

**United States House of Representatives Committee on Financial Services  
Subcommittee on Capital Markets and Government Sponsored Enterprises**

**Hearing Entitled:  
“Legislation to Further Reduce Impediments to Capital Formation”  
Room 2128 Rayburn House Office Building**

**October 23, 2013**

**Written Statement by  
J. Michael Ertel, Managing Director  
Legacy M&A Advisors, LLC**

**Submitted for and on behalf of the**

**Alliance of Merger & Acquisition Advisors  
200 East Randolph Street, 24th Floor  
Chicago, Illinois 60601**

**With respect to H.R. 2274  
The Small Business Mergers, Acquisitions,  
Sales, and Brokerage Simplification Act of 2013**

**Written Statement by  
J. Michael Ertel, Managing Director  
Legacy M&A Advisors, LLC**

**Submitted for and on behalf of the**

**Alliance of Merger & Acquisition Advisors  
200 East Randolph Street, 24th Floor  
Chicago, Illinois 60601**

**With respect to H.R. 2274  
The Small Business Mergers, Acquisitions,  
Sales, and Brokerage Simplification Act of 2013**

**October 23, 2013**

### **Introduction**

Chairman Garrett, Ranking Member Maloney, members of the Capital Markets Subcommittee, thank you for this opportunity to explain how today's "one-size-fits-all" system of regulating securities broker-dealers adversely impacts owners of privately held companies who seek professional advice and business brokerage services to sell, buy, or grow their small- and mid-sized businesses through privately negotiated mergers, acquisitions, sales, and other business combination transactions ("M&A transactions").

### **Public Policy Considerations**

Public policy considerations supporting H.R. 2274, the *Small Business Mergers, Acquisitions, and Sales Brokerage Simplification Act of 2013*, date back to the 2005 American Bar Association, *Report and Recommendations of the Private Placement Broker-Dealer Task Force*,<sup>1</sup> and the 2006 *Final Report of the Advisory Committee [to the SEC] on Smaller Public Companies*,<sup>2</sup> as documented in the oral and written testimony submitted by Shane Hansen, a securities law partner with Warner Norcross & Judd LLP, who testified about H.R. 2274 at a hearing before this Subcommittee on June 12, 2013.<sup>3</sup>

---

<sup>1</sup> Available on the SEC's website at [www.sec.gov/info/smallbus/2009gbforum/abareport062005.pdf](http://www.sec.gov/info/smallbus/2009gbforum/abareport062005.pdf).

<sup>2</sup> Available on the SEC's website at [www.sec.gov/info/smallbus/acspc/acspc-finalreport.pdf](http://www.sec.gov/info/smallbus/acspc/acspc-finalreport.pdf).

<sup>3</sup> "Reducing Barriers to Capital Formation," available on the Subcommittee's website at <http://financialservices.house.gov/calendar/eventsingle.aspx?EventID=336906>.

## **Representing Legacy Advisors & AM&AA**

My testimony is based on my personal experience as Co-Chair of the *Campaign for Clarity*, a profession-wide effort to bring clarity to the regulation of M&A advisors, intermediaries, and business brokers (“M&A brokers”), led by the Alliance of Mergers & Acquisitions Advisors (AM&AA), and supported more than 16 other international, national and regional professional associations of M&A brokers and related professionals.<sup>4</sup> It is also based on my personal experience in providing business brokerage and M&A advisory services to sellers and buyers of privately held businesses since 2000, and being a small business owner myself.

Since July 2011, I have been registered as a representative of an SEC- and state-registered broker-dealer and member of the Financial Industry Regulatory Authority (“FINRA”), but I am not speaking for or representing that brokerage firm in my remarks today. I became registered with a fully-registered broker-dealer in order to comply with today’s “one-size fits all” regulatory scheme because, in seven years of persistent efforts by the AM&AA and the supporting professional associations, the Securities and Exchange Commission (“SEC”) has not addressed this critical small business issue through rulemaking.

## **The Business Context**

For most business owners, the sale of their business is one of the largest personal financial transactions of their lives, but something many will likely do only once. It represents their best opportunity to reap the financial rewards of their work, time – for some a lifetime – and money. While business owners may be experts at managing and growing their own businesses, they generally have little or no experience in preparing their business for sale; identifying and screening prospective buyers; assembling, packaging, and presenting information relevant to prospective buyers; valuing their business, its assets, and its income streams; assessing the pros, cons, and quality of purchase offers; structuring the transaction; managing the pre-purchase due diligence process; guiding the transaction through unexpected operational and human resource obstacles; preparing for the transition of ownership and management; and

---

<sup>4</sup> See the list in Exhibit 1 to this written statement.

completing the transaction. While their attorneys and accountants provide valuable legal, tax, and accounting advice, astute business owners recognize they may need an experienced professional intermediary to quarterback the entire business sale process from start to finish, since they will not get a second chance to get a successful outcome.

For example, most private business owners plan and file their corporate tax returns to legitimately minimize their taxes, such as by accelerating deductions and deferring income recognition. Often, tax-driven business planning fails to reveal the true market value of their business. Consequently, financial statements and related records must be carefully analyzed and presented to better reflect the value of the business to prospective buyers and to fully support the business sale process. Many private business owners need and turn to the professional services of an M&A broker to facilitate these processes.

M&A transactions involving privately owned businesses may have a variety of different legal structures depending on many factors, principally driven by the business objectives of the parties. Regardless of the M&A transaction's legal structure, the parties' common objective is to convey or combine ownership and control of an existing business so that the enterprise can continue to operate and grow, to preserve existing jobs, and to create new jobs. There are many reasons for sellers to seek an M&A transaction. M&A transactions occur when, for example, one or more private business owners want to exit the business or retire by selling his or her stake in the company. Sometimes owner want to sell part or all of the business to its employees. Sometimes the business needs more or different skill sets to take it to the next level. Sometimes a larger company wants to divest the business conducted by a division or a subsidiary.

The legal structure and the process required to complete an M&A transaction is affected by many factors including, for example, the size of the business, the nature of its operations and assets, the business risks, the industry type, the industry participants, the historical financial performance, the operating capital requirements, the business development stage (e.g., start-up or mature), the human resources, the intellectual property, the market for its products or services, and the applicable regulatory requirements. Some prospective buyers may prefer to acquire the

business' assets for a variety of reasons, including considerations such as taxes and business risk mitigation. Sellers commonly prefer to receive all cash at closing. Cash-for-assets transactions are usually outside the jurisdiction of federal and state securities laws, though under some circumstances contract terms such as an "earn-out" or a buyer's promissory note issued to the seller may subject the transaction, the parties, and the M&A broker to securities law and regulation. In many instances it may be undesirable or impractical to structure an M&A transaction as cash-for-assets because there are income tax advantages for the sellers to prefer cash-for-stock or stock-for-stock exchanges, which are within the jurisdiction of federal and state securities laws. The final legal structure of an M&A transaction may not be known until late in the sale process, which can span many months or even years. While all of these transaction structures result in the sale of the business, some of these legal structures are subject to federal and state securities laws, including broker-dealer regulation of the M&A broker, while other legal structures are not subject to securities regulation at all.

Selling a privately owned business requires knowledge of multiple disciplines affecting all aspects of that business. Smaller businesses may or may not have in-house expertise, and may or may not be able to afford consultants or specialists, in the relevant disciplines. Accordingly, an M&A broker serving smaller businesses often needs to be a competent generalist and "jack of all trades", knowing when and where special expertise is needed. M&A brokers educate the seller on the selling process; help prepare the business for sale; analyze company's financials and its business; perform or coordinate valuation; advise on potential capital sources and capital structure; understand the business operations; prepare business offering information packages; identify, market, and screen qualified potential buyers; assist in organizing and facilitating the buyer's due diligence; and coordinate communications with the parties' lawyers, accountants, and other consultants. An M&A broker's knowledge and experience with these and other business factors are critically important to the success of an M&A transaction.

