

Guidance for Submitting Supplemental Information

The NASDAQ Full Membership Application requires applicants to submit 22 items of Supplemental Information. These items are required by NASDAQ Rule 1013(a)(1). The information submitted will be used to determine whether the applicant should be admitted to NASDAQ membership under Rule 1014(a). All 22 items of supplemental information are required to be submitted or addressed in the application. To the extent that a requirement does *not* apply to an applicant's specific line of business or situation, applicant should indicate this on the application and provide a detailed explanation.

The following is provided as additional guidance to assist in the preparation of an application for membership with NASDAQ. Explanations of the purpose for requested item of information are provided.

Applicant is required to provide the following information or to state why the information is not relevant:

- 1. A copy of the Applicant's current Form BD;**
Form BD is used to determine whether Applicant and its associated persons have all licenses and registrations required by governmental authorities and NASDAQ Rules.
- 2. An original NASDAQ-approved fingerprint card for each Associated Person who will be subject to SEC Rule 17f-2 and for whom a fingerprint card has not been filed with another self-regulatory organization;**
If the fingerprints of each of your Associated Persons are already in CRD, you do not have to resubmit, but please state that this is the case. Also, if an Associated Person is exempt from SEC Rule 17f-2, you do not have to submit a card for that person, but please document the exemption.
Fingerprint cards are used to confirm that the Applicant and its associated persons are capable of complying with the federal securities laws, the rules and regulations thereunder, and NASDAQ rules, including observing high standards of commercial honor and just and equitable principles of trade.
- 3. A check for such fee as may be required under the NASDAQ Rules;**
Please ensure that the check is for the correct amount (\$2,000) and is made out to NASDAQ.
- 4. A description of the Applicant's proposed trading activities on NASDAQ, such as the types of securities it will trade, whether it will be a market maker, an order entry firm, and/or engage in block trading activities, and the extent to which the Applicant is conducting such activities as a member of other self-regulatory organizations;**
Please provide a detailed summary of your proposed activities so we will know whether the firm will trade on NASDAQ as a market maker or an order entry firm and whether the firm conducts these activities on another exchange. This information also will be used to determine whether the firm is capable of maintaining a level of net capital in excess of the minimum net capital requirements in SEC Rule 15c3-1 adequate to support the applicant's current business operations on a continuing basis. Nasdaq, in the course of its review, may contact the firm's Designated Examining Authority (DEA).

5. A copy of the Applicant's most recent audited financial statements and a description of any material changes in the Applicant's financial condition since the date of the financial statements;

This information will be used to determine whether the firm is capable of maintaining a level of net capital in excess of the minimum net capital requirements in SEC Rule 15c3-1 adequate to support the applicant's current business operations on a continuing basis. NASDAQ may contact the firm's DEA for additional information.

6. An organizational chart;

This chart should reflect the organizational hierarchy of the firm's management and, at a minimum, should identify by name, title, and CRD number (or Social Security number) the firm's Chief Executive Officer, President, Chief Compliance Officer, key supervising principals and Financial and Operations Principal.

7. The intended location of the Applicant's principal place of business and all other offices, if any, whether or not such offices would be required to be registered under the NASDAQ Rules, and the names of the persons who will be in charge of each office;

Please include the identification of each location(s) where the Applicant conducts business, including who manages each location, regardless of whether or not the location is required to be registered as a branch office under Rule 3010. Include the names, titles, registration, location, and CRD numbers of the persons who are in charge of each office. Also include a written description of the business activity for each office.

8. A description of the communications and operational systems the Applicant will employ to conduct business and the plans and procedures the Applicant will employ to ensure business continuity, including: system capacity to handle the anticipated level of usage; contingency plans in the event of systems or other technological or communications problems or failures; system redundancies; disaster recovery plans; and system security, consistent with NASDAQ Rule 3510;

The applicant must supply this information to demonstrate compliance with Rule 3510, which requires that each member must create and maintain a Business Continuity Plan identifying procedures designed to address an emergency or a significant business disruption.

