

Introduction

One of the main methods in maintaining the standards and proficiency of registered persons in the securities industry is the Securities Industry Continuing Education (CE) Program. The current CE program consists of a Regulatory Element and a Firm Element. The Regulatory Element, which registered persons take every three years, focuses on regulatory requirements and industry standards, while the Firm Element is provided by each firm annually to its registered persons and focuses on the firm's securities products, services and strategies, its policies, and industry trends. (Ref. Regulatory Notice 21-41; November 17, 2021).

4.01 Regulatory Element

Upon initial qualification and registration in the securities industry, it is important that each registered person maintain their knowledge and proficiency in the securities industry. In order to continue to perform the assigned tasks and functions of a registered person, all such persons must meet the requirements of the Regulatory Element which consists of a computer based training program covering a wide variety of areas within the securities industry, to include industry rules and regulations, ethics, and sales practices.

Completion Requirements

In accordance with FINRA Rule 1240(a)(1), each covered person shall complete the Regulatory Element on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by FINRA. On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element shall be appropriate to either the registered representative or principal status of persons subject to the Rule. The content of the Regulatory Element for a person designated as eligible for a waiver pursuant to Rule 1210.09 shall be determined based on the person's most recent registration status, and the Regulatory Element shall be completed based on the same cycle had the person remained registered..

E-Mail Notifications

There are two types of e-mail notifications that the Firm can request from CRD. The first is an e-mail sent to the Firm whenever a registered person has not satisfied his or her Regulatory Element requirement within the first 30 days of his/her 120-day requirement window. The second is an e-mail sent to the Firm whenever a registered person at the Firm becomes inactive for failing to satisfy the Regulatory Element requirement.

Failure to Meet the Requirements

In accordance with FINRA Rule 1240(a)(2) (formerly NASD Rule 1120), each covered person shall complete the Regulatory Element on the occurrence of their second registration anniversary date and every three years thereafter, or as otherwise prescribed by FINRA. On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule. The content of the Regulatory Element shall be appropriate to either the registered representative or principal status of persons subject to the Rule. The content of the Regulatory Element for a person designated as eligible for a waiver pursuant to [Rule 1210.09](#) shall be determined based on the person's most recent

registration status, and the Regulatory Element shall be completed based on the same cycle had the person remained registered..

CRD Regulatory Element Contact Person

Each member shall designate and identify to FINRA (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications provided via the Central Registration Depository regarding when a registered person is approaching the end of his or her Regulatory Element time frame and when a registered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program. Each member shall identify, review, and, if necessary, update the information regarding its Regulatory Element contact person(s) in the manner prescribed by FINRA Rule 4517.

Exemptions to the Regulatory Element

Effective, September 27, 2004 the SEC repealed the Regulatory Element exemption to a qualified registered person and now require all registered persons to participate in the Regulatory Element. (NTM 04-78; effective September 27, 2004). ►►

Implementation Strategy

The designated principal will monitor each covered person and ensure that each notification of continuing education requirements are forwarded in a timely manner, and that the Regulatory Element is satisfied within 120 days of each second anniversary of initial registration and every three years thereafter. The Firm has also elected to receive CRD Notifications, Supplemental CRD Reports and E-mail Notifications as an additional notification method for meeting the requirements of the Regulatory Element. The designated principal will also evidence such notification and completion of such Regulatory requirements by maintaining a separate binder containing all Regulatory Element documentation and placing the appropriate CRD forms in each registered persons' employee file.

Delivery & Access to Regulatory Element Continuing Education (CE)

Continuing Education (CE) Platform Exclusively in FinPro

All Regulatory Element CE sessions for registered representatives are conducted exclusively via FinPro as of November 9, 2020.

System Enhancements Relating to Notification, Management and Tracking

Currently, registered persons and Financial Services Affiliate Waiver Program (FSAWP) participants use FINRA's Financial Professional Gateway (FinPro®) to access the Regulatory Element. Eligible individuals who elect to participate in the Maintaining Qualifications Program (MQP) must also use their existing FinPro account or create a new account to notify FINRA of their election and to access MQP content. The [Financial Professional Gateway](#) webpage provides guidance on how to create a FinPro account.