Regardless of legal structure, in M&A transactions the prospective buyers conduct their own extensive due diligence investigation into the seller's business, financial performance, management, operations, assets, liabilities, and business risks. The prospective buyers will control and run the businesses after the transaction's closing. Commonly, the prospective buyers have substantial business experience, employ their own knowledgeable operational and financial officers and managers, and are advised by their own lawyers, accountants, commercial bankers, and consultants. Sometimes the prospective buyers are larger, more sophisticated companies or private equity groups. The buyer's due diligence team has complete access to the seller's business, which the buyer will ultimately own, control, and run. The parties negotiate their contractual representations, warranties, covenants, rights, and remedies, and may enforce their rights in court, rather than merely relying upon the antifraud protections and remedies in federal and state securities laws that are important to passive, non-controlling investors. Commonly, the parties' lawyers close the M&A transactions and control the exchange of the purchase consideration. In effecting the sale of a privately owned business, M&A brokers are not in the business of selling securities to passive investors; they are not raising capital; they are not holding either party's funds or securities; they are not investing funds for account of others.

Not all M&A transactions that start are successfully closed. Commonly, M&A brokers are primarily paid for their services with a contingent success fee so, apart from reimbursement of expenses, the seller does not incur the cost of these services unless the transaction is completed. While this compensation structure helps to align the interests of the seller and the M&A broker, it also means that the M&A broker may commit a substantial amount of time – often many months and sometimes several years – to working on behalf of the seller without current pay checks. M&A transactions fall apart frequently for a variety of reasons unrelated to the M&A broker or its services. For example, a prospective buyer may be unable to get financing, the buyer's discovery in due diligence of unacceptable business risks such as off-balance sheet liabilities, or the parties' inability to negotiate a satisfactory purchase price or contractual representations, warranties, indemnifications, and other remedies. An M&A broker

may have to find and screen multiple prospective buyers to ultimately sell a business, or may have to walk away from a sell-side engagement without compensation if no M&A transaction is closed. Most M&A brokers are themselves small businesses. High fixed overhead costs, including the cost of maintaining today's complex broker-dealer compliance infrastructure, are difficult to sustain when an M&A broker's compensation for services rendered is neither periodic nor predictable.

### **Today's Compliance**

The current one-size-fits-all regulatory scheme requires M&A brokers to comply with the same SEC and FINRA regulations that govern Wall Street investment bankers and retail securities brokers. This requires registration with and extensive regulation by the SEC and FINRA, as well as compliance with various state securities laws, real estate brokerage laws, and business brokerage laws. The vast preponderance of existing federal regulation has been designed and enhanced to better protect our public markets and passive investors, and so imposes burdensome and complex requirements that are largely irrelevant in the context of private M&A transactions.

The 2006, 2007, 2008, 2009, 2010, and 2011 Final Reports and Recommendations of the Government-Business Forum on Small Business Capital Formation hosted by the SEC have recommended that the SEC take the lead in clarifying and simplifying the complex, overlapping, and unduly burdensome securities regulations that presently regulate M&A brokers.<sup>5</sup> In 2011, former SEC Chairman Schapiro acknowledged to Members of Congress<sup>6</sup> the need for the agency to review the application of existing rules to M&A brokers in the privately negotiated sale of a business context, but no rulemaking has been undertaken and, since the enactment of the Dodd-Frank Act, there have been other Congressionally-mandated priorities.

---

<sup>5</sup> These reports are available on the SEC's website at <http://www.sec.gov/info/smallbus/sbforum.shtml>.

<sup>6</sup> Ms. Schapiro's letter is among the exhibits to Mr. Hansen's written statement available on the Subcommittee's website at <http://financialservices.house.gov/calendar/eventsingle.aspx?EventID=336906>.

## **Cost of Compliance**

Almost all M&A brokers operate as very small firms. For a typical small M&A broker to organize itself as a registered broker-dealer, the initial cost to organize and operate for the first twelve months of operations has been estimated to exceed \$250,000.<sup>7</sup> Annual fixed compliance costs are estimated to exceed \$75,000 regardless of the number of M&A transactions handled or closed during the year. Because M&A brokers are commonly compensated by a contingent success fee, they must carry the entire cost of operations, including compliance, until each M&A transaction's closing.

Since most M&A brokers close a very small number of transactions per year—sometimes none—and since not all of those transactions are even subject to securities regulation, the initial and on-going compliance cost required to handle a very small number of securities transactions is disproportionately burdensome to these small firms. Ultimately, these costs must be passed on to the business owners in order for the M&A broker to remain in business.

## **Need to Act Now**

Various authors<sup>8</sup> have observed that as the baby boomer generation reaches retirement, millions of small businesses affecting millions of employees will be transitioning to the next generation of owners. To better protect these senior business owners who frequently have up to 90% of their net worth tied up in their businesses through direct investment and personal guarantees, many will need the assistance of an M&A broker. The perception of public protection through today's "one-size fits all" broker-dealer regulation is illusory, because there are thousands of small, unregistered M&A brokers across the country, who are either unaware that their activities require broker-dealer registration and regulation, or have chosen to ignore this requirement due to the extraordinarily high cost and lack of relevance to the professional services they provide. The parties rely upon their negotiated contractual representations, warranties,

---

<sup>7</sup> See Exhibit 2, Estimate of Pro Forma Broker-Dealer Compliance-related Costs, and Exhibit 3, FINRA Gross Income Assessments and Various Registration Fees, for some of these compliance-related costs.

<sup>8</sup> Richard Jackim, Peter Christman, *The \$10 Trillion Opportunity*, Exit Planning Institute (2006); Robert Avery, Cornell University.



covenants, rights, and remedies drafted by their own attorneys for their own protection, rather than on the general antifraud prohibitions and protections designed for passive investors.

### **The Impact of H.R. 2274 on Economic Growth**

Capital formation, economic growth, and jobs preservation and creation by small and mid-sized businesses are all facilitated with cost-effective M&A advisory and business brokerage services.<sup>9</sup> H.R. 2274 would direct the SEC to create a simplified system of M&A broker registration through a public notice filing. The bill would direct the SEC to review and tailor rules relevant to the context in which M&A brokers provide professional services. The bill would direct the SEC to work with state securities regulators to develop appropriate client disclosures about the firm and its professional staff, services, fees, and conflicts of interest (conceptually similar to those required from investment advisers), and professional qualifications. No new federal preemption of state laws would be created by H.R. 2274. State securities laws would continue to apply to M&A brokers. State securities regulators would continue their role in providing important protections for business sellers buyers. Appropriately scaling federal securities regulation of M&A brokers in view of the foregoing considerations would ultimately free-up the SEC's and FINRA's resources to better protect our public markets and passive investors.

### **Exhibits**

This written statement is accompanied by a number of exhibits with supporting information, which are incorporated here by reference.

### **Conclusion**

I urge you to support H.R. 2274 and look forward to your questions.

---

<sup>9</sup> See Exhibit 4, *A Bipartisan Small Business Fix*, Michael Nall, AM&AA Founder, October 8, 2013 posted to the Hill.com.

**Exhibits Accompanying**

**Written Statement by  
J. Michael Ertel, Managing Director  
Legacy M&A Advisors, LLC**

**October 23, 2013**

- Exhibit 1 List of Professional Association Supporters
- Exhibit 2 Estimate of Pro Forma Broker-Dealer Compliance-related Costs
- Exhibit 3 FINRA Gross Income Assessments and Various Registration Fees
- Exhibit 4 *A Bipartisan Small Business Fix*, Michael Nall, AM&AA Founder, October 8, 2013, posted to the Hill.com.
- Exhibit 5 J. Michael Ertel Biography
- Exhibit 6 “Truth in Testimony” Disclosure Form

**Exhibit 1**

**Supporting Professional Associations**

**AM&AA Campaign for Clarity**  
**Supporting Professional Associations**

**As of October, 2013**

- n Alliance of Merger & Acquisition Advisors (AM&AA)
- n MidMarket Alliance (formerly Alliance for Corporate Wealth (ACW))
- n Midwest Business Brokers & Intermediaries (MBBI)
- n International Business Brokers Association (IBBA)
- n M&A Source (MAS)
- n Business Brokers of Florida (BBF)
- n Colorado Association of Business Intermediaries (CABI)
- n Mid Atlantic Business Intermediaries Association (MABIA)
- n Texas Association of Business Brokers (TABB)
- n California Association of Business Brokers (CABB)
- n Institute of Certified Business Counselors (ICBC)
- n Arizona Business Brokers Association (AZBBA)
- n Georgia Association of Business Brokers (GABB)
- n Michigan Business Brokers Association (MSSA)
- n Carolina Virginia Business Brokers Association (CVBBA)
- n Nevada Business Brokers Association (NBBA)
- n Alliance for Corporate Growth (ACG)

The Campaign for Clarity is also supported by numerous individuals and firms.

