



Capital Markets Compliance®

www.cmcompliance.com

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Financial and Operational Principal (FINOP) Service Comparison Checklist

CMC has been preparing financial statements for clients since 1999. We have consultants that are engaged as FINOP's and CFO's for multiple firms and has done so since 1999. Each consultant that registers with a firm as a principal, whether it is financial or otherwise is placed in a position of responsibility to that firm and themselves, both of which would suffer the consequences should regulatory actions be taken upon the firm. With that thought in mind, we have created a work methodology that ensures compliance with financial regulations, as well as provide for some general compliance help when the consultant feels the need to interject an opinion with regards to the firm's business practices. We visualize a compliant firm, whether that means compliant with financials, business product types, or sales practices, to be one that keeps the firm's principals and representatives protected and therefore the clients/customers. After all, it is in each of the principals' best interest to keep the firm compliant.

We understand how important it is for Firms to compare service providers. As a result, we have created the following comparison checklist. Please use the following checklist as a guide to make sure that your FINOP is complying with rules and regulations.



Item Description / Reference	CMC	Comparison 1	Comparison 2
Financial Preparation			
Preparation of your firm's balance sheet and income statement. On a monthly basis, CMC will compile your financials from scratch. CMC will enter all the financial information into an online accounting system and produce the balance sheet, income statement, trial balance, cash receipts journal, cash disbursements journal, general journal, general ledger, and account reconciliation(s).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Compute your net capital on a monthly basis and, if required, prepare haircut calculations and inventory schedule. We will compute your net capital on a monthly basis as well as CMC discuss, with the Firm's principal, the net capital rules. Ongoing discussions and monitoring is important since the Firm has to be in net capital compliance on a daily basis.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Monthly or Quarterly FOCUS report filing. Upon each calendar quarter, and monthly if required, CMC will electronically submit the firm's FOCUS Report X17a-5 by the 17th business day of the quarter or month following the period.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CMC will post the balance sheet, income statement, trial balance, cash receipts journal, cash disbursements journal, general journal, general ledger, account reconciliation(s), net capital computation, haircut calculation, inventory schedule, and FOCUS report onto our web storage database for downloading no later than 17th business day of the month. You will be provided with a User ID and Password along with instructions on how to access your information. The financial information will remain in our storage database for twelve (12) months, it is the responsibility of the firm to save and print copies for their records.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The designated FINOP will have a lengthy discussion with the Firm's principal concerning the preparation of the financials and the net capital computation for the month. The following information will be covered in detail: <ul style="list-style-type: none"> ➤ Allowable Assets ➤ Non-Allowable Assets ➤ Aggregate Indebtedness ➤ Liabilities of the broker-dealer ➤ Expense Sharing and Service Agreements and how they influence regulatory accounting ➤ Net Capital Computation 	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Item Description / Reference	CMC	Comparison 1	Comparison 2
<ul style="list-style-type: none"> ➤ AI/NC ratios for new firms vs. older firms ➤ Minimum Requirements 			
Extra services provided in conjunction with FINOP Services			
<i>FINOP Yearly Required Visit per NTM 06-23.</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regulatory Continuing Education - CMC will ensure that the registered representatives have completed their FINRA regulatory continuing education requirement. CMC will obtain reports from the CRD system on a monthly basis. (Under 15 representatives included. Additional fees for firm with more than 15 representatives).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fiscal year Audit – CMC will communicate directly with the auditor and will be the primary source for providing the auditor with requested financial items. CMC will review the audit prepared by the auditors and make sure it complies with SEC rules and regulations. CMC will ensure that original audit reports and oath/affirmation pages are sent to the appropriate jurisdictions and SRO’s.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SIPC - Confirm your SIPC registration and complete SIPC assessment reports. SIPC member database and SIPC member information	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fidelity Bond - CMC will ensure that the Firm fidelity bond is current at all times. http://www.seaburyandsmith.com/	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
File Forms and Notifications			
Send notification of the new FINOP to the FINRA.	<input checked="" type="checkbox"/>		
Obtain entitlement to FINRA’s Web-CRD and Form-Filing.	<input checked="" type="checkbox"/>		
Ensure that the Form BD (Schedule A) for the Firm will be changed to reflect the appointment of the new FINOP/CFO.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
File Form U4 for the FINOP/CFO and submit fingerprint cards to the FINRA.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Send notifications regarding FINRA Conduct Rule 3030 outside business activity (OBA).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Update the FINRA Contact Questionnaire to reflect the appointment of the new FINOP/CFO	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We will conduct a thorough review to make sure that the Firm’s financials are prepared in accordance with GAAP and SEC/FINRA rules and regulations. Below are some of the items that we will review:	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Check your clearing agreement to make sure it has all required elements that apply to the Financial Statements.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
If your firm has a parent company that pays certain expenses on behalf of the broker-dealer, we will make sure to have an Expense Sharing Agreement in place that complies with NTM 03-63 .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Check your firm's operating agreements or bylaws for obligations to transfer cash, other assets, or equity interests to other parties upon the death or retirement of a shareholder to make sure it complies with NTM 04-33 .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Explain to the firm its responsibilities regarding deficits in Introduced Accounts NTM 05-38 .	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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For more information or additional about our services please call 770.263.7300 or visit our web site:
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