



GLOSSARY: *RETAIL TERMS, SIMPLIFIED*

Navigate the retail landscape with confidence. Our glossary breaks down industry terms, acronyms, and concepts so you can learn faster and make informed decisions. This list is not exhaustive. If you have a term you would like added, please email it to info@sponsorgrowthsolutions.com.

LEGAL & COMPLIANCE

Private Placement Memorandum (PPM):

A legal document that outlines the terms, risks, and structure of a private investment offering.

Operating Agreement:

Governs the internal operations of an LLC, including management roles and member rights.

Subscription Documents:

Forms used by investors to subscribe to a private offering, including investor representations and suitability information.

Form D:

A required SEC filing for Regulation D offerings.

Blue Sky Filings:

State-specific securities registrations required for offerings sold within each state.

AML/KYC (Anti-Money Laundering / Know Your Customer):

Regulatory processes designed to verify investor identity and source of funds.

Public Company Accounting Oversight Board (PCAOB):

A nonprofit corporation established by Congress to oversee the audits of public companies and broker-dealers, ensuring accuracy and independence of audit reports.

Offering & Organizational (O&O) Expenses:

Costs associated with forming and launching an investment program, including legal, accounting, marketing, and due diligence expenses incurred before and during the offering. Regulations often cap O&O expenses as a percentage of total capital raised.

DUE DILIGENCE & OVERSIGHT

Third-Party Due Diligence Firm:

Provides independent review of a sponsor and/or offering—typically required by independent broker-dealers and certain IRAs to assess suitability for their platforms.

FINRA (Financial Industry Regulatory Authority):

A self-regulatory organization that oversees broker-dealers and registered representatives in the U.S.

SEC (Securities and Exchange Commission):

The Federal agency responsible for enforcing securities laws and regulating markets, issuers, and investment advisers.

Managing Broker-Dealer (MBD):

A FINRA-registered firm providing compliance oversight and regulatory infrastructure for retail distribution.

Broker-Dealer (BD):

A FINRA-registered firm that supervises registered representatives and facilitates the buying and selling of securities.

RIA (Registered Investment Adviser):

An entity or individual registered with the SEC or state to provide investment advice, typically on a fee-based or assets-under-management (AUM) model.



CAPITAL MARKETS & DISTRIBUTION ROLES

Head of Capital Markets:

Oversees the firm's capital-raising strategy and relationships across institutional, RIA, and broker-dealer channels.

Capital Markets Team:

The broader team supporting capital raising, including national accounts, wholesaling, investor relations, and strategy roles.

National Accounts Manager:

Builds and manages relationships with broker-dealer and RIA home offices, serving as the main point of contact for platform access.

Due Diligence Officer (DDO):

A professional responsible for evaluating investment offerings to ensure they meet a firm's standards for compliance, suitability, and operational soundness. The DDO reviews offering documents, financial statements, background checks, third-party reports and other related documents.

Third-Party National Accounts / Wholesaling:

External consultants or firms hired to perform national accounts outreach and wholesaling on behalf of a sponsor.

Wholesaler (External):

Field-facing sales professional who builds relationships with advisors and drives capital raising in assigned territories.

Internal Wholesaler:

An in-office sales professional who supports the external wholesaler, assists advisors with questions, and helps coordinate follow-up.

Hybrid Wholesaler:

A professional who covers both internal and external responsibilities—often used for early-stage programs or firms with limited territory coverage.

Registered Representative (Rep):

A licensed individual affiliated with a broker-dealer who sells securities-based investment products, typically compensated through commissions.

Investment Adviser Representative (IAR):

An individual licensed to offer advisory services on behalf of an RIA; often compensated through advisory fees.

Hybrid Advisor:

A financial professional dually registered with both a broker-dealer and an RIA. Hybrid advisors can offer both commission-based products (through their BD) and fee-based advisory services (through their RIA), allowing them to serve clients using a blended compensation model.

Chief Compliance Officer (CCO):

The executive responsible for overseeing a firm's compliance to regulatory requirements, supervising employees, and maintaining policies and procedures that protect investors.

Chief Investment Officer (CIO):

The executive responsible for managing and overseeing investment strategy, asset allocation, and portfolio construction. Within RIAs, the CIO evaluates products and ensures alignment with client objectives and risk profiles.

Selling Syndicate:

A group of broker-dealers and RIAs authorized to offer and recommend a particular investment through selling agreements.



SHARE CLASS TYPES

Institutional Share Class:

A share class designed for institutional or RIA use, typically featuring lower fees, no commissions, and reduced or waived loads.

Broker-Dealer Share Class:

A share class structured to include commissions, due diligence fees, and selling group compensation.

Sales Load Components:

Fees charged to investors for purchasing or redeeming shares of an investment product, compensating broker-dealers and registered representatives for distribution and servicing.

- **Front-End Load:** Charged when an investment is purchased.
- **Back-End Load (Deferred):** Charged when an investment is sold or redeemed.
- **Level Load:** Ongoing annual charge deducted from assets.

FUND INFRASTRUCTURE & SERVICES

Fund Administrator:

Provides accounting, reporting, and NAV calculation services for investment funds.

Transfer Agent:

Manages investor records, share ownership, and processes transactions such as subscriptions, redemptions, and distributions.

Custodian:

A financial institution responsible for holding and safeguarding investors' assets—such as cash, securities, or other investments—on behalf of clients. Custodians handle trade settlements, recordkeeping, and reporting. RIAs must maintain client assets with a qualified custodian, typically a bank or brokerage firm.

Escrow Services:

Holds investor funds until a funding threshold is met, commonly required by BDs for AML/KYC separation.

Regulation D Rule 506(c):

A federal exemption allowing general solicitation if investors are verified as accredited.

Electronic Subscription Document Processing:

Digital systems used to streamline the subscription and onboarding process, reducing paperwork errors and NIGOs.

Not in Good Order (NIGO):

A term used for documents submitted with errors, omissions, or inconsistencies, requiring correction before processing.

CUSIP (Committee on Uniform Securities Identification Procedures):

A nine-character alphanumeric identifier that uniquely identifies U.S. and Canadian securities such as stocks, bonds, and mutual funds. It facilitates clearing, settlement, and recordkeeping.

CUSIP Global Services (CGS):

The organization responsible for assigning and maintaining CUSIP identifiers in the U.S. It ensures that all eligible financial instruments have unique identifiers to streamline trade processing and regulatory reporting.

The Depository Trust & Clearing Corporation (DTCC):

A post-trade financial services company that provides clearing, settlement, and data services for financial markets. DTCC enhances market efficiency by standardizing and centralizing how securities transactions are processed and recorded.