**Exhibit 2**

**Estimate of Pro Forma Broker-Dealer Compliance-related Costs**

## Estimate of Pro Forma Broker-Dealer Compliance-related Costs

### Subject BD: ABC Capital Markets, LLC

<i>All amounts are estimates</i>		
<b>Capitalization</b>		
Required Minimum Net Capital	\$	5,000
Required excess net capital "cushion" (20%)	\$	1,000
Additional required capital for 12 months	\$	161,768
<b>Total Initial Capitalization</b>	<b>\$</b>	<b>167,768</b>
<b>Annual Regulatory and FINRA Related Operating Expenses Fees</b>		
<b>Firm</b>		
FINRA Charges to Pursue an New Member Application (NMA)	\$	7,500
FINRA Registration Fees - Firm	\$	3,000
FINRA Assessment Fees - Firm	\$	5,000
SIPC	\$	2,500
Audited Financials (Per SEC and SOX )	\$	12,000
E&O Insurance	\$	15,000
Rule 3010 Requirements (Email and Data Storage Services)	\$	2,500
Fidelity Bond Premium	\$	1,500
Financial and Operations Principal's Services (est. \$1,000/mo)	\$	12,000
Number of State Registrations Individuals (Average \$50/pp)	10	\$ 5,000
State Registration (Per State Average) @	\$ 500	\$ 5,000
<b>Total Firm Registration Fees</b>		<b>\$ 71,000</b>
<b>Agents</b>		
Number of Agents	4	
FINRA Agent Licensing Fees @	\$ 85	\$ 340
Agent Licensing Fees (Average Estimate Per State) @	\$ 50	\$ 2,000
Agent Renewal Fees	\$ 50	\$ 2,000
Exams	\$ 75	\$ 300
Fingerprinting	\$ 32	\$ 128
<b>Total Agent Registration Fees</b>		<b>\$ 4,768</b>
<b>Total Regulatory and FINRA Specific Operating Fees</b>		<b>\$ 75,768</b>
<b>Consulting, Legal &amp; Accounting Fees</b>		
Legal Fee (incorporation and business fees)	\$	1,500
Compliance Consulting Fee at \$500/mo	\$	6,000
CPA Consulting Fees	\$	7,500
Annual CEO Compliance Certification		Variable
Annual Supervisory Controls Testing and Certification		Variable
Anti-money Laundering Program Testing (three-year cycle)		Variable
	\$	15,000
FINRA Initial New Member Application Consulting Fees	\$	20,000
<b>Total Consulting, Legal and Accounting</b>	<b>\$</b>	<b>35,000</b>
<b>Total Estimated Regulatory/Consulting Costs</b>	<b>\$</b>	<b>278,536</b>

Broker-Dealer's basic required Net Capital for an Investment Banking firm is typically \$5,000, but depends on how the firm is set-up. It could be as much as \$50,000. (business lines to push a firm to the \$100,000 requirement - Proprietary Trading, Firm Commitment Underwritings, Market Making)

FINRA requires enough capital to cover 12 months of anticipated expenses with no revenues (you may get by with 6 months if you show you can put more capital in quick)

The New FINRA NMA fees start at \$7,500 and range up to \$55,000 depending on the size and permissions of the firm.

Calculated at the end of the Calendar year. Formula based on number of representatives, branch offices and gross revenues from securities transactions. Based on percentage of gross revenues - .25% of net operating revenue.

M&A Only can be as low as \$10k/year for a \$1MM policy, for Private Placements up to \$60k/year if you're provided a quote at all

This number can range in multiples higher when the firm is larger

Based on number representatives, branch offices and net capital requirement

If no FINOP in-house and services are outsourced monthly

Estimated number, may be more or less based on complexity of business

**Exhibit 3**

**FINRA Gross Income Assessments and Various Registration Fees**

## Regulatory Pricing Changes

### SEC Approves Changes to the Personnel Assessment and Gross Income Assessment Fees

Effective Date: January 1, 2010

#### Executive Summary

The SEC has approved changes to FINRA's regulatory pricing structure as originally outlined in *Regulatory Notice 09-56* (September 2009). Effective January 1, 2010, FINRA will implement a new Personnel Assessment rate structure and a revised calculation for the Gross Income Assessment.<sup>1</sup>

The text of the amendments to Schedule A of the FINRA By-Laws is set forth in Attachment A.

Questions concerning this *Notice* should be directed to:

- Finance at (240) 386-5397; or
- the Office of General Counsel at (202) 728-8071.

#### Background and Discussion

FINRA's primary pricing structure consists of the following fees: the Personnel Assessment (PA), the Gross Income Assessment (GIA), the Trading Activity Fee and the Branch Office Assessment. These fees are used to fund FINRA's regulatory activities, including its examination and enforcement programs. The SEC has approved a rule change that restructures the PA and the GIA to allow FINRA to continue to effectively discharge its regulatory obligations in a fiscally prudent way, while reducing its vulnerability to another market downturn.

November 2009

#### Notice Type

- Rule Amendments

#### Suggested Routing

- Compliance
- Legal
- Operations
- Senior Management

#### Key Topic(s)

- Gross Income Assessment
- Personnel Assessment
- Regulatory Fees

#### Referenced Rules & Notices

- Regulatory Notice 08-19
- Regulatory Notice 09-56
- Sections 1 and 2 of Schedule A of FINRA By-Laws



The GIA currently is assessed through a seven-tiered rate structure with a minimum GIA of \$1,200. Under the current pricing structure, firms are required to pay an annual GIA as follows:

- (1) \$1,200 on annual gross revenue up to \$1 million;
- (2) 0.1215% of annual gross revenue greater than \$1 million up to \$25 million;
- (3) 0.2599% of annual gross revenue greater than \$25 million up to \$50 million;
- (4) 0.0518% of annual gross revenue greater than \$50 million up to \$100 million;
- (5) 0.0365% of annual gross revenue greater than \$100 million up to \$5 billion;
- (6) 0.0397% of annual gross revenue greater than \$5 billion up to \$25 billion; and,
- (7) 0.0855% of annual gross revenue greater than \$25 billion.

The rule change amends Schedule A of the FINRA By-Laws to assess a GIA of the greater of (1) the amount that would be the GIA based on the existing rate structure (current year GIA) or (2) a three-year average of the GIA to be calculated by adding the current-year GIA plus the GIA assessed on the firm over the previous two calendar years, divided by three. For a newer firm that has only been assessed in the prior year, FINRA will compare the current year GIA to the firm's two-year average and assess the greater amount.

Otherwise, the existing GIA rate structure and phase-in implementation through 2010 remain the same. Thus, for 2010, the current year GIA would remain subject to the cap set forth in *Regulatory Notice 08-19* (April 2008), which describes the new funding structure that resulted from the consolidation of NASD and the member regulation, enforcement and arbitration functions of NYSE Regulation into FINRA. FINRA states in the *Notice* that it will apply a 10 percent cap on any increase or decrease of a firm's 2010 current year GIA resulting from the new pricing structure implemented in January 2008.<sup>2</sup>

Firms should note that FINRA is committed to its practice of providing rebates to firms when revenues exceed the expenditures necessary to discharge its regulatory obligations.

The rule change also increases the PA to better align FINRA's revenues with its costs. The PA is currently assessed on a three-tiered rate structure: firms with one to five registered representatives and principals are assessed \$75 for each registered person; 6 to 25 registered persons, \$70 each; and 26 or more registered persons, \$65 each. The rule change increases those rates to \$150, \$140 and \$130, respectively, based on the same tiered structure.

## Implementation

The rule changes are effective **January 1, 2010**.

