

Disclosure Video Series

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Disclosure Video Series

Organization Reporting: Forms BD & BDW

August 15, 2024

Agenda

- 01 | Getting Started
- 02 | Control, Owners & Affiliates
- 03 | Disclosure & Arrangements
- 04 | Frequently Seen Deficiencies
- 05 | Withdrawal & Termination

Firm Name Reservation

> [REGISTRATION, EXAMS AND CE](#) > [BROKER-DEALER REGISTRATION](#) > [REGISTER A NEW BROKER-DEALER FIRM](#)

Reserving a Firm Name

Staff in FINRA's Regulatory Review and Disclosure unit must review and approve all proposed names for firms applying for FINRA membership and for current FINRA member firms seeking a name change. A firm may reserve a name by submitting a completed [Firm Name Reservation Request Form](#).

Note: FINRA does not research names for use as Doing Business As (DBA) in states, and the Firm Name Reservation Request Form is not intended for investment adviser (IA)-only firms.

Please [contact the state](#) directly for DBA and IA-only firm name guidance. Investment adviser firms can also consult the [How to Access IARD](#) page for more information about requesting and maintaining access to the Investment Adviser Registration Depository (IARD) and its supporting systems.

All prospective and current FINRA member firms are strongly encouraged to reserve their proposed names prior to submitting a filing with the new name.

After a firm name reservation request is submitted to FINRA, staff reviews the proposed name for compliance with federal law and FINRA's By-Laws and rules. Below is an overview of these requirements and other factors that firms may wish to consider before submitting a proposed name to FINRA.

Firm Name Reservation

Factors considered:

- First Words
- Number of Similar or Identical Words
- Familiarity
- Distinctiveness
- Special Circumstances
- Location, Services and Products
- FINRA Rule 2010
- Additional Considerations

Prohibited Words:

- “National”
- “Federal”
- “United States”
- “Reserve”
- “Deposit Insurance”

See <https://www.finra.org/registration-exams-ce/broker-dealers/new-firms/name-guidelines> for additional considerations and information.

Form BD – Initial & Amendments

Initial & Amendment Filings are submitted electronically

- Submission of notarized hard-copy of BD Initial still required
 - Ensure that the electronic and hard-copy applications are identical
 - The hard copy of the electronic filing can be found within the filing history

Timely Amendments Required – Update within 30 Days

- Maintain current Form BD information, including (but not limited to) changes to:
 - Direct Owners/Executive Officers (Schedule A) and Indirect Owners (Schedule B)
 - Affiliates
 - Disclosure Questions & Disclosure Reporting Pages (DRPs)
 - Industry Arrangements

Form BD – *Control*, defined

“For the purpose of the Form BD, control is the power, directly or indirectly, to direct the management or policies of a company, whether through ownership of securities, by contract, or otherwise. Any person that

(i) is a director, general partner or officer exercising executive responsibility (or having similar status or functions);

(ii) directly or indirectly has the right to vote 25% or more of a class of a voting security or has the power to sell or direct the sale of 25% or more of a class of voting securities; or

(iii) in the case of a partnership, has the right to receive upon dissolution, or has contributed, 25% or more of the capital, is presumed to control that company.”

- Source: Forms BD and BDW Explanation of Terms, April – Version 2014.1

Form BD – *Control*, defined

- At least one individual must be designated as a *control person* on Schedule A
- Common Presumptive Control Titles:
 - President
 - CEO
 - Chairman of the Board
 - General Partner

“Note that under this definition most executive officers and all 25% owners, general partners, and trustees would be “control persons”. - Form BD, Schedules A & B

Form BD – Schedule A: Direct Owners & Executive Officers

2. List below the names of:

(a) each Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, Chief Legal Officer, Chief Compliance Officer, Director, and individuals with similar status or functions;

(b) in the case of an *applicant* that is a corporation, each shareholder that directly owns 5% or more of a class of a voting security of the *applicant*, unless the *applicant* is a public reporting company (a company subject to Sections 12 or 15(d) of the Securities Exchange Act of 1934);

Direct owners include any *person* that owns, beneficially owns, has the right to vote, or has the power to sell or direct the sale of, 5% or more of a class of a voting security of the *applicant*. For purposes of this Schedule, a *person* beneficially owns any securities (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant or right to purchase the security.

(c) in the case of an *applicant* that is a partnership, **all** general partners and those limited and special partners that have the right to receive upon dissolution, or have contributed, 5% or more of the partnership's capital; and

(d) in the case of a trust that directly owns 5% or more of a class of a voting security of the *applicant*, or that has the right to receive upon dissolution, or has contributed, 5% or more of the *applicant's* capital, the trust and each trustee.

(e) in the case of an *applicant* that is a Limited Liability Company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 5% or more of the LLC's capital, and (ii) if managed by elected managers, all elected managers.