With respect to registered persons, FINRA allows firms to enable an optional email notification functionality through the FINRA Gateway system so that registered persons (with FinPro accounts) can directly receive email notifications relating to their Regulatory Element requirement. If the firm enables this functionality, notifications are sent via email to the registered FinPro users according to the frequency selected by their firm. Firms can also receive copies of the delivered notifications. For FSAWP participants and MQP participants, the FinPro system will automatically send these individuals CE notifications.

Firms can access information on individual CE obligations and statuses within their firm through FINRA Gateway. Within FINRA Gateway, firms can choose from several CE report templates to track individual CE obligations, or they can create customized reports to suit their specific reporting needs.

Annual Regulatory Element for Each Registration Category

FINRA has amended the CE rules to require that beginning January 1, 2023, registered persons complete the Regulatory Element annually by December 31 of each year that they are registered. In addition, the amended rules require registered persons to complete Regulatory Element content for each representative or principal registration category that they hold. In conjunction with this change, FINRA has developed tailored Regulatory Element content that is specific to each registration category. Further, to provide firms with sufficient time to review the Regulatory Element topics for each upcoming year, FINRA and the CE Council will publish the topics by no later than October 1 of the prior year.

The amended rules also include changes to the provisions relating to CE inactive status. Specifically, individuals who fail to complete their Regulatory Element within the prescribed annual deadline of December 31 will be automatically designated as CE inactive by FINRA. However, FINRA preserves its ability to extend the time by which a registered person must complete the Regulatory Element for good cause show.

Regulatory Element Timeline

The changes to the Regulatory Element will be implemented on January 1, 2023. Individuals who are registered prior to January 1, 2023, and remain registered after January 1, 2023, must complete their initial annual Regulatory Element by December 31, 2023. Individuals who are reregistering on or after January 1, 2023, must complete their initial annual Regulatory Element content by December 31 of the year in which they reregister, unless they have already completed the required Regulatory Element for that year or are reregistering based on having passed the applicable qualification examination or having obtained an unconditional waiver of the examination, in which case they must complete the following year's Regulatory Element, which is due by December 31 of the following year. Individuals who are registering for the first time on or after January 1, 2023, must complete their initial Regulatory Element by December 31 of the year following the year in which they register. Individuals who have Regulatory Element content due (*i.e.*, have a CE window end date) prior to January 1, 2023, must complete that content based on the current requirements. This includes individuals who elect to participate in the MQP prior to January 1, 2023. Beginning January 1, 2023, the CE inactive status will be determined annually based on the new requirements. (Ref. Regulatory Notice 21-41; November 17, 2021)

4.02

Firm Element

In accordance with FINRA Rule 1240(b)(1) (formerly NASD Rule 1120), the Firm Element requirements shall apply to any person registered with a member who has direct contact with customers in the conduct of the member's securities sales, trading and investment banking activities, any person registered as an operations professional pursuant to [Rule 1220\(b\)\(3\)](#) or a research analyst pursuant to [Rule 1220\(b\)\(6\)](#), and to the immediate supervisors of such persons (collectively, "covered registered persons"). "Customer" shall mean any natural person and any organization, other than another broker or dealer, executing securities transactions with or through or receiving investment banking services from a member.

The Firm will conduct a training needs analysis to determine areas of improvement, develop a written training plan to address those needs, implement training in accordance with the written training plan,

document all training and progress, evaluate results, and focus on areas of improvement. The following is a list of those steps as they apply to the Firm Element:

- The Firm will create a *needs analysis* to determine areas of focus and improvement;
- The Firm will develop a written *training plan* to address its current and future CE needs;
- The Firm will properly *implement* training methods in accordance with written training plan;
- The Firm will properly *document* all training/implementation methods and record all results;
- The Firm will properly *evaluate* results and track progress of training methods;
- The Firm will properly *focus* on continuing areas of improvement for future enhancements.

