

STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION AND HOUSING AGENCY  
DEPARTMENT OF CORPORATIONS  
[www.corp.ca.gov](http://www.corp.ca.gov)

INFORMATION TO ASSIST PERSONS APPLYING FOR A BROKER-DEALER CERTIFICATE  
POST-EFFECTIVE REQUIREMENTS

Once the certificate is issued, it remains in effect until suspended or revoked by order of the California Corporations Commissioner (“Commissioner”) or surrendered by the broker-dealer.

**AFFIRMATIONS**

Persons issued certificates are charged with the responsibility of familiarizing themselves with the applicable sections of the California Corporate Securities Law of 1968 and the California Code of Regulations (“CCR”), Title 10, Chapter 3, Subchapter 2 that includes, among other things:

- Promoting fair, equitable, and ethical principles of conduct;
- Having skills and knowledge, or working experience, appropriate for accomplishing compliance with the law and rules;
- Timely payment of all fees;
- Maintaining and preserving books and records according to standard accounting principles and the rules and regulations of the Commissioner as found in [CCR Section 260.241](#) and [CCR Section 260.241.1](#); and
- Having books and records available at all reasonable times for examination by the Commissioner.

**ASSESSMENT**

A minimum annual assessment (renewal) fee of \$75 is due in December of each year. If you participate in the renewal program with the Central Registration Depository (“CRD”), the minimum assessment fee should be paid directly to CRD in accordance with its instructions. If you do not participate in the renewal program with CRD, the minimum assessment fee should be paid directly to the Commissioner on or before December 31<sup>st</sup>. The Commissioner may assess any additional amount above the minimum amount of \$75 that is reasonable and necessary to support the broker-dealer program. This assessment is based on each broker-dealer’s pro rata share of all costs and expenses reasonably incurred in the administration of the broker-dealer program. If an additional amount is assessed, the Commissioner will notify you by mail on or before May 30<sup>th</sup> of each year. Payment of the assessment fee will keep your certificate in effect during the next calendar year.

**NOTICE OF CHANGES** [[CCR Section 260.241.4](#)]

An amendment to the application, for any changes relating to the information in the original application, should be filed within 30 days after the change has occurred. If you file with the CRD, the amendment should be filed directly with CRD in accordance with its procedures. If you do not file with CRD, the amendment should be filed directly with the Commissioner.

**CAPITAL REQUIREMENTS** [[CCR Section 260.216.12](#)]

No broker-dealer shall permit its aggregate indebtedness to all other persons to exceed the limitations of 17 CFR 240.15c3-1 and Appendices A through D thereto (Rule 15c3-1) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 and every broker-dealer shall have net capital necessary to comply with the conditions set forth in that rule.

## **FINANCIAL FILING REQUIREMENTS**

### **Interim Reports [[CCR Section 260.241.2\(d\)](#)]**

If you are subject to the provisions of CCR Section 260.216.12, you should file a report furnished or approved by the Commissioner within 15 days after your (1) net capital is reduced to 120% of its required minimum net capital, (2) aggregate indebtedness is in excess of 1200% of its net capital if net capital is computed pursuant to 15c3-1(c), or (3) net capital is reduced to less than 5% of the aggregate debit items if net capital is computed pursuant to 15c3-1(f).

### **Annual Reports [[CCR Section 260.241.2\(a\)](#)]**

(1) If you are subject to the provisions of CCR Section 260.216.12, you should file with the Commissioner, not more than 90 days after your fiscal year-end, an annual financial report in accordance with the instructions found in CCR Section 260.241.2. If you are registered with the Securities and Exchange Commission (“SEC”), you may submit, in lieu of the annual report, verified copies of the annual reports required under Rule 17a-5(d) of the Securities and Exchange Act of 1934 if filed with and accepted by the SEC.

(2) The financial statements included in the annual report should be prepared in accordance with generally accepted accounting principles and should be audited by either an independent certified public accountant or independent public accountant. The financial statements need not be audited if you have not held or accepted custody of funds and securities for or owed money or securities to customers or clients during the period covered by the report and the securities business has been limited to soliciting subscriptions for securities of an issuer and you promptly forwarded the subscriptions to the issuer, underwriter, or sponsor or other distributor of the securities and received checks, drafts, notes or other evidence of indebtedness payable solely to the issuer, underwriter, sponsor or distributor who delivered the securities purchased directly to the subscriber.

(3) The financial statements should be accompanied by a verification form. The verification form (a) should affirmatively state, to the best knowledge and belief of the person making the verification, that the financial statements and supporting schedules are true and correct and (b) must be signed under penalty of perjury. The [Verification Form Pursuant to California Code of Regulations Rule 260.241.2\(b\) \(Form 260.241.2\(b\)\)](#) may be found on the Department’s web site.