## Endnotes

- 1 See Exchange Act Release No. 61042 (November 20, 2009), 74 FR 62616 (November 30, 2009) (Order Approving SR-FINRA-2009-057).
- 2 The actual amount of GIA assessed in any given year—*e.g.*, the capped amount or the three-year average—will be used to calculate subsequent three-year average determinations. The caps, if applicable, would be applied to the current-year assessment and the resulting number would be used to calculate the three-year average.

## Attachment A

Below is the text of the rule change. New language is underlined; deletions are in brackets.

\* \* \* \* \*

### SCHEDULE A TO THE BY-LAWS OF THE CORPORATION

Assessments and fees pursuant to the provisions of Article VI of the By-Laws of the Corporation shall be determined on the following basis.

\* \* \* \* \*

#### Section 1 — Member Regulatory Fees

(a) through (b) No Change.

(c) Each member shall pay an annual Gross Income Assessment equal to the greater [total] of:

(1) the total of:

[(1)](A) \$1,200.00 on annual gross revenue up to \$1 million;

[(2)](B) 0.1215% of annual gross revenue greater than \$1 million up to \$25 million;

[(3)](C) 0.2599% of annual gross revenue greater than \$25 million up to \$50 million;

[(4)](D) 0.0518% of annual gross revenue greater than \$50 million up to \$100 million;

[(5)](E) 0.0365% of annual gross revenue greater than \$100 million up to \$5 billion;

[(6)](F) 0.0397% of annual gross revenue greater than \$5 billion up to \$25 billion; and

[(7)](G) 0.0855% of annual gross revenue greater than \$25 billion[.]; or

(2) The average Gross Income Assessment from the preceding three calendar years, to be determined by adding the Gross Income Assessment calculation pursuant to paragraph (c)(1) to the actual Gross Income Assessment in the preceding two calendar years, then dividing by three.

The rate structure set forth in paragraph (c)(1) [above] will be implemented over a three year period beginning in 2008 in such manner as specified by FINRA.

For the purpose of paragraph (c)(1), [E]each member is to report annual gross revenue as defined in Section 2 of this Schedule[,] for the preceding calendar year.

(d) Each member shall pay an annual Personnel Assessment equal to:

(1) [~~\$75~~]\$150.00 per principal and each representative up to five principals and representatives as defined below;

(2) [~~\$70~~]\$140.00 per principal and each representative for six principals and representatives up to twenty-five principals and representatives as defined below;  
or

(3) [~~\$65~~]\$130.00 per principal and each representative for twenty-six or more principals and representatives as defined below.

A principal or representative is defined as a principal or representative in the member's organization who is registered with FINRA as of December 31st of the prior fiscal year.

\* \* \* \* \*



[Industry Professionals](#) > [Compliance](#) > [Registration](#) > [CRD](#) > [Filing & Guidance](#)

## 2013 Registration Fees

The information provided below includes fee changes and their effective dates, which were approved by the U.S. Securities and Exchange Commission in June 2012 as noted in [Regulatory Notice 12-32](#).

### Membership Fee

Effective 7/23/12

The New Member Application (NMA) fee structure assesses fees ranging from \$7,500 to \$55,000 depending on the size of the new member applicant, as outlined in the tables below. The fee structure also assesses an additional \$5,000 surcharge for a new member firm applicant that intends to engage in clearing and carrying activities.

Number of Registered Persons Associated With Applicant	Small	Medium	Large
Tier 1	1-10	151-300	501-1,000
Tier 2	11-100	301-500	1,001-5,000
Tier 3	101-150	N/A	>5,000

Application Fee per Tier	Small	Medium	Large
Tier 1	\$7,500	\$25,000	\$35,000
Tier 2	\$12,500	\$30,000	\$45,000
Tier 3	\$20,000	N/A	\$55,000

### General Registration Fees

Effective 1/02/13

Fee	Description
\$100.00	Registration Fee – for each initial Form U4. The following discounts apply to Forms U4 filed to transfer the registration of representatives/principals in connection with acquisition of all/part of a member's business by another member: <ul style="list-style-type: none"> <li>▪ 1,000–1,999 registered personnel transferred – 10% discount</li> <li>▪ 2,000–2,999 registered personnel transferred – 20% discount</li> <li>▪ 3,000–3,999 registered personnel transferred – 30% discount</li> <li>▪ 4,000–4,999 registered personnel transferred – 40% discount</li> <li>▪ 5,000 and over registered personnel transferred – 50% discount</li> </ul>
\$45.00	Annual Web CRD Processing Fee
\$110.00	Disclosure Processing Fee (U4, U5 & amendments) – for all registration, transfer or termination filings with new or amended disclosure information or that require certification as well as any amendment to disclosure information.
\$100.00 for the first day, \$25 for each subsequent day, up to a	Late Disclosure Fee

maximum of 60 days. \$1,575 max	
\$40.00	Termination Fee
\$80.00	Late Termination Fee

**Branch Office Registration Fees**

Fee Per Branch Office	Description
\$75	Branch Office Initial Registration Fee
\$20	Branch Office System Processing Fee

Notes about Branch Office Fees:

- FINRA will continue to waive the Initial Registration Fee for one branch per firm.
- FINRA will continue to waive the System Processing Fee for one branch per firm.

**Branch Office Annual Registration Fees (Renewal)**

Effective 1/02/13

# of Branch Offices	Fee Per Branch Office
1-250	\$175
251-500	\$150
501-1000	\$125
1001-2000	\$100
2001+	\$75

Notes about Branch Office Fees:

- FINRA will continue to waive the Annual Registration Fee (renewal) for one branch per firm.
- In addition to the Annual Registration Fee, FINRA will continue to assess a \$20 Annual System Processing Fee (renewal) per branch office.
- FINRA will continue to waive the Annual System Processing Fee (renewal) for one branch per firm.

**Fingerprint Processing Fees**

Effective 1/02/13

**Electronic Submission** – covers processing and posting to Web CRD

Fee Per Submission	Description
\$29.50	Initial Submission
\$15.00	Second Submission for a first fingerprint submission that was deemed illegible by the FBI
\$29.50	Third Submission

**Paper Card Submission** – covers processing and posting to Web CRD

Fee Per Card	Description

\$44.50	Initial Submission
\$30.00	Second Submission for a first fingerprint submission that was deemed illegible by the FBI
\$44.50	Third Submission

**Qualification Examination Fees** are listed on the [FINRA Administered Qualification Examinations](#) table.

Last Updated: 11/21/2012

©2013 FINRA. All rights reserved. FINRA is a registered trademark of the Financial Industry Regulatory Authority, Inc.



Print

## Section 4 — Fees

(a)(1) Each member shall be assessed a registration fee of \$75.00 and a branch office system processing fee of \$20.00 upon the registration of each branch office, as defined in the By-Laws.

(2) FINRA shall waive, for the first branch office registered by a member, payment of the \$75.00 registration fee and the \$20.00 branch office system processing fee (where such fees have been assessed pursuant to paragraph (a)(1)).

(3) Each member also shall be assessed:

(A) an annual registration fee of:

- (i) \$175, for each of the first 250 branch offices registered by the member;
- (ii) \$150, for each of branch offices 251 to 500 registered by the member;
- (iii) \$125, for each of branch offices 501 to 1,000 registered by the member;
- (iv) \$100, for each of branch offices 1,001 to 2,000 registered by the member;
- (v) \$75, for every branch office greater than 2,000 registered by the member; and

(B) an annual branch office system processing fee of \$20.00 per registered branch.

(4) FINRA shall waive, for one branch office per member per year, payment of the \$175 annual registration fee (where such fee has been assessed pursuant to paragraph (a)(3)(A)(i) and the \$20.00 annual branch office system processing fee assessed pursuant to paragraph (a)(3)(B).