Form BD – Schedule B: Indirect Owners

2. With respect to each owner listed on Schedule A, (except individual owners), list below:

(a) in the case of an owner that is a corporation, each of its shareholders that beneficially owns, has the right to vote, or has the power to sell or direct the sale of, 25% or more of a class of a voting security of that corporation; For purposes of this Schedule, a *person* beneficially owns any securities (i) owned by his/her child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, sharing the same residence; or (ii) that he/she has the right to acquire, within 60 days, through the exercise of any option, warrant or right to purchase the security.

(b) in the case of an owner that is a partnership, **all** general partners, and those limited and special partners that have the right to receive upon dissolution, or have contributed, 25% or more of the partnership's capital; and

(c) in the case of an owner that is a trust, the trust and each trustee.

(d) in the case of an owner that is a Limited Liability Company ("LLC"), (i) those members that have the right to receive upon dissolution, or have contributed, 25% or more of the LLC's capital, and (ii) if managed by elected managers, all elected managers.

Form BD – Schedule B: Indirect Owners

Form BD – Applicant



Schedule A – Direct Owner: Holding Company



Schedule B -

Indirect Owner: LLC 1

Indirect Owner: LLC 2

Indirect Owner: LLC 3

&

Owner 1 of LLC 1

Owner 1 of LLC 2

Owner 1 of LLC 3

Owner 2 of LLC 2

Owner 2 of LLC 2

Owner 2 of LLC 3

Form BD – Item 10: Control Affiliates

10A. Directly or indirectly, does *applicant* control, is *applicant* controlled by, or is *applicant* under common control with, any partnership, corporation, or other organization that is engaged in the securities or investment advisory business?

10B. Directly or indirectly, is *applicant* controlled by any bank holding company, national bank, state member bank of the Federal Reserve System, state non-member bank, savings bank or association, credit union, or foreign bank?

Form BD – Item 11: Disclosure Questions

- Disclosure types that are reportable on Form BD
 - Criminal (“in the past ten years ...”)
 - Regulatory Action
 - Civil Judicial Action
 - Financial
 - Bankruptcy
 - Bond
 - Judgment/Lien
- Disclosure types that are not reportable on Form BD
 - Personal Bankruptcies, Judgments and Liens
 - Customer Complaints and Arbitrations
 - Investigations and Wells Notices
 - Most pending consumer-initiated civil litigation
NOTE: If a *proceeding* could result in a “yes” answer to any other Civil Judicial Action Disclosure question (11H(1)), disclosure is required in response to 11H(2).

Form BD – Disclosure Reporting Pages

- Part I – Identifies the subject (applicant, affiliate, or both) of the filing
 - ✓ Completed on every Form BD DRP
- Part II – Provides details of the event being disclosed
 - ✓ Completed if details are not reported by the registered affiliate(s)

PART I

A. The *person(s)* or entity(ies) for whom this DRP is being filed is (are):

The Applicant

Applicant and one or more control affiliates

One or more control affiliates

If this DRP is being filed for a *control affiliate*, give the full name of the *control affiliate* below (for individuals, Last name, First name, Middle name).
If the *control affiliate* is registered with the CRD, provide the CRD number. If not, indicate "non-registered" by checking the appropriate checkbox.

This DRP should be removed from the BD record because the *control affiliate(s)* are no longer associated with the BD.

B. If the *control affiliate* is registered through the CRD, has the *control affiliate* submitted a DRP (with Form U4) or BD DRP to the CRD System for the event? If the answer is "Yes," no other information on this DRP must be provided.

Yes **No**

NOTE: The completion of this form does not relieve the *control affiliate* of its obligation to update its CRD records.

Form BD – Items 7-9: Arrangements

- Item 7 – Introducing and Clearing Arrangements

- Item 8 – Custody Arrangements
 - Item 8A – Books and Records
 - Item 8B – Applicant’s Accounts, Funds, or Securities
 - Item 8C – Customers’ Accounts, Funds, or Securities

- Item 9 – Control Persons / Financings
 - Item 9A – Control Persons
 - Item 9B – Business Financiers

NOTE: An Arrangement Page must be completed for each “Yes” answer and each arrangement.

Form BDW – Partial & Full

■ Partial BDW

- Terminates registrations with specific jurisdictions & SROs
 - ✓ Select the registrations to terminate
 - ✓ SEC Registration cannot be requested on a Partial BDW
 - ✓ Submission will also terminate individual registrations at the same time

■ Full BDW

- Terminates all registrations
 - ✓ Some terminations are effective immediately
 - ✓ Full BDW “Filed in Error” is not easily undone
 - ✓ Custodian Consent form is required for all full BDW filings
NOTE: Custodian must be either a FINRA member firm or individual associated with a member firm with current fingerprints on file.



For questions regarding CRD Organization reporting issues,
Call [240-386-4178](tel:240-386-4178) to speak with an Organization Analyst