The elements that comprise a business continuity plan are flexible and may be tailored to the size and needs of the member. Each plan, however, must, at a minimum, address:

- *Data backup and recovery (hard copy and electronic);*
- *All mission critical systems;*
- *Financial and operational assessments;*
- *Alternate communications between the member and its employees;*
- *Alternate physical location of employees;*
- *Critical business constituent, bank, and counter-party impact;*
- *Regulatory reporting; and*
- *Communications with regulators*

For more information, you should review the information on FINRA's web site about [Business Continuity Planning](#).

9. A copy of any decision or order by a federal or state authority or self-regulatory organization taking permanent or temporary adverse action with respect to a registration or licensing determination regarding the Applicant or an Associated Person;

The purpose of this requirement is to enable Nasdaq to determine whether the applicant and its associated persons are capable of complying with the federal securities laws, the rules and regulations thereunder, and NASDAQ rules, including observing high standards of commercial honor and just and equitable principles of trade

To the extent that an action must be disclosed, Applicant should include a description of each determination.

10. A statement indicating whether the Applicant is currently, or has been in the last ten years, the subject of any investigation or disciplinary proceeding conducted by any self-regulatory organization, the foreign equivalent of a self-regulatory organization, a foreign or international securities exchange, a contract market designated pursuant to the Commodity Exchange Act or any substantially equivalent foreign statute or regulation, a futures association registered under the Commodity Exchange Act or any substantially similar foreign statute or regulation, the Commission or any other "appropriate regulatory agency" (as defined in the Act), the Commodity Futures Trading Commission, or any state financial regulatory agency regarding the Applicant's activities that has not been reported to the Central Registration Depository, together with all relevant details, including any sanctions imposed;

The purpose of the requirement in items 10 and 11 is to enable Nasdaq to determine whether the applicant and its associated persons are capable of complying with the federal securities laws, the rules and regulations thereunder, and NASDAQ rules, including observing high standards of commercial honor and just and equitable principles of trade. To the extent that a proceeding described above exists, Applicant should include a description of each proceeding.

11. A statement indicating whether any person listed on Schedule A of the Applicant's Form BD¹ is currently, or has been in the last ten years, the subject of any investigation or disciplinary proceeding conducted by any self-regulatory organization, the foreign equivalent of a self-regulatory organization, a foreign or international securities exchange, a contract market designated pursuant to the Commodity Exchange Act or any substantially equivalent foreign statute or regulation, a futures association registered under the Commodity Exchange Act or any substantially similar foreign statute or regulation, the Commission or any other "appropriate regulatory agency", the Commodity Futures Trading Commission, or any state financial regulatory agency regarding the Applicant's activities that has not been reported to the Central Registration Depository, together with all relevant details, including any sanctions imposed;

See note in item 10.

12. A copy of any contract or agreement with another broker-dealer, a bank, a clearing entity, a service bureau or a similar entity to provide the

¹ The direct owners and executive officers of the Applicant.

Applicant with services regarding the execution or clearance and settlement of transactions effected on NASDAQ;

Copies of agreements related to trading on NASDAQ show that the Applicant has made all necessary contractual arrangements necessary for the operations described in item 4.

13. If the Applicant proposes to make markets on NASDAQ, a description of the source and amount of Applicant's capital to support its market making activities on NASDAQ, and the source of any additional capital that may become necessary;

This information is necessary to determine whether the firm is capable of maintaining a level of net capital in excess of the minimum net capital requirements in SEC Rule 15c3-1 adequate to support the applicant's market making operations on a continuing basis. NASDAQ may contact the firm's DEA.

14. A description of the financial controls to be employed by the Applicant with respect to Rule 3011;

The purpose of this information is to demonstrate that the applicant has developed an Anti-Money Laundering program designed to achieve compliance with the USA PATRIOT Act of 2011 and Rule 3011. FINRA's [AML page](#) provides detailed information on what such a program should include.

15. A copy of the Applicant's written supervisory procedures (WSPs) with respect to the activities identified in paragraph 4;

The applicant must submit its WSPs to demonstrate that it 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 NASDAQ rules. The WSPs should include a description of the controls and procedures used by the firm to deter and detect misconduct and improper activity. At a minimum, the firm's WSPs should identify the designated responsible supervisor, describe the process the supervisor will follow to conduct each review, when (i.e., how frequently) such actions will be taken and how the supervisor will evidence that the required supervisory steps were taken. A repetition of the rule does not provide adequate guidance to a supervisor. The firm's procedures will be evaluated in relation to its planned activities on NASDAQ, and procedures for products or services not included in the firm's business should NOT be in its WSPs.