(b) FINRA shall assess each member a fee of:

(1) \$100.00 for each initial Form U4 filed by the member with FINRA for the registration of a representative or principal, except that the following discounts shall apply to the filing of Forms U4 to transfer the registration of representatives or principals in connection with acquisition of all or a part of a member's business by another member:

Number of Registered Personnel Transferred	Discount
1,000–1,999	10%
2,000–2,999	20%
3,000–3,999	30%
4,000–4,999	40%
5,000 and over	50%



(2) \$40.00 for each initial Form U5 filed by the member with FINRA for the termination of a registered representative or registered principal, plus a late filing fee of \$80.00 if the member fails to file the initial Form U5 within 30 days after the date of termination;

(3) \$110.00 for the additional processing of each initial or amended Form U4, Form U5 or Form BD that includes the initial reporting, amendment, or certification of one or more disclosure events or proceedings;

(4) \$15.00 for processing and posting to the CRD system each set of fingerprints submitted electronically by the member to FINRA, plus any other charge that may be imposed by the United States Department of Justice for processing each set of fingerprints;

(5) \$30.00 for processing and posting to the CRD system each set of fingerprint cards submitted in non-electronic format by the member to FINRA, plus any other charge that may be imposed by the United States Department of Justice for processing each set of fingerprints;

(6) \$30.00 for processing and posting to the CRD system each set of fingerprint results and identifying information that have been processed through another self-regulatory organization and submitted by a member to FINRA;

(7) \$45.00 annually for each of the member's registered representatives and principals for system processing; and

(8) 10% of a member's final annual renewal assessment or \$100, whichever is greater, with a maximum charge of \$5,000, if the member fails timely to pay the amount indicated on its preliminary annual renewal statement.

(c) The following fees shall be assessed to each individual who registers to take an examination as described below. These fees are in addition to the registration fee described in paragraph (b) and any other fees that the owner of an examination that FINRA administers may assess.

4	Series	Registered Options Principal	\$100
6	Series	Investment Company Products/Variable Contracts Representative	\$95
7	Series	General Securities Representative	\$290
9	Series	General Securities Sales Supervisor — Options Module	\$75
10	Series	General Securities Sales Supervisor — General Module	\$120
11	Series	Assistant Representative — Order Processing	\$75
14	Series	Compliance Official	\$335
16	Series	Supervisory Analyst	\$230
17	Series	Limited Registered Representative	\$75
22	Series	Direct Participation Programs Representative	\$95
23	Series	General Securities Principal Sales Supervisor Module	\$95

24	Series	General Securities Principal	\$115
26	Series	Investment Company Products/Variable Contracts Principal	\$95
27	Series	Financial and Operations Principal	\$115
28	Series	Introducing Broker-Dealer Financial and Operations Principal	\$95
37	Series	Canada Module of S7 (Options Required)	\$175
38	Series	Canada Module of S7 (No Options Required)	\$175
39	Series	Direct Participation Programs Principal	\$90
42	Series	Registered Options Representative	\$70
51	Series	Municipal Fund Securities Limited Principal	\$95
52	Series	Municipal Securities Representative	\$120
53	Series	Municipal Securities Principal	\$105
55	Series	Limited Representative — Equity Trader	\$105
62	Series	Corporate Securities Limited Representative	\$90
72	Series	Government Securities Representative	\$105
79	Series	Investment Banking Qualification Examination	\$290
82	Series	Limited Representative — Private Securities Offering	\$90
86	Series	Research Analyst — Analysis	\$175
87	Series	Research Analyst — Regulatory	\$125
99	Series	Operations Professional	\$125

(1) Persons for whom any qualification examination is waived pursuant to [Rule 1070](#) shall be assessed as an application fee the examination fee for each qualification examination so waived.

(2) There shall be an additional service charge of \$15.00 for any examination or Regulatory Element session taken in a test center located outside the territorial limits of the United States.

(3) There shall be a service charge equal to the examination or Regulatory Element session fee assessed to each individual who, having made an appointment for a specific time and place for computer-based administration of an examination listed above or Regulatory Element session, fails to timely appear for such appointment or cancels or reschedules such appointment within two business days prior to the appointment date.

(4) There shall be a service charge equal to one-half of the examination or Regulatory Element session fee assessed to each individual who, having made an appointment for a specific time and place for computer-based administration of an examination listed above or Regulatory Element session, cancels or reschedules such appointment three to 10 business days prior to the appointment date.

(d) In the event a member believes it should not be required to pay the late filing fee, it shall be entitled to a hearing in accordance with the procedures set forth in the Rule 9640 Series.

(e)(1) In addition to any dues or fees otherwise payable, each applicant for membership shall be assessed an application fee, based on the number of registered persons proposed to be associated with the applicant at the time the application is filed, as outlined in the tables below:

Number of Registered Persons Associated with Applicant	Small	Medium	Large
Tier 1	1–10	151– 300	501– 1,000
Tier 2	11– 100	301– 500	1,001– 5,000
Tier 3	101– 150	N/A	>5,000

Application Fee per Tier	Small	Medium	Large
Tier 1	\$7,500	\$25,000	\$35,000
Tier 2	\$12,500	\$30,000	\$45,000
Tier 3	\$20,000	N/A	\$55,000

(2) Each applicant for membership also shall be assessed an additional \$5,000 if the applicant will be engaging in any clearing and carrying activity.

(f) There shall be a session fee of \$100 assessed as to each individual who is required to complete the Regulatory Element of the Continuing Education Requirements pursuant to FINRA rules.

(g)(1) Unless a specific temporary extension of time has been granted, there shall be imposed upon each member required to file reports, as designated by this paragraph ("Designated Reports"), a fee of \$100 for each day that such report is not timely filed. The fee will be assessed for a period not to exceed 10 business days. Requests for such extension of time must be submitted to FINRA at least three business days prior to the due date; and

(2) Any report filed pursuant to this Rule containing material inaccuracies or filed incompletely shall be deemed not to have been filed until a corrected copy of the report has been resubmitted.

(3) List of Designated Reports:

(A) SEA Rule 17a-5 — Monthly and quarterly FOCUS reports and annual audit reports;

(B) SEA Rule 17a-10 — Schedule I;

(C) FINRA [Rule 4140](#) — any audited financial and/or operational report or examination report required pursuant to [Rule 4140](#); and

(D) FINRA [Rule 4521](#) — any report, notification or information required pursuant to [Rule 4521](#).

(h) FINRA shall assess each member a fee of \$100.00 on the first day and \$25.00 for each subsequent day, up to a maximum of \$1,575, that a new disclosure event or a change in the status of a previously reported disclosure event is not timely filed as required by FINRA on an initial Form U5, an amendment to a Form U5, or an amendment to a Form U4, with such fee to be assessed starting on the day following the last date on which the event was required to be reported.

(i)(1) In addition to any dues or fees otherwise payable, each applicant submitting an application for approval of a change in ownership, control, or business operations shall be assessed an application fee, based on the number of registered persons associated with the applicant (including registered persons proposed to be associated with the applicant upon approval of the application) at the time the application is filed and the type of change in ownership, control, or business operations, as outlined in the tables below:

Number of Registered Persons Associated with Applicant	Small	Medium	Large
Tier 1	1–10	151– 300	501– 1,000
Tier 2	11– 100	301– 500	1,001– 5,000
Tier 3	101– 150	N/A	>5,000

Application Fee per Tier	Small	Medium	Large
Merger			
Tier 1	\$7,500	\$25,000	\$50,000
Tier 2	\$12,500	\$30,000	\$75,000
Tier 3	\$20,000	N/A	\$100,000
Material Change			
Tier 1	\$5,000	\$20,000	\$35,000
Tier 2	\$10,000	\$25,000	\$50,000
Tier 3	\$15,000	N/A	\$75,000
Ownership Change	\$5,000	\$10,000	\$15,000
Transfer of Assets	\$5,000	\$10,000	\$15,000

Acquisition	\$5,000	\$10,000	\$15,000
-------------	---------	----------	----------

(2) If an applicant's application for approval of a change in ownership, control, or business operations involves more than one type of application identified in the "application fee per tier and application type" table in paragraph (i) (1) of this section, the application fee shall be the highest amount of the applicable fees (e.g., the application fee for an applicant associated with 1–10 registered persons filing an application involving a merger and material change would be \$7,500).

