

# Regulatory Notice

13-34

## Jumpstart Our Business Startups (JOBS) Act

### FINRA Requests Comment on Proposed Funding Portal Rules and Related Forms

Comment Period Expires: February 3, 2014

#### Executive Summary

FINRA is soliciting public comment on a set of proposed rules—referred to as the Funding Portal Rules—and related forms for SEC-registered funding portals<sup>1</sup> that become FINRA members pursuant to the crowdfunding provisions of the JOBS Act.<sup>2</sup>

The text of the proposed rules is available in [Attachment A](#) and the related forms are available as [Attachments B through E](#).

Questions regarding this *Notice* should be directed to:

- ▶ Patricia Albrecht, Associate General Counsel, Office of General Counsel (OGC), at (202) 728-8026; or
- ▶ Adam Arkel, Associate General Counsel, OGC, at (202) 728-6961.

#### Action Requested

FINRA encourages all interested parties to comment on the proposal. Comments must be received by February 3, 2014.

Comments must be submitted through one of the following methods:

- ▶ Emailing comments to [pubcom@finra.org](mailto:pubcom@finra.org); or
- ▶ Mailing comments in hard copy to:
 

Marcia E. Asquith  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1506

#### October 2013

##### Notice Type

- ▶ Request for Comment

##### Suggested Routing

- ▶ Compliance
- ▶ Legal
- ▶ Senior Management

##### Key Topics

- ▶ Crowdfunding
- ▶ Funding Portals
- ▶ JOBS Act

##### Referenced Rules & Notices

- ▶ FINRA By-Laws
- ▶ FINRA Rule 2010
- ▶ FINRA Rule 2020
- ▶ FINRA Rule 2210
- ▶ FINRA Rule 2268
- ▶ FINRA Rule 3310
- ▶ FINRA Rule 4360
- ▶ FINRA Rule 4530
- ▶ FINRA Rule 8000 Series
- ▶ FINRA Rule 8312
- ▶ FINRA Rule 9000 Series
- ▶ FINRA Rule 9520
- ▶ FINRA Rule 12000 Series
- ▶ FINRA Rule 13000 Series
- ▶ FINRA Rule 14000 Series
- ▶ NASD Rule 1010 Series
- ▶ NASD Rule 1160
- ▶ NASD Rule 3010
- ▶ NTM 03-73
- ▶ Regulatory Notice 12-34

To help FINRA process comments more efficiently, persons should use only one method to comment on the proposal.

**Important Notes:** All comments received in response to this *Notice* will be made available to the public on the FINRA website. In general, FINRA will post comments as they are received.<sup>3</sup>

Before becoming effective, a proposed rule change must be authorized for filing with the SEC by the FINRA Board of Governors, and then must be filed with the SEC pursuant to SEA Section 19(b).<sup>4</sup>

## Background & Discussion

The JOBS Act, enacted in 2012 with the goal of increasing American job creation and economic growth, contains key provisions relating to securities offered or sold through “crowdfunding.”<sup>5</sup> Funding portals that engage in crowdfunding on behalf of issuers relying on the JOBS Act’s “crowdfunding exemption”<sup>6</sup> must register with the SEC and become a member of a national securities association.<sup>7</sup> The JOBS Act prohibits funding portals from a variety of activities, including offering investment advice or recommendations, soliciting transactions for securities displayed on their websites, compensating employees for securities solicitations, and holding investor funds or securities.

FINRA is proposing rules and related forms for funding portals. This proposal, which reflects the rules recently proposed by the SEC, would implement in our rules the provisions of the JOBS Act. FINRA has streamlined the proposed rules to the extent possible to reflect the limited scope of activity permitted by funding portals while also maintaining investor protection.

In developing the proposed rules, FINRA has considered the comments that we received in response to [Regulatory Notice 12-34](#) (FINRA Requests Comment on Proposed Regulation of Crowdfunding Activities). In January, FINRA made available on its website the [Interim Form for Funding Portals](#) (IFFP), an online form for intermediaries that intend to apply for membership with FINRA as funding portals. Prospective funding portal members were invited, on a voluntary basis, to submit information to FINRA using the IFFP and thereby help to inform FINRA’s rulemaking process.<sup>8</sup>

The proposed Funding Portal Rules consist of a set of seven rules—Funding Portal Rules 100, 110, 200, 300, 800, 900 and 1200<sup>9</sup>—and related forms. Following are highlights of the proposed requirements.

### General Standards (Funding Portal Rule 100)

Proposed Funding Portal Rule 100 provides that all funding portal members (*i.e.*, including both funding portals and their associated persons) shall be subject to the FINRA By-Laws, unless the context requires otherwise, and the Funding Portal Rules. The rule further sets forth basic definitions modified as appropriate to apply to funding portal members.

### **Funding Portal Application (Funding Portal Rule 110, Form FP-NMA, Form FP-CMA and FP-SD Schedule)**

Proposed Funding Portal Rule 110(a) sets forth the membership application process (MAP) for funding portals. The membership application process will enable FINRA to assess whether funding portals are capable of complying with applicable regulations. The rule is based on the current NASD Rule 1010 Series membership rules that apply to broker-dealers. However, the process for funding portals is simplified to reflect the limited nature of their business.

Proposed Funding Portal Rule 110(a) thus would tailor the NASD Rule 1010 Series by:

- ▶ shortening the time frames for key events. For instance, the time frame for the Department of Member Regulation (Department) to provide a decision on a funding portal MAP application is 60 days after the application is filed (as opposed to 180 days in the broker-dealer MAP rules);
- ▶ streamlining and consolidating, from 14 to five, the NASD Rule 1010 Series standards for granting or denying an application. These five consolidated standards address a funding portal's: (1) ability to comply with applicable federal securities laws, rules and regulations and FINRA's Funding Portal Rules; (2) contractual or other arrangements and business relationships necessary to initiate operations; (3) supervisory system; (4) direct and indirect funding sources; and (5) recordkeeping system;
- ▶ providing that the membership interview may be conducted by video conference (or such other means as FINRA may specify);
- ▶ streamlining the process for appealing the Department's decision by reducing applicable filing and response time frames from 25 days for broker-dealers to 14 days and eliminating provisions providing for an appellate hearing; and
- ▶ narrowing the changes in ownership or control for which a funding portal member would be required to apply for approval.

Funding portals will apply for membership using proposed Form FP-NMA<sup>10</sup> and for changes in ownership and control using Form FP-CMA.<sup>11</sup> They will submit statutory disqualification information using the FP-SD Schedule.<sup>12</sup> The Form FP-NMA and Form FP-CMA require significantly less information than the broker-dealer counterpart forms, consistent with the limited scope of business to be conducted by funding portals.<sup>13</sup>

Proposed Funding Portal Rule 110(b) sets forth a streamlined version of FINRA Rule 4360 (Fidelity Bonds) and requires funding portal members to maintain fidelity bond coverage. The rule addresses among other things the minimum required coverage, deductible provision and notification of cancellation, termination or substantial modification of coverage.

### **Funding Portal Conduct (Funding Portal Rule 200)**

Based in large part on FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade), proposed Funding Portal Rule 200(a) requires a funding portal member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.

Proposed Funding Portal Rule 200(b), based in large part on FINRA Rule 2020 (Use of Manipulative, Deceptive or Other Fraudulent Devices), prohibits a funding portal member from effecting any transaction in, or inducing the purchase or sale of, any security by means of, or by aiding or abetting,<sup>14</sup> any manipulative, deceptive or other fraudulent device or contrivance.

Proposed Funding Portal Rule 200(c) is an abbreviated version of FINRA Rule 2210 (Communications with the Public), essentially prohibiting false and misleading statements.

### **Funding Portal Compliance (Funding Portal Rule 300)**

A funding portal member is required under proposed Funding Portal Rule 300(a) to establish and maintain a system to supervise the activities of each associated person of the funding portal member that is reasonably designed to achieve compliance with applicable securities laws and regulations and with the Funding Portal Rules. The rule is a streamlined version of current NASD Rule 3010 (Supervision) and is designed to permit funding portal members flexibility to tailor their supervisory systems to their business models.

Proposed Funding Portal Rule 300(b) requires each funding portal member to implement a written anti-money laundering (AML) program. This is consistent with the SEC's proposed requirements and Chapter X of Title 31 of the Code of Federal Regulations.<sup>15</sup> Accordingly, the proposed rule is similar to current FINRA Rule 3310 (Anti-Money Laundering Compliance Program); however, the proposed rule contemplates that all funding portals will be eligible to conduct the required independent testing for compliance every two years.

Proposed Funding Portal Rule 300(c) requires funding portal members to report to FINRA (and the obligations of such members' associated persons to report to the member) regulatory proceedings, disciplinary and other events. The rule is largely based on current FINRA Rule 4530 (Reporting Requirements). Funding portal members would use the Funding Portal Rule 300(c) Form for their reporting requirements pursuant to the rule.<sup>16</sup>

Based in large part on current NASD Rule 1160 (Contact Information Requirements), proposed Funding Portal Rule 300(d) requires funding portal members to report to FINRA all contact information required by FINRA through such means as FINRA may specify and to promptly update their required contact information.

### **Investigations and Sanctions (Funding Portal Rule 800)**

Under proposed Funding Portal Rule 800(a), funding portal members will be subject to the FINRA Rule 8000 Series (Investigations and Sanctions), unless the context requires otherwise. Paragraph (b) of the proposed rule includes a streamlined version of FINRA Rule 8312 (FINRA BrokerCheck Disclosure). The rule provides that FINRA shall make available to the public information filed by a funding portal member that is currently or was previously registered with FINRA, and that, except as otherwise provided by the rule, FINRA shall make available any information reported on the funding portal's most recently filed SEC registration forms. Further, under the rule, FINRA shall make available information filed by a funding portal member indicating whether the funding portal member or any associated person of the funding portal member is subject to a statutory disqualification.

