool is provided to assist member firms. This tool is provided as a starting point, and you must tailor this tool to reflect the size and needs of your firm. Using this tool does not guarantee compliance with or create any safe harbor with respect to FINRA rules, the federal securities laws or state laws, or other applicable federal or state regulatory requirements. This tool does not create any new legal or regulatory obligations for firms or other entities.

**Updates** – This tool was last updated on July 10, 2024. This tool does not reflect any regulatory changes since that date. FINRA periodically reviews and update these tools. FINRA reminds member firms to stay apprised of new or amended laws, rules and regulations, and update their WSPs and compliance programs on an ongoing basis.

Member firms seeking additional guidance on certain regulatory obligations should review the relevant [FINRA Topic Pages](#).

**Staff Contact(s)** – FINRA's Office of General Counsel (OGC) staff provides broker-dealers, attorneys, registered representatives, investors and other interested parties with interpretative guidance relating to FINRA's rules. Please see [Interpreting the Rules](#) for more information.

### OGC staff contacts:

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