



## Form CMA

### **GENERAL INSTRUCTIONS FOR COMPLETING THIS FORM**

This Form is intended for use by firms seeking FINRA approval of an application filed under NASD Rule 1017 for a change in ownership, control or business operations.

This Form has two sections for completion by the applicant firm. The first section seeks basic background information on the applicant, the contact person for the application, as well as seeks identification of the type of event that necessitates the filing of this Form CMA. The second section requires that detailed information and relevant supporting documentation be provided in order for FINRA staff to effectively evaluate the application in light of the standards identified in NASD Rule 1014. In addition to completing this Form, the submission of appropriate supporting documentation is required and firms are encouraged to make appropriate reference to supporting documentation (e.g., “See Exhibit A: Pro-Forma Financials”) when addressing each of the questions of Section II of this Form CMA.

Information and documentation provided as part of this application and amendments or supplements thereto must be complete and accurate. Pursuant to FINRA By-Laws, Article IV, Section 1(c), a member must ensure that its membership application, including this Form CMA, is kept current at all times by supplementary amendments. It should also be noted that the application and supporting documentation should consist of information relevant to the proposed change, tailored appropriately to the specifics of the transaction or business change contemplated.

This Form is intended to be used in conjunction with guidance made available by FINRA. The guidance is intended to provide applicants with a broader understanding of expectations around filings for the various types of changes or proposals that FINRA often receives. Such guidance is made available either as published Regulatory Notices or otherwise on [www.finra.org](http://www.finra.org). As a means to providing applicant firms with some initial background information, this Form also contains references to “Initial Guidance” for each question in section II of the Form. This “Initial Guidance” is not specific to the type of transaction but rather a quick reference as to what information is minimally needed for applications generally. (NOTE: Applications should, as applicable, address the “Initial Guidance”; however, an application that only addresses the “Initial Guidance” will not automatically result in it being deemed substantially complete.) Applicants should tailor the type of information provided throughout the application to the specifics of the proposed change and its impact to the firm.

**I. BACKGROUND INFORMATION**

1. Firm Name(s):
2. CRD #(s):
3. Contact Person(s) for Form CMA
  - a. Name(s):
  - b. Telephone number(s):
  - c. Email address(es):
4. Select the type of change that necessitated the filing of this application (**NOTE:** Where “material change in business operations” is selected, please also select all additional subcategories for the type of material change proposed):

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
  - [REDACTED]
- [REDACTED]

## **II. INFORMATION TO ADDRESS THE STANDARDS OF RULE 1014**

1. Describe in detail the proposed change in ownership, control or business operations that is contemplated and the reason(s) for the change.

### **INITIAL GUIDANCE:**

- Provide a complete account of the proposed change, identifying the terms and nature of the proposed change, the business reason(s) for the change, the financing for the transaction, and an overview of the impact(s) to the firm.
- Provide an updated business plan for the firm.
- Provide pre and post “corporate family” organizational charts
- If the application is for a change in ownership or control, include in the response and provide supporting documentation regarding the proposed new owner(s), the percentage of ownership, and the source of funding for the purchase and recapitalization.
- As applicable, if this application is filed on behalf of multiple firms, provide a signed writing, from a principal officer of each firm, indicating this application is being filed on the firms’ behalf.

### **RESPONSE:**

2. Identify whether the firm and its associated persons maintain all required licenses and registrations in order to effectuate the proposed change.

### **INITIAL GUIDANCE:**

- The firm and its associated persons must be properly licensed and registered as required by state and federal authorities and self-regulatory organizations.
- Provide the names, CRD numbers, exam qualifications, and experience for any changes or additions to management or supervisory personnel stemming from or relating to the change (e.g. heads of new business lines for addition of new business, changes to key personnel such as the CEO, CCO, FINOP, AML Officer, etc.)
- If no additions or changes are occurring stemming from or relating to the proposed change, the application should so note.

### **RESPONSE:**

3. Describe how the firm and its associated persons will continue to be capable of complying with securities industry rules, regulations and laws, including observing high standards of commercial honor and just and equitable principles of trade. In addressing this item, the firm should be cognizant that FINRA shall consider, with respect to the firm and any any associate person:

- a. Any adverse action taken by a state or federal authority or self-regulatory organization with respect to registration or license;

- b. Records reflecting a sales practice event, pending arbitration or pending civil litigation;
- c. Pending, adjudicated, or settled matters including: regulatory action or investigation by any federal, state or regulatory/self-regulatory authority, civil action for damages or injunction, criminal action (including those resulting in guilty or no contest plea), and unpaid arbitration award, other adjudicated customer awards, or arbitration settlements;
- d. Terminations for Cause or resignations permitted after an investigation of an alleged violation of federal or state securities laws or rules and regulations thereunder, self-regulatory rules or an industry standard of conduct;
- e. Federal, state or self-regulatory organization imposed remedial action; and
- f. Information from a state or federal authority or self-regulatory organization indicating the firm or its associated persons may pose a threat to public investors.