### **Code of Procedure (Funding Portal Rule 900)**

Under proposed Funding Portal Rule 900(a), funding portal members will be subject to the FINRA Rule 9000 Series (Code of Procedure), unless the context requires otherwise. Paragraph (b) of the proposed rule includes a streamlined version of the current FINRA Rule 9520 Series (Eligibility Proceedings) and sets forth the procedures for a person to become or remain associated with a funding portal member notwithstanding the existence of a statutory disqualification, and for a funding portal member or person associated with a funding portal member to obtain relief from the eligibility or qualification requirements of the FINRA By-Laws or Funding Portal Rules.

### **Arbitration and Mediation (Funding Portal Rule 1200)**

Under proposed Funding Portal Rule 1200(a), funding portal members will be subject to the FINRA Rule 12000 Series (Code of Arbitration Procedure for Customer Disputes), FINRA Rule 13000 Series (Code of Arbitration Procedure for Industry Disputes) and FINRA Rule 14000 Series (Code of Mediation Procedure), unless the context requires otherwise. Paragraph (b) of the proposed rule addresses the use by funding portal members of predispute arbitration agreements for investor accounts. The rule is a streamlined version of current FINRA Rule 2268 (Requirements When Using Predispute Arbitration Agreements for Customer Agreements).

## Request for Comment

FINRA requests comment on all aspects of the proposed rules and related forms, including any potential costs and burdens that the proposal could impose on funding portals. FINRA particularly requests comment concerning the following issues:

- ▶ Do the proposed rules appropriately accommodate the scope of funding portal business as provided by the JOBS Act? If not, what other accommodations are appropriate and why?
- ▶ Do the proposed rules provide sufficient protections to investors who might use funding portals? If not, what additional protections are warranted and why?
- ▶ Is there any segment of the funding portal industry for which the rules will be more burdensome? Are these additional burdens justified by the business engaged in by these funding portals?
- ▶ The proposed rules do not impose licensing requirements on associated persons of funding portal members, as they do not appear necessary in light of the limited activities of funding portals. Should there be licensing requirements for associated persons of funding portals? Why or why not?
- ▶ What costs will be associated with the fidelity bond coverage required by proposed Funding Portal Rule 110(b)? Are there financial responsibility or net capital requirements that FINRA should adopt in addition to or in lieu of a fidelity bond requirement? Why or why not?
- ▶ As discussed earlier, proposed Funding Portal Rule 300(a) requires funding portal members to establish and maintain supervisory systems. Are there specific supervisory requirements that FINRA should adopt? Why or why not? What potential costs do prospective funding portal members expect in developing and implementing supervisory systems? Similarly, what costs do prospective funding portal members expect would be imposed by compliance with the proposed requirements to:
  - ▶ develop and implement a written anti-money laundering program as specified under proposed Funding Portal Rule 300(b); and
  - ▶ promptly report to FINRA the regulatory proceedings, disciplinary and other events as set forth under proposed Funding Portal Rule 300(c)?

FINRA requests that commenters provide empirical data or other factual support for their comments wherever possible.

## Endnotes

1. The term “funding portal” is defined under Section 3(a)(80) of the Securities Exchange Act of 1934 (SEA), as revised by the JOBS Act. See Pub. L. No. 112-106, 126 Stat. 306 (2012). The SEC has separately proposed rules to implement the provisions of the JOBS Act governing funding portals. Exchange Act Release No. 70741 (October 23, 2013).
2. See Title III of the JOBS Act.
3. FINRA will not edit personal identifying information, such as names or email addresses, from submissions. Persons should submit only information that they wish to make publicly available. See *NTM 03-73* (November 2003) (NASD Announces Online Availability of Comments) for more information.
4. See SEA Section 19 and rules thereunder. After a proposed rule change is filed with the SEC, the proposed rule change generally is published for public comment in the *Federal Register*. Certain limited types of proposed rule changes, however, take effect upon filing with the SEC. See SEA Section 19(b)(3) and SEA Rule 19b-4.
5. Crowdfunding generally refers to the use of the Internet by small businesses to raise capital through limited investments from a large number of investors.
6. See Section 4(a)(6) of the Securities Act of 1933, as amended by the JOBS Act.
7. The SEC’s proposed Rule 400(a) under Regulation Crowdfunding requires in part that a funding portal must register with the Commission and become a member of FINRA or any other applicable national securities association registered under SEA Section 15A. FINRA is the only registered national securities association.
8. See Exchange Act Release No. 68633 (January 11, 2013), 78 FR 4186 (January 18, 2013) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change; File No. SR-FINRA-2013-005).
9. The text of the proposed rules is set forth in [Attachment A](#).
10. See [Attachment B](#).
11. See [Attachment C](#).
12. See [Attachment D](#). Funding portals are required to keep statutory disqualification information current and to update the information promptly, but in any event not later than 10 days following any change in such information. Proposed Funding Portal Rule 110(a)(3)(B) sets forth this update requirement as to funding portal *applicants*; proposed Funding Portal Rule 800(b)(2) sets forth the requirement as to intermediaries once they become funding portal *members*.
13. FINRA will separately address the specific membership application and other fees that apply to funding portals.
14. FINRA notes that current FINRA Rule 2020 does not expressly include the term “aiding and abetting.”
15. See Exchange Act Release No. 70741 (October 23, 2013).
16. See [Attachment E](#).

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## **Attachment A**

Below is the text of proposed Funding Portal Rules.

### **Funding Portal Rules**

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**(b) Predispute Arbitration Agreements for Investor Accounts**

**100. General Standards**

**(a) Application of the By-Laws and the Funding Portal Rules**

All funding portal members and persons associated with funding portal members shall be subject to the FINRA By-Laws, unless the context requires otherwise, and the Funding Portal Rules. Persons associated with a funding portal member shall have the same duties and obligations as a funding portal member under the Funding Portal Rules. For purposes of Section 1(a) of Article III of the FINRA By-Laws, a registered broker or dealer shall include a registered funding portal.

The terms used in the Funding Portal Rules, if defined in the FINRA By-Laws, shall have the meaning as defined in the FINRA By-Laws, unless a term is defined differently in a Funding Portal Rule, or unless the context of the term within a Funding Portal Rule requires a different meaning.

**(b) Definitions**

When used in the Funding Portal Rules, unless the context otherwise requires:

**(1) “Associated person of a funding portal member” or “person associated with a funding portal member”**

The term “associated person of a funding portal member” or “person associated with a funding portal member” means any sole proprietor, partner, officer, director or manager of a funding portal, or other natural person occupying a similar status or performing similar functions, or any natural person directly or indirectly controlling or controlled by a funding portal member, or any employee of a funding portal member.

**(2) “By-Laws”**

The term “By-Laws” means the By-Laws of the Corporation or the FINRA By-Laws.

**(3) “Exchange Act” or “SEA”**

The term “Exchange Act” or “SEA” means the Securities Exchange Act of 1934, as amended.

**(4) “FINRA”**

The term “FINRA” means, collectively, FINRA, Inc., FINRA Regulation, Inc. and FINRA Dispute Resolution, Inc.

**(5) “Funding Portal”**

The term “funding portal” shall be as defined pursuant to Rule 300(c)(2) of SEC Regulation Crowdfunding.

**(6) “Funding Portal Member”**

The term “funding portal member” means any funding portal admitted to membership in FINRA.

**(7) “Funding Portal Rules”**

The term “Funding Portal Rules” means Funding Portal Rules 100 through 1200.

**(8) “Investor”**

The term “investor” does not include a broker, dealer or funding portal.

**(9) “Person”**

The term “person” includes any natural person, partnership, corporation, association, or other legal entity (provided, however, that for purposes of paragraph (b)(1) of this Rule the term “person” shall solely include a natural person).

**(10) “SEC”**

The term “SEC” means the Securities and Exchange Commission.

**(11) “Securities Act”**

The term “Securities Act” means the Securities Act of 1933, as amended.

**110. Funding Portal Application**

**(a) Member Application Process**

**(1) Definitions**

**(A) “Associated Person”**

Solely for purposes of paragraph (a) of this Rule, the term “associated person” means any: (1) sole proprietor, partner, officer,

director or manager of a funding portal, or other natural person occupying a similar status or performing similar functions; (2) natural person directly or indirectly controlling or controlled by such funding portal, or any employee of a funding portal, except that any person associated with a funding portal whose functions are solely clerical or ministerial shall not be included in the meaning of such term; or (3) partnership, corporation, association, or other legal entity controlled by or controlling the FP Applicant.

**(B) “FP Applicant”**

The term “FP Applicant” means a person that applies for admission to FINRA as a funding portal member under paragraph (a)(3) of this Rule or a funding portal member that files an application for approval of a change in ownership or control under paragraph (a)(4) of this Rule.

**(C) “Day”**

The term “day” means calendar day. In calculating a period of time, the day of the act (e.g., filing of application, service of notice) from which the period of time designated begins to run shall not be included.

**(D) “Department”**

The term “Department” means the Department of Member Regulation of FINRA.

**(E) “District”**

The term “district” means a district established by the FINRA Regulation Board.

**(2) Service or Filing Date**

(A) FINRA shall serve a notice or decision issued under paragraph (a) of this Rule by electronic delivery.

(B) For purposes of paragraph (a) of this Rule, service by FINRA or filing by an FP Applicant shall be deemed complete on the date recorded by FINRA's electronic systems for electronic communications or by other means of verification prescribed by FINRA.

**(3) Application to be a Funding Portal Member**

(A) An FP Applicant for FINRA membership shall submit its application to the Department by filing a Form FP-NMA in the manner prescribed by FINRA and an application fee.

(B) At the time an FP Applicant for FINRA membership submits its application pursuant to paragraph (a)(3)(A) of this Rule, the FP Applicant must submit information, in a format to be prescribed by FINRA, indicating whether the FP Applicant or any associated person of the FP Applicant is subject to an event described in Section 3(a)(39) of the Exchange Act. The FP Applicant must keep this information current and must update such information promptly, but in any event not later than 10 days following any change in such information.

**(4) Application for Approval of a Change in Ownership or Control**

(A) A funding portal member shall file an application for approval of any change:

(i) in the equity ownership or partnership capital, LLC membership interest, or other ownership interest of the funding portal member that results in one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital, LLC membership interest, or other ownership interest; or

(ii) of control persons of the funding portal member, other than the appointment or election of a natural person as an officer or director of the funding portal member in the normal course of business, regardless of whether such change occurred as a result of a direct or indirect change in the equity ownership, partnership capital, LLC membership interest, or other ownership interest in the funding portal member.