(3) FINRA shall waive the fee assessed pursuant to paragraph (i)(1) for a continuing membership application where FINRA determines that such application is proposing less significant changes that do not require substantial staff review. For example, a continuing membership application may qualify for a fee waiver under this paragraph (i) (3) where the proposed change:

(A) does not make any day-to-day changes in the applicant's business activities, management, supervision, assets, or liabilities, and the applicant is only proposing a change in the:

(i) applicant's legal structure (e.g., changing from a corporation to an LLC);

(ii) equity ownership, partnership capital, or other ownership interest in an applicant held by a corporate legal structure that is due solely to a reorganization of ownership or control of the applicant within the corporate legal structure (e.g., reorganizing only to add a holding company to the corporate legal structure's ownership or control chain of the applicant); or

(iii) percentage of ownership interest or partnership capital of an applicant's existing owners or partners resulting in an owner or partner owning or controlling 25 percent or more of the ownership interest or partnership and that owner or partner has no disclosure or disciplinary issues in the preceding five years; or

(B) is filed in connection with a direct or indirect acquisition or transfer of 25 percent or more in the aggregate of the applicant's assets or any asset, business, or line of operation that generates revenues composing 25 percent or more in the aggregate of the applicant's earnings, measured on a rolling 36-month basis, where the applicant also is ceasing operations as a broker or dealer (including filing a Form BDW with the SEC); and there are either:

(i) no pending or unpaid settled customer related claims (including, but not limited to, pending or unpaid settled arbitration or litigation actions) against the applicant or any of its associated persons; or

(ii) pending or unpaid settled customer related claims (including, but not limited to, pending or unpaid settled arbitration or litigation actions) against the applicant or its associated persons, but the applicant demonstrates in the continuing membership application its ability to satisfy in full any unpaid customer related claim (e.g., sufficient capital or escrow funds, proof of adequate insurance for customer related claims).

Amended by SR-FINRA-2013-015 eff. Feb. 5, 2013.  
Amended by SR-FINRA-2012-030 eff. Jan. 2, 2013.  
Amended by SR-FINRA-2012-031 eff. Jan. 2, 2013.  
Amended by SR-FINRA-2012-031 eff. July 23, 2012.  
Amended by SR-FINRA-2012-009 eff. Apr. 2, 2012.  
Amended by SR-FINRA-2011-042 eff. Oct. 17, 2011.  
Amended by SR-FINRA-2011-026 eff. Sept. 1, 2011.  
Amended by SR-FINRA-2010-016 eff. April 9, 2010.  
Amended by SR-FINRA-2008-067 eff. Feb. 8, 2010.  
Amended by SR-FINRA-2009-071 eff. Jan. 4, 2010.  
Amended by SR-FINRA-2009-056 eff. Nov. 2, 2009.  
Amended by SR-FINRA-2008-053 eff. Jan. 2, 2009.  
Amended by SR-FINRA-2008-001 eff. Jan. 1, 2008.  
Amended by SR-FINRA-2008-035 eff. July 30, 2007.  
Amended by SR-NASD-2006-065 eff. July 3, 2006.  
Amended by SR-NASD-2005-133 eff. Jan. 1, 2006.  
Amended by SR-NASD-2005-132 eff. Jan. 1, 2006.  
Amended by SR-NASD-2004-145 eff. Jan. 1, 2005.  
Amended by SR-NASD-2004-087 eff. June 7, 2004.  
Amended by SR-NASD-2004-049 eff. Mar. 30, 2004.  
Amended by SR-NASD-2003-192 eff. Feb. 11, 2004.  
Amended by SR-NASD-2004-115 eff. Jan. 1, 2004.  
Amended by SR-NASD-2003-148 eff. Oct. 3, 2003.

Amended by SR-NASD-2003-109 eff. July 10, 2003.  
Amended by SR-NASD-2002-182 eff. Dec. 24, 2002.  
Amended by SR-NASD-2002-147 eff. Oct. 18, 2002.  
Amended by SR-NASD-2002-100 eff. July 25, 2002.  
Amended by SR-NASD-2002-98 eff. July 24, 2002.  
Amended by SR-NASD-00-39 eff. Sept. 10, 2001.  
Amended by SR-NASD-99-38 eff. Sept. 15, 1999.  
Amended by SR-NASD-99-43 eff. Sept. 7, 1999.  
Amended by SR-NASD-98-77 eff. Jan 1, 1999.  
Amended by SR-NASD-98-95 eff. Dec 21, 1998.  
Amended by SR-NASD-96-53 eff. Jan 3, 1997.  
Amended by SR-NASD-95-32 eff. July 26, 1995.  
Amended by SR-NASD-95-23 eff. July 1, 1995.  
Amended by SR-NASD-94-58 eff. Dec. 9, 1994.  
Amended by SR-NASD-94-06 eff. Feb. 9, 1994.  
Amended by SR-NASD-94-05 eff. Jan. 21, 1994.  
Schedule A, Sec. 2 amended eff. May 20, 1975; May 30, 1979; Oct. 1, 1979; Nov. 23, 1982;  
Oct. 1, 1985; Aug. 14, 1987; Apr. 4, 1990 (eff. May 1, 1990); May 3, 1990; Aug. 13, 1990;  
Mar. 1, 1991; July 16, 1991; Nov. 4, 1992; July 13, 1993.

**Selected Notices:** [95-59](#), [98-89](#); [99-75](#), [01-54](#), [04-25](#), [08-61](#), [09-67](#), [09-71](#), [11-36](#), [12-16](#),  
[12-32](#), [13-11](#).

©2013 FINRA. All rights reserved.



[Industry Professionals](#) > [Compliance](#) > [Registration](#) > [Qualifications & Exams](#)

## FINRA Administered Qualification Examinations

Study outlines for some exams may be accessed by clicking on the Series number(s) listed below. Please click on the Series 63, 65, and 66 links to access study outlines available on the NASAA website, the Series 56 link to access the study outline available on the CBOE website and the Series 3 link to access the study outline available on the NFA website.

Series	Examination	Questions	Time (minutes)	Prerequisite	Cost
<a href="#">3</a>	National Commodity Futures (CR)	120	150	None	\$115
<a href="#">4</a>	Registered Options Principal (OP)	125	180	S7, or S62 with S42, S17, S37 or S38	\$100
<a href="#">6</a>	Investment Company Products/Variable Contracts Representative (IR)	100	135	None	\$95
<a href="#">7</a>	General Securities Representative (GS)	250	360	None	\$290
<a href="#">9</a>	General Securities Sales Supervisor (Options Module (FINRA-SU)	55	90	S7	\$75
<a href="#">10</a>	General Securities Sales Supervisor General Module (FINRA-SU)	145	240	S7	\$120
<a href="#">11</a>	Assistant Representative-Order Processing (AR)	50	60	None	\$75
<a href="#">14</a>	Compliance Officer (NYSE-CO)	110	180	None	\$335
<a href="#">16</a> <a href="#">Effective 10/28/13</a>	Supervisory Analyst (NYSE-SA) [one or two parts depending on NYSE requirements]	Each Part 50	90 Part 1 120 Part 2	None	\$230

<a href="#">17</a>	Limited Registered Representative (IE)	100	150	FCA Registration	\$75
<a href="#">22</a>	Direct Participation Programs Representative (DR)	100	150	None	\$95
<a href="#">23</a>	General Securities Principal Sales Supervisor Module (GP)	100	150	S8, S9/10, or S12	\$95
<a href="#">24</a>	General Securities Principal (GP)	150	225	S7, S17, S37, S38, S62, S79 or S82	\$115
<a href="#">26</a>	Investment Company Products/Variable Contracts (IP)	110	165	S6 or S7	\$95
<a href="#">27</a>	Financial and Operations Principal (FN)	145	210	None	\$115
<a href="#">28</a>	Introducing Broker/Dealer Financial and Operations Principal (FI)	95	120	None	\$95
30	NFA Branch Managers Examination	50	60	None	\$75
31	Futures Managed Funds Examination	45	60	None	\$75
32	Limited Futures Exam-Regulations	35	45	None	\$75
34	Retail Off-Exchange Forex Examination	40	60	None	\$75
<a href="#">37</a>	Canada Module of S7 (CD) [Options Required]	90	150	CAN Registration	\$175
<a href="#">38</a>	Canada Module of S7 (CN) [No Options Required]	45	75	CAN Registration	\$175
<a href="#">39</a>	Direct Participation Programs Principal (DP)	100	135	S22 or S7	\$90