The Minimum Standards of Firm Element

Each member must maintain a continuing and current education program for its covered registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each member shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the member's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of covered registered persons in the Regulatory Element. If a member's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the member's training plan.

Programs used to implement a member's training plan must be appropriate for the business of the member and, at a minimum must cover training in ethics and professional responsibility and the following matters concerning securities products, services, and strategies offered by the member:

- Review of general investment features and associated risk factors;
- All suitability and sales practice considerations based on product mix; and
- Applicable regulatory requirements

Needs Analysis

At a minimum, the Needs Analysis should contain some of the following information:

- Description of the Firm to include size, scope, and function of business activities and investment products and services;
- Review of current economic and market conditions which could impact the products and services offered by the Firm;
- Review of recent legal/regulatory developments in the industry;
- Review of any disciplinary trends involving the Firm's employees;
- The use of performance evaluations or other methods for identifying the development needs of the Firm and employees; and
- The use of feedback from the Regulatory Element.

Training Plan

At a minimum, the Training Plan should contain some of the following information:

- Review of the Firm's Needs Analysis and areas of focus;

- Description of overall training program and objectives;
- Methods, resources, and frequency for conducting training;
- List and classification of all employees to receive training;
- Description and methods for documentation of training; and
- Evaluation of feedback for proper assessment of program.

Methods of Training Delivery

Another important factor in the Firm Element is the method for delivering training. The following is a list of some of the most frequently used methods for delivering training for the Firm Element:

- Computer based training;
- The use of audio/video tapes or other internal communications;
- Seminars and/or lectures;
- Meetings, telephone calls, or video conferencing;
- Mentor relationships; and
- Outsourced training programs.

Maintenance/Evaluation of the Firm Element

In order to properly maintain and evaluate a training plan in accordance with the Firm Element, the Firm will maintain all applicable records at its primary place of business for reference and research purposes. The Firm will have a copy of the needs analysis and written training plan at its main office. In accordance with the written training plan, the implementation of a training program includes the methods and frequency of training, copies of all training dates, times, attendees (to include signatures of attendance), and the documentation of some form of evaluation to track performance and results.

Extension of Firm Element to All Registered Persons and Recognition of Other Training Requirements for Firm Element

FINRA has amended the CE rules to extend the annual Firm Element requirement to all registered persons, including individuals who maintain solely a permissive registration consistent with Rule 1210.02, beginning January 1, 2023. In conjunction with this change, FINRA has also amended the CE rules to expressly allow firms to consider training relating to the anti-money laundering compliance program under Rule 3310(e) and the annual compliance meeting under Rule 3110(a)(7) toward satisfying an individual's annual Firm Element requirement. In addition, FINRA has revised the current minimum Firm Element training criteria to provide that the training must cover topics related to the role, activities or responsibilities of the registered person and to professional responsibility.

Firm Element Timeline

The changes to the Firm Element will be implemented on January 1, 2023. Therefore, beginning January 1, 2023, all registered persons will be required to complete the annual Firm Element. (Ref. Regulatory Notice 21-41; November 17, 2021)

Implementation Strategy

On an annual basis, the designated principal shall ensure that the Firm Element Continuing Education Program is complete and that all covered persons are

satisfying all requirements in compliance with *FINRA Rule 1250(b)*. A Firm Element Needs Analysis and Training Plan shall be prepared on an annual basis, and training will be conducted based on the information provided as prescribed in the Needs Analysis and Training plan. All attendance sheets, list of topics reviewed, and feedback questionnaires will be reviewed and maintained as evidence of training and employee/rep. attendance. In the event that one or more of the Firm's associated persons do not complete the required Firm Element Continuing Education Requirements as stated in the Firm's Training Plan, such persons will not be permitted to continue to engage in a securities business until such time that all relevant CE requirements are successfully completed. In certain instances, time extensions may be granted.

Note: Please refer to the most recent Firm Element Needs Analysis and Training Plan for further details on the areas of focus and development and implementation of CE training.