(B) A funding portal member shall submit its application for approval of any of the changes described in paragraph (a)(4)(A) of this Rule to the Department by filing a Form FP-CMA in the manner prescribed by FINRA and an application fee.

**(5) Rejection of Application That Is Not Complete**

If the Department determines within 14 days after the filing of an application pursuant to paragraphs (a)(3) or (a)(4) of this Rule that the application is not complete, the Department shall reject the application and deem it not to have been filed. In such case, within the 14 day period, the Department shall serve a written notice on the FP Applicant of the Department's determination and

the reasons therefor. FINRA shall refund the application fee, less a processing fee which shall be retained by FINRA. If the FP Applicant determines to again seek funding portal membership or approval of a change in ownership or control, the FP Applicant shall submit a new application and fee under Funding Portal Rule 110(a).

**(6) Request For Additional Documents Or Information**

Within 14 days after the filing of an application filed pursuant to paragraphs (a)(3) or (a)(4) of this Rule, the Department shall serve an initial request for any additional information or documents necessary to render a decision on the application, and the FP Applicant shall file any additional information and documents with the Department within 14 days after service of the Department's initial request. The Department may serve subsequent requests for additional information or documents at any time during the membership application process. Unless otherwise agreed by the Department and the FP Applicant, the FP Applicant shall file any additional information and documents with the Department within seven days after service of any subsequent request.

**(7) Withdrawal of Application**

If an FP Applicant withdraws an application filed pursuant to paragraphs (a)(3) or (a)(4) of this Rule within 14 days after filing the application, FINRA shall refund the application fee, less a processing fee which shall be retained by FINRA. If the FP Applicant determines to again seek funding portal membership or approval of a change in ownership or control, the FP Applicant shall submit a new application and fee pursuant to paragraphs (a)(3) or (a)(4) of this Rule.

**(8) Membership Interview**

**(A) Requirement for an Interview**

Before the Department serves its decision on an application for new membership in FINRA, the Department shall conduct one or more membership interviews with a representative or representatives of the FP Applicant. The membership interview(s) may be conducted by video conference or such other means as FINRA may specify.

**(B) Service of Notice**

At least five days before a membership interview, the Department shall serve on the FP Applicant a written notice that specifies the date and time of the interview and the representative or representatives of the FP Applicant who are required to participate in the interview. The Department shall serve the notice in a manner consistent with paragraph (a)(2) of this Rule. The FP Applicant and the Department may agree to a shorter or longer period for notice or a different method of service under this subparagraph.

**(C) Time**

Unless the Department directs otherwise for good cause shown, a membership interview shall be scheduled to occur within 30 days after the filing of an application or within 14 days after the filing of all additional information or documents requested, whichever is later.

**(9) Standards for Granting or Denying Application**

After considering an application filed pursuant to paragraphs (a)(3) or (a)(4) of this Rule, other information and documents provided by the FP Applicant during the application process, other information and documents obtained by the Department, and the public interest and the protection of investors, the Department shall determine whether the FP Applicant meets each of the following standards, as applicable:

(A) The FP Applicant and its associated persons are capable of complying with applicable federal securities laws, the rules and regulations thereunder, and the Funding Portal Rules, including observing high standards of commercial honor and just and equitable principles of trade. In determining whether this standard is met, the Department shall take into consideration all information in its possession, including information regarding whether an FP Applicant or its associated persons:

(i) is subject to an event described in Section 3(a)(39) of the Exchange Act; and

(ii) is the subject of a pending, adjudicated, or settled regulatory action or investigation by the SEC, the Commodity Futures Trading Commission, a federal, state, or foreign regulatory agency, or a self-regulatory organization; an adjudicated or settled investment-related private civil action for damages or an injunction; or a criminal action (other than a minor traffic violation) that is pending, adjudicated, or that has resulted in a

guilty or no contest plea of an FP Applicant or its associated persons.

(B) The FP Applicant has established all contractual or other arrangements and business relationships with banks, broker-dealers, clearing corporations, service bureaus, escrow agents, transfer agents, technology service providers, or others necessary to initiate the operations described in the FP Applicant's Form FP-NMA.

(C) The FP Applicant has a supervisory system that is reasonably designed to achieve compliance with applicable federal securities laws, the rules and regulations thereunder, and the Funding Portal Rules.

(D) The FP Applicant has fully disclosed and established through documentation all direct and indirect sources of funding.

(E) The FP Applicant has a recordkeeping system that enables the FP Applicant to comply with federal, state, and self-regulatory organization recordkeeping requirements.

**(10) Granting or Denying Application**

(A) If the Department determines that the FP Applicant meets each of the applicable standards in paragraph (a)(9) of this Rule, the Department shall grant the application filed pursuant to paragraphs (a)(3) or (a)(4) of this Rule. The FP Applicant's approval for membership shall be contingent upon the FP Applicant's filing of an executed written membership agreement.

(B) If the Department determines that the FP Applicant does not meet one or more of the applicable standards in paragraph (a)(9) of this Rule, the Department shall deny the application.

**(11) Decision**

The Department shall serve a written decision on the application filed pursuant to paragraphs (a)(3) or (a)(4) of this Rule within 60 days after the filing of the application. If the Department denies the application, the decision shall explain in detail the reason for denial, referencing the applicable standard or standards in paragraph (a)(9) of this Rule. The Department shall serve its decision and the membership agreement on the FP Applicant in accordance with paragraph (a)(2) of this Rule. The decision shall become effective upon service.

**(12) Appeal of Department's Decision**

**(A) Request for Review; Final Action**

(i) Within 14 days after service of a decision under paragraph (a)(11) of this Rule, an FP Applicant may file a written request for review with the National Adjudicatory Council's Review Subcommittee. A request for review shall state with specificity why the FP Applicant believes that the Department's decision is inconsistent with the applicable standards set forth in paragraph (a)(9) of this Rule or otherwise should be set aside. An FP Applicant may withdraw its notice of appeal at any time by

filing a written notice of withdrawal of appeal with the Review Subcommittee.

(ii) If the FP Applicant does not file a request for a review or withdraws its notice of appeal, the Department's decision shall constitute final action by FINRA.

**(B) Decision**

(i) Within 14 days after the filing of a request for review, the Department shall transmit to the Review Subcommittee and serve on the FP Applicant copies of all documents that were considered in connection with the Department's decision and an index to the documents. After considering the issues presented in the review and the transmitted documents, the Review Subcommittee shall prepare a written decision affirming, modifying or denying the Department's decision and setting forth its findings and conclusions. The Review Subcommittee shall provide a copy of its decision to the Board. Alternatively, the Review Subcommittee may remand the membership proceeding with instructions. If the Board does not call the decision for review under paragraph (a)(12)(B)(ii) of this Rule, the Review Subcommittee shall issue the written decision after the expiration of the Board call for review period, and the decision shall constitute final FINRA action.

(ii) A Governor may call a membership proceeding for review by the Board at the next meeting of the Board that is at least 14 days after the date on which the Board received the decision. If a call for review is made, the Board shall review the membership proceeding not later than the next meeting of the Board. The Board shall issue a written decision affirming, modifying or denying the Review Subcommittee's decision and setting forth its findings and conclusions. Alternatively, the Board may remand the membership proceeding with instructions. The decision shall constitute final FINRA action, unless the Board remands the membership proceeding.

**(13) Application to SEC for Review**

A person aggrieved by final action of FINRA under paragraph (a) of this Rule may apply for review by the SEC pursuant to Section 19(d)(2) of the Exchange Act. The filing of an application for review shall not stay the effectiveness of a decision constituting final action of FINRA, unless the SEC otherwise orders.

**(14) Filing of Misleading Information as to Membership or Registration**

No funding portal member or person associated with a funding portal member shall file with FINRA information with respect to membership or registration that is incomplete or inaccurate so as to be misleading, or that could in any way tend to mislead, or shall fail to correct such filing after notice thereof.

**(b) Fidelity Bond**

**(1) General Provision**

(A) Each funding portal member shall maintain blanket fidelity bond coverage that provides against loss and has Insuring Agreements covering at least the following:

- (i) Fidelity
- (ii) On Premises
- (iii) In Transit
- (iv) Forgery and Alteration

(B) The fidelity bond must include a cancellation rider providing that the insurance carrier will use its best efforts to promptly notify FINRA in the event the bond is cancelled, terminated or substantially modified.

(C) A funding portal member's fidelity bond must provide for per loss coverage without an aggregate limit of liability.

**(2) Minimum Required Coverage**

(A) A funding portal member must maintain minimum fidelity bond coverage of \$100,000 for all Insuring Agreements required by paragraph (b)(1) of this Rule.

(B) At a minimum, a funding portal member must maintain fidelity bond coverage for any person associated with the funding portal member, except directors or trustees who are not performing acts within the scope of the usual duties of an officer or employee.

(C) Any defense costs for covered losses must be in addition to the minimum coverage requirements as set forth in paragraph (b)(2)(A) of this Rule.

**(3) Deductible Provision**

A provision may be included in a fidelity bond to provide for a deductible of up to 10% of the coverage purchased by a funding portal member.

**(4) Notification of Change**

A funding portal member shall immediately advise FINRA in writing if its fidelity bond is cancelled or terminated, or substantially modified so that it no longer complies with the requirements of this Rule.

**200. Funding Portal Conduct**

**(a) Standards of Commercial Honor and Principles of Trade**

A funding portal member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

**(b) Use of Manipulative, Deceptive or Other Fraudulent Devices**

No funding portal member shall effect any transaction in, or induce the purchase or sale of, any security by means of, or by aiding or abetting, any manipulative, deceptive or other fraudulent device or contrivance.

**(c) Communications with the Public**

**(1) Definition of “Funding Portal Communication”**

For purposes of this Rule, the term “funding portal communication” means any electronic or other written communication that is distributed or made available by a funding portal member to one or more investors.

