

FINRA's Approval Requirement: Considerations for Non-US Acquirers of US Broker-Dealers

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It is widely known that in order to complete deals involving US companies, non-US firms must successfully navigate a labyrinth of local and US regulatory hurdles. One of those regulatory gating items that is relevant to many transactions involving US financial groups – but which is not widely known outside the US – is application with and approval by the Financial Industry Regulatory Authority (FINRA). This requirement arises when a target company, or one of its subsidiaries, is a US registered broker-dealer, and when implicated, will often have important timing, risk and strategic implications that a bidder should take into account, even when the broker-dealer is a tiny subsidiary and constitutes only a small or insignificant component of the overall target in terms of assets or revenues.

This article is intended to provide prospective non-US acquirers with a general introduction to the FINRA application and approval requirement. It explains the circumstances when FINRA approval is required, describes the basic mechanics of the FINRA application and approval process and discusses several practical considerations relevant to non-US acquirers.

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