

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.

Definition of Covered Person

The term "covered person" means any person registered or registering with FINRA as a representative or principal as specified in Rule 1220, including any person who is permissively registered as such pursuant to Rule 1210.02, and any person who is designated as eligible for a waiver pursuant to Rule 1210.09.

Annual Completion Requirements

In accordance with FINRA Rule 1240(a)(1), each covered person registered with FINRA in a representative or principal registration category immediately preceding January 1, 2023, shall complete the Regulatory Element for the registration category annually by December 31 of 2023 and by December 31 of every year thereafter in which the person remains registered, or as otherwise prescribed by FINRA. Each covered person registering with FINRA in a representative or principal registration category for the first time on or after January 1, 2023, shall complete the Regulatory Element for the registration category annually by December 31 of the subsequent calendar year following the calendar year in which the person becomes registered and by December 31 of every year thereafter in which the person remains registered, or as otherwise prescribed by FINRA.

Nothing in this paragraph (a)(1) shall prohibit a member from requiring its covered persons to complete their Regulatory Element for their registration categories at any time during the calendar year. The content of the Regulatory Element shall be appropriate to each representative or principal registration category. A covered person shall complete Regulatory Element content for each registration category that he or she holds. The content of the Regulatory Element for a covered person designated as eligible for a waiver pursuant to Rule 1210.09 shall be determined based on the person's most recent registration(s), and the Regulatory Element shall be completed based on the same annual cycle had the person remained registered.

Failure to Meet the Requirements

In accordance with FINRA Rule 1240(a)(2), unless otherwise determined by FINRA, any covered person, other than a covered person designated as eligible for a waiver pursuant to Rule 1210.09, who has not completed the Regulatory Element within the prescribed calendar

year in which the Regulatory Element is due will have his or her registration(s) deemed inactive until such time as he or she completes all required Regulatory Element, including any Regulatory Element that becomes due while his or her registration(s) is deemed inactive. Any covered person, other than a covered person designated as eligible for a waiver pursuant to Rule 1210.09, whose registration(s) has been deemed inactive under this paragraph (a)(2) shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. Further, such covered person may not accept or solicit business or receive any compensation for the purchase or sale of securities. However, such covered person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the member with which such covered person is associated has a policy prohibiting such trail or residual commissions.

A registration that remains inactive for a period of two consecutive years will be administratively terminated by FINRA. A person whose registration(s) is so terminated or who otherwise fails to complete required Regulatory Element for two consecutive years may reactivate the registration(s) only by reapplying for registration and meeting the qualification requirements of the applicable provisions of Rules 1210 and 1220. The two-year period under this paragraph (a)(2) is calculated from the date a person's registration(s) is deemed inactive. If a covered person designated as eligible for a waiver pursuant to Rule 1210.09 fails to complete the Regulatory Element within the prescribed time frames, the person shall no longer be eligible for such a waiver. FINRA may, upon written application, with supporting documentation, and a showing of good cause, allow for additional time for a covered person to satisfy the Regulatory Element requirements.

Disciplinary Actions

A covered person, other than a covered person designated as eligible for a waiver pursuant to Rule 1210.09, may be required to complete assigned continuing education as prescribed by FINRA, in the event such person:

- is subject to any statutory disqualification as defined in Section 3(a)(39) of the Exchange Act;
- is subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or
- is ordered as a sanction in a disciplinary action to complete continuing education by any securities governmental agency or self-regulatory organization.

Such covered person must complete any continuing education required under this paragraph (a)(3) within 120 days of the covered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) and (C) above.

Reregistration

Any covered person who reregisters with FINRA in a representative or principal registration category shall complete the Regulatory Element content for the registration category annually by December 31 of the subsequent calendar year following the calendar year in which the person becomes reregistered and by December 31 of every year thereafter in which the person remains registered, or as otherwise prescribed by FINRA, provided that he or she has already completed Regulatory Element content for that registration category for the calendar year in which he or she is reregistering, he or she is reregistering by having passed an examination for that registration category or he or she is reregistering by having obtained an unconditional examination waiver for that registration category.

