

SDDCO Releases Tips for Broker-Dealer Wannabes

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Registering a broker-dealer is not usually a DIY project, though some do manage to go the distance alone. SDDCO Regulatory Services LLC lays down the building blocks of the filing process for those who wish to get started or get some expert assistance.

To operate as a business, a broker-dealer must know and follow the rules governing the industry. This entails registering as a broker-dealer with the U.S. Securities and Exchange Commission (SEC), becoming a member of the Financial Industry Regulatory Authority (FINRA), heeding applicable state requirements, and, for most, an automatic membership in the Securities Investor Protection Corporation (SIPC).

Since FINRA is the designated examining authority for the SEC, the earliest steps include applying to FINRA for a name reserve/approval, funding a general account, sending along initial hard copy forms, and receiving a FINRA Entitlement ID and PW.

Compiling the FINRA new member application (NMA) is what takes the most time and effort, and it is generally constructed as follows.

1) BUILD A SOLID BUSINESS PLAN

Every applicant needs a comprehensive business plan, including specifics on structure, finances, and technology:

Structure: a management and organization chart, inclusive of principal biographies, products and services, client base, staffing requirements, work facilities, registered principals, critical third party relationships, outside legal counsel and auditor, Series 27 Financial & Operations Principal (FinOp), clearing firm, and fidelity bond provider (with certain vendors contracts in place)

Finances: the pro forma financial model, including present and projected finances, fixed costs, variable costs, and capital sources

Technology: a plan for technology systems in accord with FINRA requirements

2) DRAFT THE POLICIES & PROCEDURES

Every applicant must draft mandatory manuals:

- Written Supervisory Procedures
- Business Continuity Plan
- Anti-Money Laundering Program
- Continuing Education Program

3) MANAGE THE NMA ACCOUNT

Every applicant needs a WEB NMA Administrator to:

- Establish the FINRA WEB NMA Account
- Upload all required NMA forms, manuals, and supporting documents
- Administer WEB CRD and all FINRA systems as required

4) HANDLE EXAMINER REQUESTS

Every applicant needs to communicate with FINRA before, during, and after the FINRA pre-membership interview. The appointed representative will:

- Interpret and respond to FINRA communications
- Prepare for and attend the interview meeting
- Respond to any follow-up requests

Applying for FINRA membership (and registering with the SEC via FINRA) requires several standardized forms as well as multiple documents tailored to the proposed business. Once the NMA package is complete and sent electronically via FINRA FIRM Gateway, FINRA may take up to 180 days (about 6 months) to get back with a decision or response.

Those looking to open a broker-dealer—but not file solo—can call on SDDCO Regulatory Services LLC to pilot the entire process.

About SDDCO Regulatory Services LLC

SDDCO Regulatory Services LLC of The SDDCO Group provides full-service compliance consulting to investment advisers and broker-dealers on a project or retainer basis. Seasoned compliance professionals facilitate firm registrations, and support ongoing compliance with the rules and regulations of the industry. Service inquiries can be sent via Ask Us: www.sddco.com/AskUs

[The contents above are intended for general informational purposes only, not as a substitute for consulting with a professional.]

Related Documents:

[SEC Broker-Dealer Registration Where to File: www.sec.gov/answers/brkrldr.htm](http://www.sec.gov/answers/brkrldr.htm)

[FINRA Form NMA FAQ:](http://www.finra.org/web/groups/industry/@ip/@comp/@regis/documents/industry/p038809.pdf)

www.finra.org/web/groups/industry/@ip/@comp/@regis/documents/industry/p038809.pdf

[State Regulators List NASAA: www.nasaa.org/about-us/contact-us/contact-your-regulator/](http://www.nasaa.org/about-us/contact-us/contact-your-regulator/)

[SIPC Member FAQs: www.sipc.org/search?query=become+a+member](http://www.sipc.org/search?query=become+a+member)