**(2) Content Standards**

(A) No funding portal communication may:

(i) include any false, exaggerated, unwarranted, promissory or misleading statement or claim;

(ii) omit any material fact or qualification if the omission, in light of the context of the material presented, would cause the communication to be misleading;

(iii) state or imply that FINRA, or any other corporate name or facility owned by FINRA, or any other regulatory organization endorses, indemnifies, or guarantees the funding portal member's business practices; or

(iv) predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast. A hypothetical illustration of mathematical principles is permitted, provided that it does not predict or project the performance of an investment or investment strategy.

(B) All funding portal member communications must be based on principles of fair dealing and good faith, must be fair and balanced, and must provide a sound basis for evaluating the facts in regard to any particular security or type of security, industry, or service.

(C) All funding portal member communications must prominently disclose the name of the funding portal member, or the name under which

the funding portal member primarily conducts business as disclosed on the member's Form FP-NMA.

**(3) Issuer Communications**

The content standards of paragraphs (c)(2)(A) and (B) of this Rule shall not apply to any communication on the funding portal member's website that is prepared solely by an issuer; provided, however, that no funding portal member may include on its website any issuer communication that the funding portal member knows or has reason to know contains any untrue statement of a material fact or is otherwise false or misleading.

**300. Funding Portal Compliance**

**(a) Supervisory System**

(1) Each funding portal member shall establish and maintain a system to supervise the activities of each associated person of the funding portal member that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with the Funding Portal Rules. A funding portal member's supervisory system shall provide, at a minimum, for the following:

(A) the establishment and maintenance of written procedures to supervise the activities of the funding portal and its associated persons;

(B) the designation of a person with authority to carry out the supervisory responsibilities of the funding portal member; and

(C) reasonable efforts to determine that all supervisory personnel are qualified by virtue of experience or training to carry out their assigned responsibilities.

(2) A funding portal member shall permit the examination and inspection of its premises, systems, platforms, and records by representatives of FINRA and the Commission, and shall cooperate with the examination, inspection, or investigation of any persons directly or indirectly using its platform.

**(b) Anti-Money Laundering Compliance Program**

**(1) Program**

Each funding portal member shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the funding portal member's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq.*), and the implementing regulations promulgated thereunder by the Department of the Treasury. Each funding portal member's anti-money laundering program must be approved, in writing, by a member of senior management. The anti-money laundering programs required by this Rule shall, at a minimum:

(A) establish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder;

(B) establish and implement policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder;

(C) provide for independent testing for compliance to be conducted every two years (on a calendar-year basis) or more frequently if

circumstances warrant by personnel of the funding portal member or by a qualified outside party;

(D) designate and identify to FINRA (by name, title, mailing address, e-mail address, telephone number, and facsimile number) an individual or individuals responsible for implementing and monitoring the day-to-day operations and internal controls of the program (such individual or individuals must be an associated person of the funding portal member) and, pursuant to Funding Portal Rule 300(d), provide prompt notification to FINRA regarding any change in such designation(s); and

(E) provide ongoing training for appropriate personnel.

**(2) Independent Testing Requirements**

(A) Independent testing, pursuant to paragraph (b)(1)(C) of this Rule, must be conducted by a designated person with a working knowledge of applicable requirements under the Bank Secrecy Act and its implementing regulations.

(B) Independent testing may not be conducted by:

- (i) a person who performs the functions being tested,
- (ii) the designated anti-money laundering compliance person, or
- (iii) a person who reports to a person described in either paragraphs (b)(2)(B)(i) or (ii) of this Rule.

**(c) Reporting Requirements**

(1) Each funding portal member shall promptly report to FINRA, within 30 calendar days, through such means as FINRA may specify, after the member knows or should have known of the existence of any of the following:

(A) the funding portal member or an associated person of the funding portal member:

(i) is named as a defendant or respondent in any regulatory proceeding, whether foreign or domestic, involving an alleged violation of any securities-, insurance-, commodities-, financial- or investment-related laws, rules, regulations, standards of conduct or by-laws, or has been found by a regulatory body or self-regulatory organization, whether foreign or domestic, to have violated any securities-, insurance-, commodities-, financial- or investment-related laws, rules, regulations or standards of conduct;

(ii) is the subject of any written complaint involving allegations of fraudulent conduct or misuse or misappropriation of funds or assets;

(iii) is denied registration or is expelled, enjoined, directed to cease and desist, suspended or otherwise disciplined by any securities-, insurance-, commodities-, financial- or investment-related regulatory body or self-regulatory organization, whether foreign or domestic, or is denied membership or continued membership in any such self-regulatory organization; or is barred

from becoming associated with any member of any such self-regulatory organization;

(iv) is indicted, or convicted of, or pleads guilty to, or pleads no contest to, any felony; or any misdemeanor that involves the purchase or sale of any security, the taking of a false oath, the making of a false report, bribery, perjury, burglary, larceny, theft, robbery, extortion, forgery, counterfeiting, fraudulent concealment, embezzlement, fraudulent conversion, or misappropriation of funds, or securities, or a conspiracy to commit any of these offenses, or substantially equivalent activity in a domestic, military or foreign court;

(v) is a director, controlling stockholder, partner, officer or sole proprietor of, or an associated person with, a broker, dealer, investment company, investment advisor, funding portal, underwriter or insurance company that was suspended, expelled or had its registration denied or revoked by any regulatory body, jurisdiction or organization, whether foreign or domestic, or is associated in such a capacity with a bank, trust company or other financial institution that was convicted of or pleaded no contest to, any felony or misdemeanor in a foreign or domestic court;

(vi) is a defendant or respondent in any securities- or commodities-related civil litigation or arbitration, is a defendant or respondent in any financial-related insurance civil litigation or

arbitration, or is the subject of any claim for damages by an investor, broker, dealer or funding portal member that relates to the provision of financial services or relates to a financial transaction, and such civil litigation, arbitration or claim for damages has been disposed of by judgment, award or settlement for an amount exceeding \$15,000. However, when the funding portal member is the defendant or respondent or is the subject of any claim for damages by an investor, broker, dealer or funding portal member, then the reporting to FINRA shall be required only when such judgment, award or settlement is for an amount exceeding \$25,000;

(vii) is, or is involved in the sale of any financial instrument, the provision of any investment advice or the financing of any such activities with any person who is, subject to a “statutory disqualification” as that term is defined in the Exchange Act. The report shall include the name of the person subject to the statutory disqualification and details concerning the disqualification; or

(B) an associated person of the funding portal member is the subject of any disciplinary action taken by the funding portal member involving suspension, termination, the withholding of compensation or of any other remuneration in excess of \$2,500, the imposition of fines in excess of \$2,500 or is otherwise disciplined in any manner that would

have a significant limitation on the individual's activities on a temporary or permanent basis.

(2) Each funding portal member shall promptly report to FINRA, within 30 calendar days, through such means as FINRA may specify, after the funding portal member has concluded or reasonably should have concluded that an associated person of the funding portal member or the funding portal member itself has violated any securities-, commodities-, financial-or investment-related laws, rules, regulations or standards of conduct of any foreign or domestic regulatory body or self-regulatory organization.

(3) Each person associated with a funding portal member shall promptly report to the funding portal member the existence of any of the events set forth in paragraph (c)(1)(A) of this Rule.

(4) Nothing contained in this Rule shall eliminate, reduce or otherwise abrogate the responsibilities of a funding portal member to promptly disclose required information on Form Funding Portal as applicable, to make any other required filings or to respond to FINRA with respect to any investor complaint, examination or inquiry. In addition, a member need not report an event otherwise required to be reported under paragraph (c)(1)(A) of this Rule if the member discloses the event on the Form Funding Portal or FP-SD Schedule, consistent with the requirements of those forms.

(5) For purposes of this Rule, Supplementary Material .01 through .07, .09 and .10 of FINRA Rule 4530 (the "Supplementary Material") shall apply, provided, however, that, as the context requires:

(A) the term “member” as used in the Supplementary Material shall mean “funding portal member” as defined pursuant to Funding Portal Rule 100(b)(6);

(B) the term “associated person” as used in the Supplementary Material shall mean “associated person of a funding portal member” or “person associated with a funding portal member” as defined pursuant to Funding Portal Rule 100(b)(1);

(C) Supplementary Material .01 shall apply to paragraphs (c)(1)(B) and (c)(2) of this Rule;

(D) Supplementary Material .02 and .03 shall apply to paragraphs (c)(1)(A)(i) and (c)(2) of this Rule;

(E) Supplementary Material .05 and .07 shall apply to paragraphs (c)(1) and (c)(2) of this Rule;

(F) Supplementary Material .06 shall apply to paragraph (c)(1)(A)(vi) of this Rule; and

(G) Supplementary Material .10 shall apply to paragraphs (c)(1)(A)(i) and (c)(1)(A)(iii) of this Rule.

**(d) Contact Information Requirements**

(1) Each funding portal member shall report to FINRA all contact information required by FINRA through such means as FINRA may specify.

(2) Each funding portal member shall promptly update its required contact information (including its executive representative designation and contact information as required by Article IV, Section 3 of the FINRA By-Laws),

but in any event not later than 30 days following any change in such information.

In addition, each member shall review and, if necessary, update its required contact information, through such means as FINRA may specify, within 17 business days after the end of each calendar year.

(3) Each funding portal member shall comply with any FINRA request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by FINRA staff.