**INITIAL GUIDANCE:**

- The application should address itself to all matters that meet the above criteria applicable to the firm and/or its associated persons noting how the firm will continue to meet the standards of Rule 1014 in light of the noted matters. The application should identify the corrective action steps taken for each item that meets the above considerations.
- Applicants should be aware that a presumption of denial exists for an applicant (or associated persons of an applicant) that is subject to any events set forth in NASD Rule 1014(a)(3)(A) and (C) through (E). The presumption of denial may be rebutted. In seeking to rebut the presumption, the application should identify if and how the firm has modified its procedures, changed personnel (principals and non-principals), and/or enhanced supervision with respect to each matter that serves as a basis for the presumption of denial. In addition, the application should identify whether any repetitive matters have occurred and identify how the existence of such matters does not impair the firm's ability to adequately conduct its business in a compliant manner and in a manner that continues to meet the standards of Rule 1014(a).
- In addition to the above, identify if the firm or any associated persons have been found to have violated the same federal securities laws or regulations, the rules thereunder, or FINRA rules (including NASD rules and FINRA rules that have succeeded NASD rules), on more than one occasion. In such instances, identify the nature of the repetitive occurrences, the corrective action the firm has taken to prevent future violations, and the specific persons with responsibility for supervision in the areas of repeat violations and/or associated persons who have been found to have repeat violations.

**RESPONSE:**

4. Identify whether the firm has established all contractual arrangements and other business relationships with banks, clearing corporations, service bureaus, or others necessary to initiate and adequately maintain the operations proposed in the firm's business plan (as existing or as revised in this application) considering the nature and scope of operations and the number of personnel.

**INITIAL GUIDANCE:**

- As applicable, provide copies of any transaction documents (e.g. letter(s) of intent, asset purchase agreements, merger agreements, board resolutions, etc.) and identify any dependencies or conditions (e.g. shareholder approval, regulatory approval, etc.) that must be satisfied prior to closing.
- 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, lease, etc. Provide copies of documentation as applicable.

**RESPONSE:**

5. Describe the impact, if any, on the firm's facilities and the adequacy of facilities in light of the proposed or initiated operations described in the firm's business plan (as existing or as revised in this application) considering the nature and scope of operations and the number of personnel.

**INITIAL GUIDANCE:**

- Identify whether the firm will be adding to existing facilities or locations. Provide the location of the main and any additional branch offices.
- Identify whether the firm will be sharing space. If so, identify how the confidentiality of books and records will be maintained.
- As applicable, identify whether various departments (e.g., research, investment banking, trading, etc.) of the firm are separated by appropriate information and physical barriers and describe the methods for maintaining such barriers.
- As applicable to the proposed change, provide floor plans identifying appropriate physical barriers regarding the above.

**RESPONSE:**

6. Describe (i) the impact, if any, on the communication and operational systems of the firm employed 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.

**INITIAL GUIDANCE:**

- As applicable, describe how the systems and equipment of the firm will be impacted by the proposed change and how the firm will address potential issues (e.g., adding new systems/ equipment, modifying existing systems, etc.)
- Regarding business continuity, the application should describe how the proposed change impacts capacity in light of any anticipated increase in usage levels as well as describe in detail any changes to contingency plans to address system failures, disaster recovery plans, system security, etc.

**RESPONSE:**

7. Identify the impact to the firm's ability to maintain net capital in excess of the firm's existing (or revised) minimum net capital requirement and to support, on a continuing basis the business operations as proposed in the firm's business plan (as existing or as revised in this application). In addressing this item, the firm should be aware that FINRA may impose a higher net capital requirement after considering factors including but not limited to:
- a. Sufficiency of capital to avoid early warning levels;
  - b. The ability of the firm to meet 12 months of expenses, net of reliable revenues;
  - c. Planned market making activities, including type, volatility and number of markets to be made;
  - d. Plans to enter into contractual commitments including underwritings or other securities-related activities;
  - e. Plans 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 the firm will engage in that could reasonably have a material impact on net capital in first 12 months of business operations.

**INITIAL GUIDANCE:**

- If the proposed transaction is a change in ownership, provide complete details regarding the ultimate source(s) of funding including bank statements which should demonstrate the availability and actual source of ultimate funding.
- As applicable to the proposed change, provide pro-forma financial statements of the firm 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.
- Identify any impact to subordination, financing or expense sharing agreements of the firm and provide, as applicable, draft revised documentation regarding any modifications to such agreements.

**RESPONSE:**

8. Identify the impact and changes made, if any, to the financial controls the firm maintains to ensure compliance with federal securities laws, the rules and regulations thereunder and the rules of FINRA.