16. A list of the persons conducting the Applicant's market making and other trading activities, a list of the persons responsible for supervising such persons, and the CRD number (if applicable) or a copy of Form U-4 for each person;

Submission of this information will allow Nasdaq to determine whether the applicant has appropriately registered compliance, supervisory, operational, and internal control personnel. You may reference the organizational chart submitted in response to item 6 to respond to this question.

All proposed supervisors and principals must be appropriately licensed. The Rule 1010 Series outlines two registration requirements applicable to all applicants. The first is the **two-principal requirement** pursuant to Rule 1021(e), which is applicable to **firms that have more than 25 registered representatives**. The second is the requirement to have at least **one person**

qualified and registered as a **Financial and Operations Principal** or an Introducing Broker/Dealer Financial and Operations Principal under Rules 1022(b) and (c).

While we encourage all applicants to have all registrations in place before submitting their applications, individuals may take the Series 24 examination to satisfy the two-principal requirement while the firm's membership application is being reviewed or within 90 days after approval. While applications received where the proposed principals do not hold the requisite registrations can be approved before all required examinations are taken and passed, such approvals will be conditioned on individuals passing the Series 24 examination within 90 days after approval.

Principal Registration Requirement Waiver: An applicant may apply for a waiver of the two principal requirement of Rule 1021(e), based on the applicant conducting a very limited scope of business or the applicant having only one person registered with the firm. Please note that waivers should be requested early in the application process, generally as part of the initial application, to ensure a timely decision by NASDAQ. Failure to submit a timely request may result in processing delays or denial of the application based on the applicant's failure to meet the principal qualification requirements. Note also that an applicant may not obtain an exemption from the Financial and Operations Principal requirement. Each Applicant will be required to associate a Financial and Operations Principal appropriate to its proposed business.

If an applicant requests a waiver of the two-principal requirement then the applicant must submit the original request(s) in writing to:

The NASDAQ Stock Market
Membership Department
Attention: Deb Siluk
1735 K Street, NW
Washington, DC 20006-1506

This request may be submitted as part of the applicant's membership application.

- A request for a waiver or exemption must contain the following information:
- the applicant's name and address;
 - the name of the person associated with the member who will serve as the primary contact for the application;
 - the rule from which the member is seeking exemption or waiver; and a detailed statement of the grounds for granting the exemption or waiver.

17. If not previously provided to FINRA, a FINRA Entitlement Program Agreement and Terms of Use and an Account Administration Entitlement Form;

An existing broker-dealer that is member of another non-FINRA SRO should have already provided this form to FINRA.

18. A copy of the Applicant's most recent "FOCUS Report" (Form X-17a-5) filed with the SEC pursuant to SEC Rule 17a-5 (the most current Parts I, II, and III, as applicable);

This information also will be used to determine whether the firm is capable of maintaining a level of net capital in excess of the minimum net capital requirements in SEC Rule 15c3-1 adequate to support the applicant's current business operations on a continuing basis. NASDAQ may contact the firm's DEA for additional information.

19. All examination reports and corresponding responses regarding the Applicant for the previous two years from the self-regulatory organizations of which it is a member;

This information will be used to assess applicant's ability to comply with self-regulatory organization rules.

20. An agreement to comply with the federal securities laws, the rules and regulations thereunder, the NASDAQ Rules, and all rulings, orders, directions, and decisions issued and sanctions imposed under the NASDAQ Rules;

This agreement is included in the NASDAQ Full Membership Application and Agreement.

21. An agreement to pay such dues, assessments and other charges in the manner and amount as from time to time shall be fixed pursuant to the NASDAQ Rules; and

This agreement is included in the NASDAQ Full Membership Application and Agreement.

22. Such other reasonable information with respect to the applicant as NASDAQ may require.

During the application process, NASDAQ may request additional information from the Applicant. This information should be provided in a timely manner to ensure the most efficient review of the application.