## **800. Investigations and Sanctions**

### **(a) Application of FINRA Rule 8000 Series (Investigations and Sanctions) to Funding Portals**

Except for FINRA Rules 8110, 8211, 8213 and 8312, all funding portal members shall be subject to the FINRA Rule 8000 Series, unless the context requires otherwise, provided, however, that:

(1) the term “member” as used in the FINRA Rule 8000 Series shall mean “funding portal member” as defined pursuant to Funding Portal Rule 100(b)(6);

(2) the term “associated person” as used in the FINRA Rule 8000 Series shall mean “associated person of a funding portal member” or “person associated with a funding portal member” as defined pursuant to Funding Portal Rule 100(b)(1);

(3) the terms “rules” and “FINRA rules” as used in the FINRA Rule 8000 Series shall include the Funding Portal Rules;

(4) for purposes of FINRA Rule 8210(d):

(A) a notice under FINRA Rule 8210 shall be deemed received by the funding portal member to whom it is directed by mailing or otherwise transmitting the notice to the last known business address of the funding portal member as reflected in the Form Funding Portal. With respect to a person who is currently associated with a funding portal member, a notice under FINRA Rule 8210 shall be deemed received by the person by mailing or otherwise transmitting the notice to the last known business address of the funding portal member as reflected in the Form Funding Portal. With respect to a person subject to FINRA's jurisdiction who was formerly associated with a funding portal member, a notice under FINRA Rule 8210 shall be deemed received by the person upon personal service, as set forth in FINRA Rule 9134(a)(1). If the Adjudicator or FINRA staff responsible for mailing or otherwise transmitting the notice to the funding portal member or person currently associated with the funding portal member has actual knowledge that the funding portal member's address in the Form Funding Portal is out of date or inaccurate, then a copy of the notice shall be mailed or otherwise transmitted to:

(i) the last known business address of the funding portal member as reflected in the Form Funding Portal; and

(ii) any other more current address of the funding portal member or the person currently associated with the funding portal

member known to the Adjudicator or FINRA staff who is responsible for mailing or otherwise transmitting the notice; and

(B) if the Adjudicator or FINRA staff responsible for mailing or otherwise transmitting the notice to the funding portal member or person knows that the funding portal member or person is represented by counsel regarding the investigation, complaint, examination, or proceeding that is the subject of the notice, then the notice shall be served upon counsel by mailing or otherwise transmitting the notice to the counsel in lieu of the funding portal member or person, and any notice served upon counsel shall be deemed received by the funding portal member or person.

**(b) Public Disclosure of Information on Funding Portals**

(1) FINRA shall make available to the public information filed by a funding portal member that is currently or was previously registered with FINRA. Except as otherwise provided in paragraph (b)(3) of this Rule, FINRA shall make available any information reported on the most recently filed Form Funding Portal.

(2) FINRA shall make available to the public information filed by a funding portal member, in a format to be prescribed by FINRA, indicating whether the funding portal member or any associated person of the funding portal member is subject to an event described in Section 3(a)(39) of the Exchange Act. The funding portal member must keep this information current and must update such information promptly, but in any event not later than 10 days following any change in such information.

(3) FINRA shall not make available:

(A) information reported as a Social Security number or residential address, information that FINRA is otherwise prohibited from releasing under Federal law, or information that is provided solely for use by FINRA. FINRA reserves the right to exclude, on a case-by-case basis, information that contains confidential customer information, offensive or potentially defamatory language or information that raises significant identity theft, personal safety or privacy concerns that are not outweighed by investor protection concerns;

(B) information reported on Form Funding Portal relating to regulatory investigations or proceedings if the reported regulatory investigation or proceeding was vacated or withdrawn by the instituting authority;

(C) the most recent information reported on Form Funding Portal, if FINRA determines that:

(i) the information was reported in error by a funding portal member;

(ii) the information, through amendments to Form Funding Portal, is no longer relevant to registration.

## **900. Code of Procedure**

### **(a) Application of FINRA Rule 9000 Series (Code of Procedure) to Funding Portals**

Except for the FINRA Rule 9520 Series, FINRA Rule 9557, and the FINRA Rule

9700 Series, all funding portal members shall be subject to the FINRA Rule 9000 Series, unless the context requires otherwise, provided, however, that:

(1) the term “member” as used in the FINRA Rule 9000 Series shall mean “funding portal member” as defined pursuant to Funding Portal Rule 100(b)(6);

(2) the term “associated person” as used in the FINRA Rule 9000 Series shall mean “associated person of a funding portal member” or “person associated with a funding portal member” as defined pursuant to Funding Portal Rule 100(b)(1);

(3) the terms “rules” and “FINRA rules” as used in the FINRA Rule 9000 Series shall include the Funding Portal Rules;

(4) for purposes of FINRA Rule 9217, a funding portal member may be subject to a fine under FINRA Rule 9216(b) with respect to any of the following:

(A) failure to timely submit amendments to Form Funding Portal;

(B) Funding Portal Rule 200(c) (Communications with the Public);

(C) Funding Portal Rule 300(a) – Failure to maintain adequate written supervisory procedures where the underlying conduct is subject to Rule 9217;

(D) Funding Portal Rule 300(c) – failure to timely file reports;

(E) failure to provide or update contact information as required by Funding Portal Rule 300(d);

(F) Rule 303(f) of SEC Regulation Crowdfunding – Confirmation of Transactions; and

(G) Rule 404 of SEC Regulation Crowdfunding – failure to make and preserve records in conformance with all applicable laws, rules, regulations and statements of policy promulgated thereunder, and with the Funding Portal Rules;

(5) for purposes of FINRA Rules 9134(b)(1) and 9134(b)(2), the residential or business address, as applicable, as reflected in Form Funding Portal, in lieu of the Central Registration Depository, shall be acceptable;

(6) for purposes of FINRA Rule 9134(b)(2), service on a contact employee as set forth in Form Funding Portal, in lieu of Form BD, shall be acceptable;

(7) for purposes of FINRA Rule 9551(a), FINRA staff may issue a written notice requiring a funding portal member to file communications with the FINRA Advertising Regulation Department at least ten days prior to use if FINRA staff determines that the member has departed from the standards of Funding Portal Rule 200(c).

(8) for purposes of FINRA Rule 9551(d), the pre-use filing requirement referenced in a notice issued and served under FINRA Rule 9551 shall become effective 21 days after service of the notice, unless stayed by a request for a hearing pursuant to FINRA Rule 9559;

(9) for purposes of proceedings pursuant to FINRA Rule 9810(a), proceedings may be initiated with respect to alleged violations of Section 10(b) of the Exchange Act and SEA Rule 10b-5, Funding Portal Rule 200(a) (if the alleged

violation is misuse of investor funds or assets, or based on violations of Section 17(a) of the Securities Act) and Funding Portal Rule 200(b).

**(b) Eligibility Proceedings**

**(1) Purpose**

Funding Portal Rule 900(b) sets forth procedures for a person to become or remain associated with a funding portal member, notwithstanding the existence of a statutory disqualification as defined in Article III, Section 4 of the FINRA By-Laws and for a funding portal member or person associated with a funding portal member to obtain relief from the eligibility or qualification requirements of the FINRA By-Laws and Funding Portal Rules. Such actions hereinafter are referred to as “eligibility proceedings.”

**(2) Definitions**

(A) The term “Application” means FINRA’s Form MC-400 for individuals or Form MC-400A for funding portal members, filed with the Department of Registration and Disclosure (“RAD”).

(B) The term “disqualified funding portal member” means a funding portal member that is or becomes subject to a disqualification or is otherwise ineligible for membership under Article III, Section 3 of the FINRA By-Laws.

(C) The term “disqualified person” means an associated person of a funding portal member or person seeking to become an associated person of a funding portal member who is or becomes subject to a

disqualification or is otherwise ineligible for association under Article III, Section 3 of the FINRA By-Laws.

(D) The term “sponsoring funding portal member” means the funding portal member or applicant for membership pursuant to Funding Portal Rule 110(a) that is sponsoring the association or continued association of a disqualified person to be admitted, readmitted, or permitted to continue in association.

**(3) Initiation of Eligibility Proceeding; Member Regulation**

**Consideration**

(A) Initiation by FINRA

(i) Issuance of Notice of Disqualification or Ineligibility

If FINRA staff has reason to believe that a disqualification exists or that a funding portal member or person associated with a funding portal member otherwise fails to meet the eligibility requirements of FINRA, FINRA staff shall issue a written notice to the funding portal member or applicant for funding portal membership under Funding Portal Rule 110(a). The notice shall specify the grounds for such disqualification or ineligibility.

FINRA staff shall not issue such written notice to funding portal members or applicants for funding portal membership when no Application is required pursuant to Funding Portal Rule 900(b)(7).

(ii) Notice Regarding a Funding Portal Member

A notice issued to a disqualified funding portal member shall state that the disqualified funding portal member may apply for relief by filing an Application or, in the case of a matter set forth in Funding Portal Rule 900(b)(8)(A) a written request for relief, within 10 business days after service of the notice. If the funding portal member fails to file the Application or, where appropriate, the written request for relief, within the 10-day period, the membership of the funding portal member shall be canceled, unless the Department of Member Regulation grants an extension for good cause shown.

(iii) Notice Regarding an Associated Person

A notice issued regarding a disqualified person to a funding portal member or applicant for funding portal membership under Funding Portal Rule 110(a) shall state that such funding portal member or applicant for funding portal membership may file an Application on behalf of itself and such person or, in the case of a matter set forth in Funding Portal Rule 900(b)(8)(A) a written request for relief, within 10 business days after service of the notice. If the funding portal member fails to file the Application or, where appropriate, the written request for relief, within the 10-day period, the funding portal member may not associate or continue to associate with the disqualified person, unless the

Department of Member Regulation grants an extension for good cause shown.

(iv) Service

A notice issued under this paragraph (b)(3)(A) shall be served by facsimile or electronic mail, or pursuant to FINRA Rules 9131 and 9134, as adopted pursuant to Funding Portal Rule 900(a).

**(4) Obligation of Funding Portal Member to Initiate Eligibility**

**Proceeding**

(A) A funding portal member shall file an Application or, in the case of a matter set forth in Funding Portal Rule 900(b)(8)(A) a written request for relief, with RAD, if the funding portal member determines prior to receiving a notice under paragraph (b)(3)(A) of this Rule that:

(i) It has become a disqualified funding portal member;

(ii) A person associated with such funding portal member or whose association is proposed by an applicant for funding portal membership under Funding Portal Rule 110(a) has become a disqualified person; or

(iii) The funding portal member or applicant for funding portal membership under Funding Portal Rule 110(a) wishes to sponsor the association of a person who is a disqualified person.