<a href="#">42</a>	Registered Options Representative (OR)	50	90	S72 or S62	\$70
<a href="#">51</a>	Municipal Fund Securities Limited Principal (FP)	60	90	S24 or S26	\$155
<a href="#">52</a>	Municipal Securities Representative (MR)	115	210	None	\$180
<a href="#">53</a>	Municipal Securities Principal (MP)	100	180	S52 or S7 (if passed prior to 11/7/11)	\$165
<a href="#">55</a>	Limited Representative-Equity Trader Examination (ET)	100	180	S7, S17, S37, S38, or S62	\$105
<a href="#">56</a>	Proprietary Trader Examination (PT)	100	150	None	\$195
<a href="#">62</a>	Corporate Securities Limited Representative (CS)	115	150	None	\$90
<a href="#">63</a>	Uniform Securities Agent State Law Exam (AG)	60	75	None	\$115
<a href="#">65</a>	NASAA-Investment Advisors Law Exam (RA)	130	180	None	\$155
<a href="#">66</a>	NASAA-Uniform Combined State Law Exam (AG and/or RA)	100	150	S7	\$145
<a href="#">72</a>	Government Securities Representative (RG)	100	180	None	\$105
<a href="#">79</a>	Limited Representative - Investment Banking	175	300	None	\$290
<a href="#">82</a>	Limited Representative-Private Securities Offerings (PR)	100	150	None	\$90
<a href="#">86</a>	Research Analyst (RS) Part I Analysis Module	100	240	S7, S17, S37, or S38	\$175

87	Research Analyst (RS) Part II Regulations Module	50	90	S7 , S17, S37, or S38	\$125
91	FDIC Risk Management Technical Evaluation	100	240		\$140
92	FDIC Compliance Technical Evaluation	100	240		\$140
93	FDIC Division of Resolutions & Receivership Technical Evaluation	100	240		\$125
99	Operations Professional (OS)	100	150	None	\$125

Last Updated: 8/28/2013

©2013 FINRA. All rights reserved. FINRA is a registered trademark of the Financial Industry Regulatory Authority, Inc.

# SRO/Jurisdiction Fee and Setting Schedule - Web CRD

Fees As Of 10/4/2013

	Individual Fees					Individual Settings				BD Fees and Settings									
	Initial Reg Fee	Transfer / Relicense Fee*	Renewal Fee	Mass Transfer Fee	Mass Transfer Dual AG/RA Fee	Registration Review Method	Dual AG	Dual AG/RA	S63 Requirement	BD Initial Reg Fee	BD Renewal Fee	Branch Reqmt	Branch Office Fee	BR Renewal Fee	Form BR Amd Fee	Dual BR Office Fee	Dual BR Renewal Fee:	Branch Mass Tran Fee	Branch Mass Tran Dual Fee
Alabama	60	60	60	60		Automatic	Affiliates Only	Always	Yes	250	250	Notice File	0	0		0	0	0	
Alaska	75	75	75	75		Automatic	Never	Never	Yes	250	250	Notice File	0	0		0	0	0	
Arizona	45	45	45	45		Home State	Affiliates Only	Always	Yes	300	300	Neither						0	
Arkansas	75	75	75	75		Automatic	Affiliates Only	Affiliates Only	Yes	300	300	Register	50	50		100	100	50	100
California	25	25	0	25		Automatic	Always	Always	Yes	300	75	Neither						0	
Colorado	16	16	16			Automatic	Always	Always	No	80	80	Neither							
Connecticut	100	100	100	50		Automatic	Affiliates Only	Always	Yes	315	190	Register	100	0	100	200	0	100	
Delaware	65	65	65	65	130	Automatic	Always	Always	Yes	300	300	Neither						0	
District of Columbia	45	45	45			Automatic	Affiliates Only	Always	No	250	250	Neither							
Florida	50	50	50			Automatic	Always	Always	No	200	200	Register	100	100		200	200		
Georgia	50	30	40			Automatic	Always	Always	Yes	250	100	Neither							
Hawaii	^ 50	^ 50	25	^ 50	^ 75	Automatic	Always	Always	Yes	^ 200	100	Notice File	0	0		0	0	0	
Idaho	50	50	50			Automatic	Always	Always	Yes	200	200	Notice File	0	0		0	0		
Illinois	150	150	150	150		Automatic	Always	Always	Yes	600	600	Notice File	20	20		20	20	0	
Indiana	25	25	25	25	25	Automatic	Never	Always	Yes	250	125	Notice File	0	0					
Iowa	40	40	40	40		Automatic	Affiliates Only	Always	Yes	200	200	Neither						0	
Kansas	55	55	55	55		Automatic	Affiliates Only	Always	Yes	200	200	Notice File	0	0		0	0	0	
Kentucky	50	50	50	50	100	Automatic	Affiliates Only	Affiliates Only	Yes	120	120	Neither							
Louisiana	60	60	60			Automatic	Affiliates Only	Always	No	250	250	Neither							
Maine	50	50	30	50		Home State	Affiliates Only	Always	Yes	250	250	Register	50	30		50	30	50	50
Maryland	35	35	35	35	85	Automatic	Always	Always	No	250	250	Neither						0	0
Massachusetts	75	75	75	75		Automatic	Never	Always	Yes	450	450	Neither						0	
Michigan	65	65	65	65	65	Automatic	Affiliates Only	Always	Yes	300	300	Neither	0	0				0	0
Minnesota	50	25	50			Automatic	Affiliates Only		Yes	200	200	Neither							
Mississippi	50	50	50			Automatic	Always	Always	Yes	200	200	Neither							
Missouri	50	50	50	50	50	Automatic	Affiliates Only	Affiliates Only	Yes	200	100	Neither						0	
Montana	50	50	50	50		Automatic	Always	Always	Yes	200	200	Neither						0	
Nebraska	40	40	40	40		Automatic	Never	Always	Yes	250	250	Neither						0	
Nevada	125	125	125			Automatic	Never	Always	Yes	300	300	Register	100	100	50				
New Hampshire	130	130	100	25		Automatic	Affiliates Only	Always	Yes	300	250	Notice File						0	
New Jersey	60	60	60	60	60	Automatic	Always	Always	No	300	300	Neither						0	
New Mexico	50	50	50	50		Automatic	Affiliates Only	Always	Yes	300	300	Notice File	0	0		0	0	0	
New York	70	60	37	30		Automatic	Always		Yes	300	300	Neither						0	
North Carolina	125	125	125	125		Manual	Never	Always	Yes	300	300	Neither							
North Dakota	60	60	60	60		Automatic	Always	Always	Yes	200	200	Neither						0	
Ohio	60	60	60	15	30	Manual	Never	Always	No	200	200	Notice File	0	0		0	0		
Oklahoma	50	50	50	10		Automatic	Always	Always	Yes	300	300	Neither						0	
Oregon	60	55	55			Automatic	Never	Never	Yes	250	250	Neither							
Pennsylvania	120	120	105	120	120	Automatic	Never	Always	Yes	500	500	Neither						0	
Puerto Rico	150	150	150	150	150	Automatic	Affiliates Only	Affiliates Only	No	500	500	Neither						0	
Rhode Island	75	75	75	75	135	Automatic	Always	Always	Yes	300	300	Notice File	100	100				100	