**INITIAL GUIDANCE:**

- Explain the impact and/or modifications to the firm's financial controls including any change in use of or access to the firm's general ledger or stock record, written supervisory procedures relating to books and records, and/or access to or use of stock or money movement/disbursement systems.
- Identify the relevant experience of the firm's designated FINOP, how many other firms, if any, the FINOP is associated with, and the number of hours the FINOP spends on the applicant firm alone.
- Describe any financial control related violations the firm has been cited for in the past five years and identify the corrective action that has been taken.

**RESPONSE:**

9. Describe the impact, if any, to the firm's compliance, supervisory, operational, and internal control practices and standards in light of the proposed change.

**INITIAL GUIDANCE:**

- Describe the analysis conducted of relevant controls to determine the need, if any, for enhancements or modifications to address the proposed change.
- Describe the changes made or anticipated such practices and standards as a result of the analysis conducted.
- Describe any compliance, supervisory, operational and/or internal control practice violations the firm has been cited for in the past five years and identify the corrective action that has been taken.
- Provide copies of updated written procedures that are relevant to or intended to address the proposed change.

**RESPONSE:**

10. Describe the additions and/or modifications made, if any, to the firm's supervisory system, including written supervisory procedures, and internal operating procedures, including operational and internal controls, designed to prevent and detect securities rules and regulations violations, in light of the proposed change considering:

- a. the adequacy of the number, location, experience and qualifications of supervisory personnel in light of the same for the 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 intended to be open and the nature and scope of business to be conducted for each office;
- b. the identification of associated persons to:
  - i. supervise and discharge each function of the firm's business plan (as it exists or as it will be revised as part of the proposed change), and
  - ii. supervise each of the firm's intended offices (whether registered or not);
- c. the identification of the functions to be performed by each associated person and the adoption of procedures regarding appropriate registration with FINRA, the states, and other regulatory or self-regulatory organizations;
- d. whether persons with supervisory functions have at least one year of direct experience or two years of related experience in subject area to be supervised;
- e. whether the firm will conduct solicitation of retail or institutional business;
- f. whether the firm will recommend securities to customers;
- g. whether the location or part-time status of a supervisor or principal officer affects their abilities to effectively discharge their responsibilities;
- h. whether any firm personnel are, will or should be placed under enhanced supervisory requirements (see Notice to Members 97-19);
- i. whether any remedial actions requiring special training, continuing education, or heightened supervision have been imposed on the firm or its personnel by any state or federal authority or any regulatory or self-regulatory organization; and
- j. whether any other conditions exist that may affect the firm's ability to detect and prevent violations thereunder or the rules of

**INITIAL GUIDANCE:**

- Identify the impact, if any, the proposed change will have, incorporating the above noted considerations, on the firm's supervisory procedures and systems,

including but not limited to, changes or modifications to individuals' supervisory responsibilities for new business lines, the addition of personnel or offices, changes or additions to heightened supervision, etc.

- Describe the relevant experience of personnel to supervise new or expanded areas of the firm's business resulting from or relating to the proposed change.
- Provide a description of any changes to the firm's operational systems and provide a conversion timeline, testing plan and implementation schedule for any such changes
- As applicable, describe the firm's plan and timeline for the training of new personnel or existing personnel taking on additional or modified responsibilities, in the areas of procedures, systems, and regulation in light of the proposed change.

**RESPONSE:**

11. Describe the impact and/or modifications to the firm's recordkeeping system as a result of the proposed change.

**INITIAL GUIDANCE:**

- Provide a description of any changes to the firm's recordkeeping systems including general ledger, stock record, communication systems, etc.
- Provide a conversion timeline, testing plan and implementation schedule for any changes to recordkeeping systems.
- As applicable, describe the firm's recordkeeping method to be employed by the firm to accommodate any proposed new or modified business activity.
- Attach samples of relevant books and records.

**RESPONSE:**

12. Identify any changes to the firm's Continuing Education ("CE") program including the Firm Element needs assessment and written training plan as a result of the proposed change.

**INITIAL GUIDANCE:**

- Identify how the firm has amended its CE needs assessment and written training plan to include any new or modified business activities. 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
- Provide a copy of the firm's updated written training plan.
- As applicable, the firm should address the reason why and the timeline for resolution of any existing or new associated persons of the firm whose status for CE Regulatory Element purposes is Inactive.

**RESPONSE:**



13. Provide any additional information regarding the firm or its associated person that is or could be indicative of the firm attempting to circumvent, evade or otherwise avoid compliance with federal securities laws, the rules and regulations thereunder, or FINRA Rules.

**INITIAL GUIDANCE:**

- Provide any additional information that has not otherwise been disclosed in the application which may be relevant to FINRA's evaluation of the proposed change.
- To the extent applicable, the firm should describe the corrective action implemented or planned relating to any findings that are relevant to the proposed change and which findings have formed the basis for a "Cautionary Action" with FINRA or have been noted in a written examination or exit report issued in the past five years by FINRA, the SEC or other regulatory organizations.

**RESPONSE:**