**(5) Withdrawal of Application or Written Request for Relief**

A funding portal member may withdraw its Application or, as set forth in Funding Portal Rule 900(b)(8)(A) its written request for relief, at any time prior to

an appeal by filing a written notice with the Department of Member Regulation and RAD pursuant to FINRA Rules 9135, 9136, and 9137, as adopted pursuant to Funding Portal Rule 900(a). A funding portal member may withdraw its Application after the start of an appeal but prior to the issuance of a decision by the National Adjudicatory Council by filing a written notice with the Department of Member Regulation and the Office of General Counsel pursuant to Rules 9135, 9136, and 9137, as adopted pursuant to Funding Portal Rule 900(a).

**(6) Ex Parte Communications**

The prohibitions against ex parte communications set forth in FINRA Rule 9143, as adopted pursuant to Funding Portal Rule 900(a), shall become effective under Funding Portal Rule 900(b) when FINRA staff has initiated the eligibility proceeding and FINRA staff has knowledge that a funding portal member intends to file an Application or written request for relief pursuant to Funding Portal Rule 900(b).

**(7) Relief from Eligibility Proceedings**

A funding portal member is not required to file an Application if:

(A) The disqualification arises solely from findings in Exchange Act Section 15(b)(4)(D) or (E) by the SEC, CFTC or a self-regulatory organization, and the sanction is no longer in effect.

(B) The disqualification arises solely from a final order specified in Exchange Act Section 15(b)(4)(H)(i), and the bar is no longer in effect, provided that there is no final order specified in Exchange Act Section 15(b)(4)(H)(ii), in which case paragraph (b)(7)(C) of this Rule applies.

(C) The disqualification arises solely from a final order specified in Exchange Act Section 15(b)(4)(H)(ii), and:

(i) the sanctions do not involve licensing or registration revocation or suspension (or analogous sanctions), and the sanctions are no longer in effect; or

(ii) the sanctions do involve licensing or registration revocation or suspension (or analogous sanctions), the sanctions are no longer in effect, and the order was entered 10 or more years ago.

(D) The disqualification arises solely under Exchange Act Section 3(a)(39)(E), and the disqualified funding portal member or person is subject to the disqualification solely because the member or person has associated with it any person who is known, or in the exercise of reasonable care should be known, to the disqualified member or person to be a person described by subparagraph (A), (B), (C), or (D) of Exchange Act Section 3(a)(39), unless the associated person controls such disqualified member or person, or is a general partner or officer (or person occupying a similar status or performing similar functions) of such disqualified member.

**(8) Matters That May Be Approved After the Filing of an Application or Written Request for Relief**

(A) The Department of Member Regulation, as it deems consistent with the public interest and the protection of investors, is authorized to

approve a written request for relief from the eligibility requirements by a disqualified funding portal member or a sponsoring funding portal member without the filing of an Application by such disqualified funding portal member or sponsoring funding portal member if a disqualified funding portal member or disqualified person is subject to one or more of the following conditions, but is not otherwise subject to disqualification:

(i) an injunction as described in Section 15(b)(4)(B) of the Exchange Act that was entered ten or more years prior to the proposed admission or continuance; or

(ii) a request to change the supervisor of a disqualified person.

(B) The Department of Member Regulation, as it deems consistent with the public interest and the protection of investors, may approve, upon the filing of an Application by a disqualified funding portal member or a sponsoring funding portal member and written consent to a heightened supervisory plan, all Applications seeking relief from disqualifications arising under Section 3(a)(39) of the Exchange Act.

(i) By the submission of a written consent to a heightened supervisory plan, the disqualified funding portal member, sponsoring funding portal member and disqualified person waive:

a. the right of appeal to the National Adjudicatory Council, the SEC, and the courts, or otherwise challenge

the validity of the supervisory plan, if the supervisory plan is accepted;

b. any right of the disqualified funding portal member, sponsoring funding portal member, and disqualified person to claim bias or prejudice by the Department of Member Regulation, the General Counsel, the National Adjudicatory Council, or any member of the National Adjudicatory Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of the Department of Member Regulation's approval or the supervisory plan, or other consideration of the approval or supervisory plan, including acceptance or rejection of such approval or supervisory plan; and

c. any right of the disqualified funding portal member, sponsoring funding portal member, and disqualified person to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, as adopted pursuant to Funding Portal Rule 900(a), in connection with such person's or body's participation in discussions regarding the terms and conditions of the approval or supervisory plan, or other consideration of the approval or

supervisory plan, including acceptance or rejection of such approval or supervisory plan.

(ii) If the heightened supervisory plan is rejected, the disqualified funding portal member, sponsoring funding portal member, or disqualified person shall be bound by the waivers made under paragraph (b)(8)(B)(i) of this Rule for conduct by persons or bodies occurring during the period beginning on the date the heightened supervisory plan was submitted and ending upon the rejection of the heightened supervisory plan and shall have the right to appeal such decision pursuant to Funding Portal Rule 900(b)(11).

**(9) Member Regulation Consideration of Applications for New Funding Portal Members**

In all instances where FINRA receives a Form MC-400 or Form MC-400A under this Rule, and such Application is submitted on behalf of an applicant for membership as a funding portal member under Funding Portal Rule 110(a), the Department of Member Regulation shall defer a decision on such Form MC-400 or Form MC-400A until such time as FINRA has issued a determination on the application submitted pursuant to Funding Portal Rule 110(a).

**(10) Rights of Disqualified Funding Portal Member, Sponsoring Funding Portal Member, Disqualified Person, and Department of Member Regulation**

(A) In the event the Department of Member Regulation does not approve a written request for relief from the eligibility requirements pursuant to Funding Portal Rule 900(b)(8)(A), the disqualified funding portal member or sponsoring funding portal member may file an Application under Funding Portal Rule 900(b)(8)(B). The Department of Member Regulation may require a disqualified funding portal member or sponsoring funding portal member to file an Application with RAD, notwithstanding the provisions of Funding Portal Rule 900(b)(8)(A).

(B) In the event the Department of Member Regulation does not approve an Application pursuant to Funding Portal Rule 900(b)(8)(B), the disqualified funding portal member or sponsoring funding portal member shall have the right to appeal such decision pursuant to Funding Portal Rule 900(b)(11). If not timely appealed pursuant to Funding Portal Rule 900(b)(11), the decision issued by Member Regulation shall constitute final action of FINRA and shall become effective immediately.

**(11) Appeal of Member Regulation's Decision to Deny an Application or a Written Request for Relief**

(A) Notice

A funding portal member or sponsoring funding portal member may file a written notice of appeal within 25 calendar days after service of

a decision issued under Funding Portal Rule 900(b). The notice of appeal shall be filed with the Office of General Counsel, with a copy to the Department of Member Regulation. The notice of appeal shall state with specificity why the appellant believes the Department of Member Regulation's decision is not in the best interest of the investing public or should otherwise be set aside. The notice of appeal shall be signed by the appellant. Upon notice, and acknowledgment of acceptance of the appeal from the National Adjudicatory Council, the Department of Member Regulation shall be afforded time and opportunity to respond to such appeal.

(B) Stay of Decision

An appeal of Member Regulation's decision to deny an Application or a written request for relief shall operate as a stay of that decision while the appeal is pending.

(C) After an appellant files a timely appeal, the National Adjudicatory Council or the Statutory Disqualification Committee shall appoint two or more members, who shall be current or former members of the National Adjudicatory Council, Statutory Disqualification Committee, or former Directors or Governors, to form a subcommittee. The subcommittee shall review the appeal and recommend a decision to the Statutory Disqualification Committee.

(D) Expedited Review

Where the failure to promptly review a decision to deny an Application would unduly or unfairly harm the funding portal member or sponsoring funding portal member, the Statutory Disqualification Committee shall provide expedited review upon a showing of good cause.

(E) Withdrawal of Appeal

A funding portal member or sponsoring funding portal member may withdraw its notice of appeal at any time by filing a written notice of withdrawal of appeal with the Statutory Disqualification Committee.

(F) Authority of the Subcommittee

The subcommittee shall have the authority to order the appellant and Member Regulation to file legal briefs, participate in oral argument, or supplement the record with any additional information. The subcommittee may, upon a showing of good cause, consider new evidence submitted by the appellant or Member Regulation.

(G) Decision

After considering all matters on appeal, and, as applicable, the subcommittee's recommendation, the Statutory Disqualification Committee shall present its recommended decision in writing to the National Adjudicatory Council. After considering all the matters presented in the request for relief, the Statutory Disqualification Committee's recommendation, the public interest and the protection of investors, the National Adjudicatory Council may affirm, modify, or

reverse in writing Member Regulation's decision. The National Adjudicatory Council shall provide its proposed decision to the FINRA Board. If the FINRA Board does not call the decision for review, the decision shall be served pursuant to Funding Portal Rule 900(b)(3)(A)(iv) and shall constitute final action of FINRA. A decision to affirm Member Regulation's decision shall be effective immediately. A decision to approve the Application shall be effective after the SEC issues an order or acknowledgement letter, as the case may be.

**(12) Discretionary Review by the FINRA Board**

(A) Call for Review by the FINRA Board

A Governor may call a proposed National Adjudicatory Council decision regarding an eligibility proceeding for review by the FINRA Board if the call for review is made within the period prescribed in paragraph (b)(12)(B) of this Rule.

(B) 15 Day Period; Waiver

A Governor shall make his or her call for review not later than the next meeting of the FINRA Board that is at least 15 days after the date on which the FINRA Board receives the proposed written decision of the National Adjudicatory Council. By a unanimous vote of the FINRA Board, the FINRA Board may shorten the period to less than 15 days. By an affirmative vote of the majority of the FINRA Board then in office, the FINRA Board may, during the 15 day period, vote to extend the period to more than 15 days.

(C) Review at Next Meeting

If a Governor calls an eligibility proceeding for review within the period prescribed in paragraph (b)(12)(B) of this Rule, the FINRA Board shall review the eligibility proceeding not later than the next meeting of the FINRA Board. The FINRA Board may order the filing of briefs in connection with its review proceedings pursuant to this Rule.

(D) Decision of FINRA Board, Including Remand

After review, the FINRA Board may affirm, modify, or reverse the proposed written decision of the National Adjudicatory Council. Alternatively, the FINRA Board may remand the eligibility proceeding with instructions.