4.03 Annual Firm Element Advisory

In addition to conducting general continuing education training, the Firm may require covered persons to complete additional training based on the most recent Firm Element Advisory. The Securities Industry/Regulatory Council on Continuing Education (the Council) released the semi-annual Firm Element Advisory (FEA). The Council suggests that firms consult the FEA when developing their Firm Element training needs analysis.

The Firm Element Advisory lists topics that the Council considers to be particularly relevant to the industry at this time. The list is based on a review of recent regulatory events, as well as advisories issued by self-regulatory organizations (SROs) since the last Firm Element Advisory. Firms should review the training topics listed in the Firm Element Advisory in conjunction with their annual Firm Element Needs Analysis in which firms identify training issues to be addressed by their written Firm Element training plan(s).

The Securities Industry/Regulatory Council on Continuing Education (Council) has released the Firm Element Advisory (FEA) in a new online format. The FEA, which was previously released semi-annually in document format, will now be available on the web at <http://cecouncil.com/firm-element/>. The new web format provides easier access to relevant notices and resources about the specified subjects and will be updated quarterly to keep it current and relevant. The categories are expandable and may contain additional information about suitability, supervision and educational resources.

The Council produces the FEA to identify regulatory and sales practice topics that firms should consider when conducting their needs analysis and developing their Firm Element written training plans. However, firms are reminded that they should not rely on the FEA as a comprehensive list of all areas they should consider. Firms should also consider the specific nature of their business, clients, products and services when creating their training plans. (Regulatory Notice 16-35; September 2016) ►►

Implementation Strategy

On an annual basis, the designated supervisor shall ensure that all covered persons of the Firm have completed additional training by reviewing, in part, the most recent Firm Element Advisory. The updated FEA is available at: <http://cecouncil.com/firm-element/>. It is the policy of the Firm to apply each new Firm Element Advisory to its Firm Element Needs Analysis and Training Plan where applicable.

4.04 Annual Compliance Meeting

In accordance with FINRA Rule 3110(a)(7) (formerly Rule 3010(a)(7)), A firm's supervisory system shall include the participation of each registered representative and registered principal, either individually or collectively, no less than annually, in an interview or meeting conducted by persons designated by the

member at which compliance matters relevant to the activities of the representative(s) and principal(s) are discussed. Such interview or meeting may occur in conjunction with the discussion of other matters and may be conducted at a central or regional location or at the representative's(') or principal's(') place of business.

These meetings need not be in person. However, a firm that chooses to conduct compliance meetings using other methods (e.g., on-demand webcast or course, video conference, interactive classroom setting, telephone or other electronic means) must ensure, at a minimum, that each registered person attends the entire meeting. For example, the firm might use on-demand annual compliance webcast requiring each registered person to use a unique user ID and password to gain access and use a technology platform to track the time spent on the webcast, provide click-as-you-go confirmation and have an attestation of completion at the end of a webcast. The firm also must ensure that registered persons are able to ask questions regarding the presentation and receive answers in a timely fashion. For example, a firm could host an on-demand annual compliance webcast that allows registered persons to ask questions via an email to a presenter or a centralized address or via a telephone hotline and receive timely responses directly or view such responses on the firm's intranet site.

The current rule language is intended to provide considerable flexibility in how a firm chooses to satisfy the delivery requirement. FINRA emphasizes that the examples set forth in SM (Supplementary Material) .04 are for illustrative purposes only and are not intended to preclude other means of delivery as technological innovations emerge. Thus, for example, a firm could conduct its compliance meetings through any of the current virtual meeting room applications, even though they are not given as specific examples in SM .04. Currently, FINRA provides many resources from which a firm may draw to devise suitable topics to discuss with its registered persons, particularly as they relate to regulatory developments. Compliance resources may include FINRA publications such as the annual Risk Monitoring and Examination Priorities Letter, Report on Examination Findings and Investor Alerts, among others.(Regulatory Notice 19-34; Publication Date: October 18, 2019)▶▶

Implementation Strategy

The designated principal will review the Firm's annual compliance agenda and conduct a compliance meeting for all Firm registered personnel at least once a year as required. Signature and date sheets listing all associated persons in attendance will be maintained for review and recording purposes.