

DECEMBER 2024

# CARTANA'S FOCUS ON....

## WHAT IS A FINOP?



Every member firm operating in accordance with the provisions of Securities Exchange Act (SEA) Rules 15c3-1(a)(1)(ii), (a)(2)(i), or (a)(8) is required to designate a Financial and Operations Principal (FINOP). The FINOP is a critical individual within the firm, tasked with ensuring compliance with the financial and operational regulations established by the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC). This role entails overseeing financial reporting, maintaining financial records, and guaranteeing that the firm's operations adhere to regulatory standards, thereby playing an essential role in preserving the integrity of the firm's financial operations.

The responsibilities of a FINOP encompass a variety of financial and operational functions, including calculating the firm's net capital requirement, preparing and submitting reports to regulatory agencies, and collaborating with auditors and examiners. Additionally, many FINOPs possess extensive experience in accounting, allowing them to provide further services such as revising accounting policies, conducting bookkeeping, and preparing financial statements. Ultimately, the FINOP is a member of the management team who has access to all pertinent information and documentation affecting the financial condition of the firm.



**As outlined in FINRA Rule 1220(a)(4)(A), the FINOP is responsible for the following duties:**

- final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body;
- final preparation of such reports;
- supervision of individuals who assist in the preparation of such reports;
- supervision of and responsibility for individuals who are involved in the actual maintenance of the member's books and records from which such reports are derived;
- supervision and performance of the member's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Exchange Act;
- overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the member's back office operations; and
- any other matter involving the financial and operational management of the member.

A FINOP attains qualification by successfully passing the Series 27 (Financial and Operations Principal) or Series 28 (Introducing Broker-Dealer Financial and Operations Principal) examination. Broker-dealers with a minimum net capital requirement of \$250,000 and municipal securities brokers with a minimum net capital requirement of \$150,000 under SEC Rule 15c3-1 are mandated to pass the Series 27 examination. All other broker-dealers have the option to undertake the Series 28 examination, which serves as a condensed version of the Series 27.