## **AGENTS OF BROKER-DEALERS [[CCR Section 260.210](#)]**

### **Employment Requirements**

Upon employment of an individual as an agent, you should (1) obtain a properly executed application for registration on Form U-4, (2) obtain for your records, evidence that such agent meets the qualification requirements of [CCR Section 260.217](#), and (3) ascertain (by investigation) the character, business reputation and experience of any individual, prior to executing any transaction on your behalf. Evidence of compliance with CCR Section 260.217 and investigation of the agent, should be maintained as part of your records as required by CCR Sections [260.241](#) and [260.241.1](#).

### **Filing Requirements**

(1) Employment - Upon employment of an individual as an agent, Form U-4 including any Disclosure Reporting Page(s) (“DRP”) should be completed in accordance with the form instructions. If you are filing with CRD, Form U-4 and the \$25 reporting fee should be filed with CRD in accordance with its procedures. If you are not filing with CRD, Form U-4 and \$25 reporting fee should be filed directly with the Commissioner.

The filing of Form U-4 does not constitute automatic approval. You should not consider an agent “registration” approved until approved by the Commissioner and you have been notified of the approval. If you file with CRD, the approval will be received through CRD.

If requested by the Commissioner, additional information, documentation or details pertaining to Form U-4 or fingerprint information of the agent should be filed directly with the Commissioner within 15 days from the date

of the request. Form U-4 may be abandoned if the Commissioner does not receive the requested information within the time prescribed. If you file with CRD, the Commissioner will “reject” through CRD an abandoned Form U-4.

An agent registered through the CRD may comply with the filing requirements through participation in the “Relicensing” program (the Relicensing program was formerly known as “Temporary Agent Transfer” or “TAT”) adopted by the North American Securities Administrators Association (“NASAA”), provided that the agent is eligible and qualifies for registration through the Relicensing program and you have complied with all of the requirements of the Relicensing program with respect to the agent in a timely manner. Agent CRD registration through the Relicensing program shall not waive any rights of the Commissioner to proceed in any disciplinary proceeding or sanction provided for under the Code.

(2) Changes - Within 30 days of any changes to Form U-4, an amendment to Form U-4 should be filed. If you file with CRD, the amendment should be filed directly with CRD in accordance with its procedures. If Form U-4 is amended due to a disciplinary occurrence, a copy of the amendment should be filed directly with the Commissioner upon request. If you do not file with CRD, the amendment should be filed directly with the Commissioner.

(3) Termination - Within 30 days of termination of an individual as an agent, Form U-5 should be filed in accordance with the form instructions. If you file with CRD, the form should be filed directly with CRD in accordance with its procedures. If you are not filing with CRD, the form should be filed directly with the Commissioner. Form U-5 should clearly state the reason(s) for termination. If an agent has been terminated for cause, the Form U-5 should be filed directly with the Commissioner upon request.

You are responsible for the acts, practices, and conduct of an agent in connection with the purchase or sale of securities until such time as they have been properly terminated and Form U-5 has been filed with CRD or the Commissioner, as applicable.

(4) Fingerprints - If you are not a member of the NASD and the fingerprints of the individual to be employed as an agent are not on file with the Commissioner, you should file (1) a copy of the individual’s “Fingerprint Cards” page as found on CRD or (2) fingerprint information provided on forms from the Department and the cost of fingerprint processing. Information about whether an individual’s fingerprints are on file with the Commissioner may be obtained from any office of the Commissioner. Note: If you need to file fingerprint information with the Commissioner, please complete in triplicate the [Request for Live Scan Services](#) form found on the Department’s web site. You will need to take this three-part form to a live scan location and have your fingerprints taken by the operator. The fingerprints will be transmitted electronically to the Department of Justice (“DOJ”) for processing. You will be required to pay the fees charged by the DOJ for processing the fingerprints directly to the live scan operator. In addition, when filing Form U-4 with the Commissioner you will need to send a \$20 fingerprint processing fee and the Requesting Agency’s copy of the Request for Live Scan Services form. For current information concerning the location of live scan terminals, please visit the Attorney General’s web site at <http://caag.state.ca.us/fingerprints/publications/contact.htm>. You may also call our Customer Services Office at 1-866-ASK-CORP (1-866-275-2677) for information on Live Scan locations.

#### Qualification Requirements [[CCR Section 260.217](#)]

Every individual who is a broker-dealer, or a compliance supervisor, or reported agent of a broker-dealer must qualify by passing a securities examination as specified in CCR Section 260.217(a)(1) and should meet all applicable examination requirements of the Securities and Exchange Commission (“SEC”) and the self-regulatory organizations of which the broker-dealer is a member.

#### Fees

(1) The filing fee for each reported agent is \$25. There is no annual renewal fee for an agent.

(2) The Department’s processing fee for each fingerprint submission is \$20.