	Individual Fees					Individual Settings				BD Fees and Settings									
	Initial Reg Fee	Transfer / Relicense Fee*	Renewal Fee	Mass Transfer Fee	Mass Transfer Dual AG/RA Fee	Registration Review Method	Dual AG	Dual AG/RA	S63 Requirement	BD Initial Reg Fee	BD Renewal Fee	Branch Reqmt	Branch Office Fee	BR Renewal Fee	Form BR Amd Fee	Dual BR Office Fee	Dual BR Renewal Fee:	Branch Mass Tran Fee	Branch Mass Tran Dual Fee
South Carolina	110	110	110	110		Automatic	Affiliates Only	Affiliates Only	Yes	310	310	Neither						0	
South Dakota	125	125	125	125		Automatic	Affiliates Only	Affiliates Only	Yes	150	150	Notice File	0	0		0	0	0	
Tennessee	50	50	50	50	100	Home State	Always	Always	Yes	200	200	Notice File	0	0		0	0		
Texas	285	285	275	285	285	Automatic	Always	Always	Yes	275	270	Register	25	25	25	25	25	25	25
Utah	60	60	60	60	110	Automatic	Never	Always	Yes	200	200	Neither							
Vermont	60	60	60	60		Home State	Affiliates Only	Always	No	250	250	Register	100	100				100	
Virgin Islands	50	50	50	50	50	Home State	Affiliates Only	Always	Yes	200	200	Register	100	100		100	100	100	100
Virginia	30	30	30	30		Automatic	Never	Always	Yes	200	200	Neither						0	
Washington	40	25	20	25		Automatic	Always	Always	Yes	150	75	Notice File	0	0		0	0	0	
West Virginia	80	80	65	80		Automatic	Never	Always	Yes	250	250	Notice File	50	50				50	
Wisconsin	80	80	80	80	160	Automatic	Affiliates Only	Always	Yes	400	200	Notice File	80	80		160	160	80	160
Wyoming	35	35	35			Automatic	Always		Yes	200	200	Neither							
ARCA	0	0	0			SuperAutomatic						Neither							
BATS-YX	0	0	0		0	SuperAutomatic				0	0								0
BATS-ZX	0	0	0		0	SuperAutomatic				0	0								0
BOX	0	0	0	0	0	SuperAutomatic				0	0		0	0				0	0
BX (BSE)	0	0	0			SuperAutomatic					3000	Neither							
C2	0	0	0			SuperAutomatic				0		Neither							
CBOE	0	0	0			SuperAutomatic				0		Neither							
CHX						SuperAutomatic						Neither							
EDGA	0	0	0	0	0	SuperAutomatic				0	2000		0	0				0	0
EDGX	0	0	0	0	0	SuperAutomatic				0	2000		0	0				0	0
FINRA	100	100	45	100		Automatic						Notice File	75	75-175				75	
ISE	0	0	0			SuperAutomatic						Neither							
NQX	55	55	0			SuperAutomatic				0	3000	Neither							
NSX						SuperAutomatic						Neither							
NYSE	0	0	0	0		SuperAutomatic						Register							
NYSE MKT	0	0	0			SuperAutomatic						Neither							
PHLX	0	0	0			SuperAutomatic						Neither							

FINRA Branch Office fees have a new tiered structure: \$75-175 based on number of branches registered by the member. Note: FINRA will continue to waive the Branch Office System Processing Fee and Annual Branch Office Registration Fee for one branch office per FINRA member per year. For more info see FINRA Regulatory Notice 12-32 <http://www.finra.org/Industry/Regulation/Notices/2012/P127240>

**Individual Registration Termination Fee:** FINRA charges a \$40 fee for individual registration termination.

**Individual Registration Review Methods:**

- For *Jurisdictions*, the review method may be Manual, Automatic, or 'Home State'.
  - Home State - This is essentially the same as automatic, with the exception that applicants with a residential address in that jurisdiction will be reviewed manually.
- For SROs, the review method may be Manual, Automatic or SuperAutomatic.
  - SuperAutomatic - Regardless of whether there is any new or updated disclosure, a SuperAutomatic setting denotes that if an individual's registration request is non-deficient and is approved by Financial Industry Regulatory Authority, the individual's registration will also be approved by that SRO. With the same conditions, where there is no Financial Industry Regulatory Authority registration request, a non-deficient registration request will systematically approve with that SRO.

**Dual Registrations:**

- Always = dual registrations are permitted.
- Never = dual registrations are prohibited. Dual deficiencies will be applied. Please contact the state directly for any exceptions.
- Affiliates Only = Dual registrations are permitted for employment with affiliated firms. The term 'affiliate' is defined on Form U4 as any firm under common ownership or control. Dual deficiencies will be applied to requests for dual or multiple registrations with firms that are not affiliated. The system will not recognize firms as affiliated unless the filing firm reports the affiliated firm under Question 10A or 10B on the Form BD, or Item 7A(3) on the Form ADV.

Dual Branch Office Fee and Dual BR Renewal Fee – this fee will apply to branch offices filing as both BD and IA branches. The dual fee will apply in full when filing both sides (BD and IA) simultaneously. Should a branch already be filed as one of the two, the dual fee MINUS the fee already paid will apply. For example, if already filed as a BD branch, and then filing as an IA branch, the fee will be the dual fee minus the BD fee.

**Exhibit 4**

***A Bipartisan Small Business Fix,***  
**Michael Nall, AM&AA Founder**  
**Posted to the Hill.com**  
**October 8, 2013**



## THE HILL'S Congress Blog

Where lawmakers come to blog

### A bipartisan small business fix

By Michael Nall - 10/08/13 09:00 AM ET

As Congress confronts issues of tremendous policy and political implications in the next few weeks including a continuing resolution to keep the government open, federal debt ceiling debates, and numerous healthcare, immigration, and energy proposals, one bill is quietly making its way through Congress which is bipartisan, pro-small business, pro-job growth, and a long overdue fix for professionals who work in the sale of private businesses.

HR 2274, the Small Business Mergers, Acquisitions, Sales, and Brokerage Simplification Act of 2013 is an excellent bipartisan bill, one whose time has come, and Congress should get it done before the end of the year. It's not a sexy bill, not one that prime-time TV will be talking about, and not one that will evoke a question in the next presidential debates, but it's a bill that does have teeth and it is a serious and substantive piece of small business legislation.

HR 2274 would simplify and reduce the costs of federal securities regulation in privately negotiated mergers and acquisitions. The bill would apply to M&A transactions involving the sale of private companies with earnings of less than \$25 million (earnings are defined as EBITDA which stands for Earnings Before Interest, Taxes and Depreciation) and revenue of less than \$250 million to active buyers.



The key words here are 'private companies' and 'active buyers.' It would direct the SEC to create a simplified system of registration through a public notice filing that would be available on the SEC's website, and it would require appropriate client disclosures from the M&A broker. H.R. 2274 would

also direct the SEC to tailor its rules governing M&A brokers in light of the limited scope of their activities, the nature of privately negotiated M&A transactions, and the active involvement of buyers and sellers in those transactions.

The current one-size-fits-all law treats the sale of a small, privately held business the same as a Wall Street investment banker selling securities of a public company. For instance, a sale of a local candy store with seller financing can technically be considered a securities transaction requiring broker-dealer registration with the SEC.

There is a big difference between the sale of a small business to a buyer who will be active in managing the business after the sale and the sale to passive investors of securities of a publicly-traded company on the New York Stock Exchange.

Current law does not distinguish between these two activities – and it should. It's time for Washington to define the differences.

HR 2274 does just that.

2274 would help small business owners reap the benefits of their entrepreneurial efforts of starting, building, and running a job creating private enterprise. For many of these owners, sale of their business is their retirement nest egg. 2274 also helps entrepreneurs and managers buy an existing business and build it up to the next level.

Compliance costs for small businesses associated with these current regulations can easily exceed \$75,000 per year; costs that could result in either non-compliance or expenses passed on to the small business owners.

2274 would lower costs, increase compliance, and better serve buyers and sellers of small businesses. It is a bill that promotes economic development, job creation, and provides important, immediate, and substantial relief of regulatory burdens on small business professionals in the critical M&A industry.

In this red hot partisan atmosphere, perhaps Congress can take a day to identify and pass some truly bipartisan small business bills. Such an act would show America that, while major philosophical differences and contentious proposals are being hammered out on high-profile issues on Capitol Hill, at the same time, positive initiatives can still be considered and passed in a bipartisan fashion; laws that can make a real and immediate difference in the lives of many Americans.

It is a smart bill and one that deserves consideration through a straight-up vote or through inclusion in any other jurisdictional bills moving through Congress that address small business, jobs or regulatory reform.

We encourage Congress to look at 2274 as a perfect example of where Congress can come together in a bipartisan effort to show that things are still getting done for the American small business community in Washington.

*Nall is the president of The Alliance of Merger & Acquisition Advisors® (amaaonline.org) which is the international organization serving the the middle market M&A industry.*

Source:

<http://thehill.com/blogs/congress-blog/economy-a-budget/326999-a-bipartisan-small-business-fix>

The contents of this site are © 2013 Capitol Hill Publishing Corp., a subsidiary of News Communications, Inc.