(E) Issuance of Decision

The FINRA Board shall issue and serve its written decision on the disqualified funding portal member, sponsoring funding portal member, or disqualified person, and the Department of Member Regulation pursuant to FINRA Rules 9132 and 9134, as adopted pursuant to Funding Portal Rule 900(a). The decision shall constitute the final action of FINRA, unless the FINRA Board remands the proceeding. A decision to deny re-entry or continued association shall be effective immediately. A decision to approve shall be effective after the SEC issues an acknowledgment letter or, in cases involving SEC-ordered sanctions, an order.

**(13) Application to SEC for Review**

The right to have any action taken pursuant to this Rule Series reviewed by the SEC is governed by Section 19 of the Exchange Act. The filing of an application for review shall not stay the effectiveness of final action by FINRA, unless the SEC otherwise orders.

**1200. Arbitration and Mediation**

**(a) Application of FINRA Rule 12000 Series (Code of Arbitration Procedure for Customer Disputes), FINRA Rule 13000 Series (Code of Arbitration Procedure for Industry Disputes) and FINRA Rule 14000 Series (Code of Mediation Procedure) to Funding Portals**

All funding portal members shall be subject to the FINRA Rule 12000 Series, FINRA Rule 13000 Series and FINRA Rule 14000 Series, unless the context requires otherwise, provided, however, that:

(1) the term “member” as used in the FINRA Rule 12000 Series, FINRA Rule 13000 Series and FINRA Rule 14000 Series shall mean “funding portal member” as defined pursuant to Funding Portal Rule 100(b)(6);

(2) the term “associated person” as used in the FINRA Rule 12000 Series, FINRA Rule 13000 Series and FINRA Rule 14000 Series shall mean “associated person of a funding portal member” or “person associated with a funding portal member” as defined pursuant to Funding Portal Rule 100(b)(1);

(3) the terms “rules” and “FINRA rules” as used in the FINRA Rule 12000, FINRA Rule 13000 Series and FINRA Rule 14000 Series shall include the Funding Portal Rules; and

(4) the term “customer” as used in the FINRA Rule 12000, FINRA Rule 13000 Series and FINRA Rule 14000 Series shall include investors as such term is used throughout the Funding Portal Rules.

**(b) Predispute Arbitration Agreements for Investor Accounts**

(1) Any predispute arbitration clause shall be highlighted and shall be immediately preceded by the following language in outline form:

“This agreement contains a predispute arbitration clause. By signing an arbitration agreement the parties agree as follows:

(A) All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed.

(B) Arbitration awards are generally final and binding; a party’s ability to have a court reverse or modify an arbitration award is very limited.

(C) The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings.

(D) The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel at least 20 days prior to the first scheduled hearing date.

(E) The panel of arbitrators may include a minority of arbitrators who were or are affiliated with the securities industry.

(F) The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.

(G) The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement.”

(2) (A) In any agreement containing a predispute arbitration agreement, there shall be a highlighted statement immediately preceding any signature line or other place for indicating agreement that states that the agreement contains a predispute arbitration clause. The statement shall also indicate at what page and paragraph the arbitration clause is located.

(B) Within 30 days of signing, a copy of the agreement containing any such clause shall be given to the investor and the funding portal member shall retain proof of delivery or of the investor’s acknowledgement of receipt.

(3) (A) Within ten business days of receipt of the investor’s request, a funding portal member shall provide an investor with a copy of any predispute arbitration clause or investor agreement executed between the investor and the funding portal member.

(B) Upon request by an investor, a funding portal member shall provide the investor with the names of, and information on how to contact or obtain the rules of, all arbitration forums in which a claim may be filed under the agreement.

(4) No predispute arbitration agreement shall include any condition that:

(A) limits or contradicts the rules of any self-regulatory organization;

(B) limits the ability of a party to file any claim in arbitration;

(C) limits the ability of a party to file any claim in court permitted to be filed in court under the rules of the forums in which a claim may be filed under the agreement;

(D) limits the ability of arbitrators to make any award.

(5) If an investor files a complaint in court against a funding portal member that contains claims that are subject to arbitration pursuant to a predispute arbitration agreement between the funding portal member and the investor, the funding portal member may seek to compel arbitration of the claims that are subject to arbitration. If the funding portal member seeks to compel arbitration of such claims, the funding portal member must agree to arbitrate all of the claims contained in the complaint if the investor so requests.

(6) All agreements shall include a statement that “No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the investor is excluded from the class by the court. Such forbearance to enforce an

agreement to arbitrate shall not constitute a waiver of any rights under this agreement except to the extent stated herein.”

## Form FP-NMA

### Application Contact Information

Provide the following information for the person who will be the primary contact for the Funding Portal (“FP”) Applicant during FINRA’s review of the Funding Portal - New Member Application (“FP-NMA”). Note that this is the person to whom FINRA will direct application-related questions and correspondence.

#### Contact person

First name	
Last name	
Email address	
Phone number	
Fax number	

#### Mailing address

Company name	
Street address, line 1	
Street address, line 2	
City	
State	
Country	
Postal Code	

### I. General Information

Provide the following business information regarding the FP Applicant:

- a. Full Name of FP Applicant;
- b. SEC File Number or IRS Tax Number;
- c. Any Other Name(s) Under Which Business Is or Will Be Conducted;
- d. Business Address;
- e. All Website Addresses Where Business Is or Will Be Conducted;
- f. Legal Status of FP Applicant (e.g., Corporation, Limited Liability Company (“LLC”), Partnership, Sole Proprietorship, or Other);
- g. State/Country of Formation;
- h. Date of Formation; and
- i. [Attach](#) corporate or analogous formation documents of the FP Applicant, and any amendments thereto.

### II. Ownership

- a. [Attach](#) a current copy of the FP Applicant’s completed SEC Form Funding Portal including all schedules and, as applicable, disclosure reporting pages.
- b. Is the copy of the FP Applicant’s completed SEC Form Funding Portal accurate?

Yes  No

If ‘No’ is selected above, provide a detailed explanation of any changes.

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- c. [Attach](#) an organizational chart depicting: (i) the direct and indirect ownership structure and percentage interests in the FP Applicant held by entities and individuals; and (ii) any subsidiaries of the FP Applicant.

### III. Associated Persons

- a. Executive Officers  
Provide the names and CRD numbers (if applicable) of the individuals performing the following roles or their functional equivalents:
- i. Chief Executive Officer;
  - ii. Chief Financial Officer;
  - iii. Chief Operations Officer; and
  - iv. Chief Compliance Officer.
- b. Supervisory Personnel  
**Attach** an organizational chart depicting the FP Applicant's supervisory personnel and reporting lines.

### IV. Activities, Procedures, and Controls

- a. Business Model and Activities  
Provide a detailed written description of the FP Applicant's business model. Include, at a minimum, a description of:
- i. the forms of compensation that will be paid to the FP or its associated persons;
  - ii. any referral fees or transaction based compensation that the FP or associated persons will pay to others;
  - iii. the types of securities to be presented to investors;
  - iv. any limitations on the types of issuers that will be presented;
  - v. how issuers will be presented to investors (e.g., website, social media platform); and
  - vi. the type and scope of any other business activities the FP Applicant intends to conduct.

- b. Recordkeeping  
Describe in detail the recordkeeping policies, procedures and systems to be used by the FP Applicant.

- c. **Attach** the FP Applicant's written procedures. The written procedures must address, at a minimum, the following subjects:
- i. Anti-money laundering;
  - ii. Communications with the public;
  - iii. Collection, retention, protection and review of investors' information;
  - iv. Disclosure requirements;
  - v. Due diligence;
  - vi. Investor education and affirmation; and
  - vii. Supervision.

Please ensure that the written procedures clearly state:

- i. Who: the identification of the person responsible for conducting the subject procedure;
- ii. What: a description of the specific procedure that is to be conducted by the person responsible;
- iii. When: a statement as to when or how often the specific procedure is to be conducted; and
- iv. How evidenced: a statement as to how the FP Applicant will evidence the fact that the procedure has been conducted.

## d. Restricted or Prohibited Activities

The federal securities laws prohibit FPs from certain conduct, including: offering investment advice or recommendations; soliciting purchases, sales, or offers to buy the securities offered or displayed on its website or portal; compensating employees, agents, or other persons for such solicitation or based on the sale of securities displayed or referenced on its website or portal; holding, managing, possessing, or otherwise handling investor funds or securities; and any other activities prohibited by the SEC.

- i. [Attach](#) a signed statement, executed by an FP Applicant's officer (or functional equivalent) that procedures are in place to adhere to such prohibitions and that the FP Applicant's officers (or functional equivalents) are responsible for and maintain a system of controls and supervision to ensure compliance.
- ii. [Attach](#) written procedures addressing how the FP Applicant will comply with the prohibitions (the written procedures must clearly provide the information outlined above regarding who, what, when, and how evidenced).

## V. Systems, Facilities, and Contractual Relationships

## a. Systems

Describe the operational systems the FP Applicant will use to conduct its business and the controls (e.g., change management, limitations on access to underlying data) to be utilized for such systems.

## b. Business and Contractual Relationships

Describe the business and contractual relationships the FP Applicant will maintain to conduct its business activities. This should include, without limitation and as applicable, descriptions of the following relationships:

- i. Banks;
- ii. Broker-Dealers;
- iii. Clearing corporations;
- iv. Service bureaus;
- v. Escrow agents;
- vi. Transfer agents; and
- vii. Technology service providers.

c. [Attach](#) copies of any contracts or agreements relating to the relationships described above.

d. [Attach](#) copies of any other contracts or agreements entered into by the FP Applicant for the performance by another party of any functions identified as prohibited activities in the SEA definition of "funding portal" as enumerated in SEA Section 3(a)(80)(A) through (E) (e.g., offering investment advice or recommendations; soliciting purchases, sales or offers to buy the securities offered or displayed on the FP Applicant's website or portal; holding, managing, possessing, or otherwise handling investor funds or securities).

e. Will the FP Applicant use pre-dispute arbitration agreements?

Yes  No

- f. Insurance/Fidelity Bond  
**Attach** a copy of the FP Applicant's fidelity bond.

## VI. Funding

- a. Source of Funding
- i. Use the spreadsheet below to identify all persons or entities that have contributed equity capital or debt financing to the FP Applicant's business and provide information regarding the type of capital or financing.

Date	Name of Funding Source	Funding Type (e.g., debt, equity)	Amount	Transfer Instrument (e.g., wire, check)

(If additional space is needed, please submit a separate document as an additional attachment containing the information and identifying the question to which the information pertains.)

- ii. **Attach** documentation reflecting all funding/capitalization of the FP Applicant. The documentation provided to reflect funding/ capitalization should include:
- For each source of funding: bank statements, checks, wire instructions (or the equivalent), audited financial statements, or other evidence demonstrating the funding source's ability to make such contribution.
  - For the FP Applicant: bank statements, checks, or wire instructions (or the equivalent) covering each month that funds were deposited into the Applicant's account(s).
- b. Ongoing Operations
- i. **Attach** a copy of any expense sharing agreement to be utilized by the FP Applicant.
- ii. Describe plans for the FP Applicant's additional funding, should such funding become necessary in the future.

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## VII. Disclosure Information

- a. Identify whether the FP Applicant or any persons associated with the FP Applicant are the subject of a pending, adjudicated, or settled regulatory action or investigation by the SEC, the Commodity Futures Trading Commission, a federal, state, or foreign regulatory agency, or a self-regulatory organization; an adjudicated, or settled investment-related private civil action for damages or an injunction; or a criminal action (other than a minor traffic violation) that is pending, adjudicated, or that has resulted in a guilty or no contest plea. For each associated person, provide below the name, CRD number (if applicable), brief description of the action or investigation (including date of action or investigation), and role with the FP Applicant.

Name	CRD # (if applicable)	Event	Date of Event	Role with FP Applicant

- b. **Attach** a completed FP-SD Schedule.

- c. For any person identified above or in the attached FP–SD Schedule, provide a detailed description of the FP Applicant’s plan for heightened supervision of that person’s activities. In the alternative, [attach](#) a copy of the applicable heightened supervisory procedures.

**Designated Signatory**

I hereby certify under penalty of perjury under the laws of the United States of America, 18 U.S.C. § 1746, that the foregoing information provided by me on behalf of the FP Applicant is true and correct to the best of my knowledge, information, and belief and that I am legally authorized to make the foregoing certification on behalf of the FP Applicant.

Executed on: \_\_\_\_\_, 20\_\_\_\_\_.

Executive Officer Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

## Form FP-CMA

### Application Contact Information

Provide the following information for the person who will be the primary contact for the Funding Portal (“FP”) member during FINRA’s review of the Funding Portal - Continuing Member Application (“FP-CMA”). Note that this is the person to whom FINRA will direct application-related questions and correspondence.

#### Contact person

First name	<input type="text"/>
Last name	<input type="text"/>
Email address	<input type="text"/>
Phone number	<input type="text"/>
Fax number	<input type="text"/>

#### Mailing address

Company name	<input type="text"/>
Street address, line 1	<input type="text"/>
Street address, line 2	<input type="text"/>
City	<input type="text"/>
State	<input type="text"/>
Country	<input type="text"/>
Postal Code	<input type="text"/>

### I. General Information

- a. Full Name of FP Member;
- b. SEC File Number or IRS Tax Number;
- c. Business Address; and
- d. All Website Addresses Where Business Is or Will Be Conducted.

### II. Proposed Ownership or Control Change Information

Using the list below, identify all proposed ownership or control changes for the FP member that require the filing of an application pursuant to Funding Portal Rule 110(a)(4):

- [ ] A change in the equity ownership, partnership capital, Limited Liability Company (“LLC”) membership interest, or other ownership interest of the FP member that results in one person or entity directly or indirectly owning or controlling 25 percent or more of the equity or partnership capital, LLC membership interest, or other ownership interest; or
- [ ] A change, directly or indirectly, of control persons of the FP member, other than the appointment or election of a natural person as an officer or director of the FP member in the normal course of business, regardless of whether such change occurred as a result of a direct or indirect change in the equity ownership, partnership capital, LLC membership interest, or other ownership interest in the FP member.

### III. Impact of Proposed Ownership or Control Change

For each proposed ownership or control change selected above, provide an explanation addressing the impact of the proposed ownership or control change on the following components of the business of the FP member. If there will be no impact, please indicate “Not Applicable.”

a. Impact on Owners or Control Persons

Please identify all:

- i. New owners that will, directly or indirectly, own or control 25 percent or more, of the FP member; or
- ii. Persons who will, directly or indirectly, control the FP member.

b. Impact on Supervisory Structure and Personnel

- i. [Attach](#) a chart depicting the ownership structure reflecting the changes that will occur as a result of the proposed ownership change.
- ii. [Attach](#) a supervisory organization chart reflecting the changes to the supervisory personnel (identified specifically by name and title) that will occur as a result of the proposed ownership change.
- iii. [Attach](#) a copy of the documentation evidencing the proposed ownership or control change (e.g., purchase agreement, corporate resolutions, or equivalent documentation evidencing the proposed change).

**IV. Disclosure Information**

- a. Identify whether the FP member or any persons associated (or to be associated) with the FP member are the subject of a pending, adjudicated, or settled regulatory action or investigation by the SEC, the Commodity Futures Trading Commission, a federal, state, or foreign regulatory agency, or a self-regulatory organization; an adjudicated, or settled investment-related private civil action for damages or an injunction; or a criminal action (other than a minor traffic violation) that is pending, adjudicated, or that has resulted in a guilty or no contest plea. For each associated person, provide below the name, CRD number (if applicable), brief description of the action or investigation (including date of action or investigation), and role with the FP member.

Name	CRD # (if applicable)	Event	Date of Event	Role with FP Applicant

- b. For any person identified above or in the FP–SD Schedule, provide a detailed description of the FP member’s plan for heightened supervision of that person’s activities. In the alternative, [attach](#) a copy of the applicable heightened supervisory procedures.

**Designated Signatory**

I hereby certify under penalty of perjury under the laws of the United States of America, 18 U.S.C. § 1746, that the foregoing information provided by me on behalf of the FP member is true and correct to the best of my knowledge, information, and belief and that I am legally authorized to make the foregoing certification on behalf of the FP member.

Executed on: \_\_\_\_\_, 20\_\_\_\_.

Executive Officer Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

## Attachment D

## FP–SD Schedule

**NOTE: FINRA MAY PUBLICLY DISCLOSE THE INFORMATION PROVIDED ON THIS PAGE**

Full Name of Funding Portal

SEC File Number

**Statutory Disqualification Information**

Indicate below whether this Funding Portal or any persons associated with this Funding Portal are subject to statutory disqualification as described in Securities Exchange Act (“SEA”) Section 3(a)(39).

- Neither this Funding Portal nor any of its associated persons are subject to a statutory disqualification as described in SEA Section 3(a)(39)
- This Funding Portal or one of its associated persons is subject to a statutory disqualification as described in SEA Section 3(a)(39) *(provide additional information below)*

Name	CRD Number (if applicable)	Event	Date of Event	Role with Funding Portal

(If additional space is needed, please submit a separate document as an additional attachment containing the information.)

[Attach](#) documentation (e.g., copy of court order, written description) regarding each event resulting in a statutory disqualification.

**Designated Signatory**

I hereby certify under penalty of perjury under the laws of the United States of America, 18 U.S.C. § 1746, that the foregoing information provided by me on behalf of the Funding Portal is true and correct to the best of my knowledge, information, and belief and that I am legally authorized to make the foregoing certification on behalf of the Funding Portal.

Executed on: \_\_\_\_\_, 20\_\_\_\_.

Executive Officer Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

**Attachment E****Funding Portal Rule 300(c) Form (with explanations of fields)****Funding Portal Rule 300(c) Reporting Requirements – Disclosure Events**

All fields marked with \* are mandatory

**Date: \***


Funding portal members will be required to enter the date (two-digit month, day and year (MM/DD/YY)) of the submission.

**Funding Portal Member Information: \***

Name of the Funding Portal Member:

SEC File Number:

Funding portal members will be required to enter the firm name and the firm's SEC File Number.

**Contact Person Information: \***

Name:

Telephone:

Email:

Funding portal members will be required to enter the name (first and last name), telephone number and email address of the individual that should be contacted if FINRA staff has any questions regarding the submission.

**Associated Person Information: \***

(only complete if the disclosure relates to an associated person)

Name:

Funding portal members will be required to enter the name (first and last name) of the associated person of the funding portal member, *if any*, to which the disclosure relates. If the disclosure only relates to the funding portal member, this field should be left blank.

**Disclosure Event: \***

(only check one box)

- (c)(1)(A)(i) External Finding or Named in a Regulatory Proceeding
- (c)(1)(A)(ii) Written Complaint Involving Certain Allegations
- (c)(1)(A)(iii) Subject to Other Regulatory Actions
- (c)(1)(A)(iv) Criminal Actions Involving Felonies and Certain Misdemeanors
- (c)(1)(A)(v) Associated with a Financial Entity Subject to Certain Actions
- (c)(1)(A)(vi) Civil Litigation; Arbitration Matters; or Certain Claims for Damages
- (c)(1)(A)(vii) Statutory Disqualification
- (c)(1)(B) Disciplinary Action Taken by a Funding Portal Against an Associated Person
- (c)(2) Internal Conclusion

Funding portal members will be required to check the most appropriate box identifying the type of disclosure. Each checkbox corresponds to a specific paragraph in Funding Portal Rule 300(c).

**Discovery Date: \***

Funding portal members will be required to enter the date (two-digit month, day and year (MM/DD/YY)) that they discovered the disclosure event. For purposes of paragraphs (c)(1)(A)(i) through (c)(1)(B) of the rule, this is the date that the funding portal member knew or should have known of the disclosure event. For purposes of paragraph (c)(2) of the rule, this is the date that the funding portal member concluded or reasonably should have concluded that a reportable violation occurred.

**Additional Information:**  
(limit \_\_\_\_ characters)

This is a free text field that allows funding portal members to enter any additional information that they believe is pertinent to the disclosure.