Any covered person who is reregistering with FINRA in a representative or principal registration category without having completed any Regulatory Element content for that registration category for the calendar year in which he or she is reregistering or without having passed an examination for that registration category or without having obtained an unconditional examination waiver for that registration category shall complete the Regulatory Element content for that registration category annually by December 31 of the calendar year in which he or she reregisters and by December 31 of every year thereafter in which he or she remains registered, or as otherwise prescribed by FINRA.

If a covered person has not completed any Regulatory Element content for a registration category in the calendar year(s) prior to reregistering, FINRA would not approve a registration request for that category until he or she completes that Regulatory Element content or he or she passes an examination for that registration category or he or she obtains an unconditional examination waiver for that registration category, whichever is applicable.

Nothing in this paragraph (a)(4) shall prohibit a member from requiring covered persons, other than a covered person designated as eligible for a waiver pursuant to Rule 1210.09, to complete their Regulatory Element for their registration categories at any time during the calendar year.

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.

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.

Implementation Strategy

Throughout the year, the designated supervisor will monitor Firm Gateway for FINRA Regulatory Element CE updates and notify all registered persons of the required Regulatory Element CE online training courses to be completed via FinPro on or before December 31st of each year. Although FinPro provides individuals with information on the status of each online training courses and a reminder of each course's due date, the designated supervisor will also notify the Firm's registered persons to provide sufficient time for completion. However, in the event that any registered person fails to complete their Regulatory Element within the prescribed annual deadline of December 31st, they will be automatically designated as CE inactive by FINRA, and therefore must cease all activities as a registered person and is prohibited from performing any duties or functioning in any capacity requiring registration under FINRA Rule 1240(a). (Ref. FINRA Information Notice 7/26/23)

Implementation Strategy

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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.

Participation in the Firm Element Training

Registered persons of a member must take all appropriate and reasonable steps to participate in continuing education programs as required by the member.

Specific Training Requirements

FINRA may require a member, individually or as part of a larger group, to provide specific training to its registered persons in such areas as FINRA deems appropriate. Such a requirement may stipulate the class of registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

Continuing Education Program for Persons Maintaining Their Qualification Following the Termination of a Registration Category

A person who terminates any of his or her representative or principal registration categories with FINRA may maintain his or her qualification for any of the terminated registration categories for a period of five years following the termination of the registration category, subject to the following conditions:

- The person was registered in the registration category for at least one year immediately preceding the termination of the registration category and the person was not subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act during the registration period;]
- The person elects to participate in the continuing education program under this paragraph (c) at the time of his or her Form U5 submission or at a later date within two years from the termination of his or her registration category, provided that if the person commences at the later date the person completes within two years from the termination of his or her registration category any continuing education that was due under the program between the time of his or her Form U5 submission and the later date he or she commences participating in the program;
- The person completes annually by December 31 of the calendar year in a manner specified by FINRA all prescribed continuing education during his or her participation in the program under this paragraph (c), provided that FINRA may, upon written application by the person, with supporting documentation, and a showing of good cause, allow for additional time for the person to complete the prescribed continuing education;
- The person does not have a continuing education deficiency with respect to his or her Regulatory Element for two consecutive years as provided in paragraph (a)(2) of this Rule;

- The person does not become subject to a continuing education deficiency with respect to his or her Regulatory Element for two consecutive years as provided in paragraph (a)(2) of this Rule while participating in the program under this paragraph (c); and
- The person does not become subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act following the termination of his or her registration category or while participating in the program under this paragraph (c).

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.

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 Firm Element Resources

FINRA and the CE Council have developed additional resources and guidance to support firms in designing their education and training programs. Some of those resources are highlighted below.

FINRA Gateway

FINRA has enabled settings and created reports within FINRA Gateway to assist firms in complying with the Regulatory Element requirements:

- **Option to Set an Earlier CE Completion Deadline:** Firms have the option to set and require an earlier completion deadline than December 31 for individuals to complete their Regulatory Element courses. Firm-based CE due dates can be set in FINRA Gateway's Firm Settings to be included in FINRA automated CE Notifications.
- **Sending Automated CE Notifications to Associated Persons:** Firms can schedule automated Regulatory Element notifications to be sent to associated persons in FINRA Gateway's Firm

Settings. These include Regulatory Element due date notifications and CE status change emails. Firms also have the option to send automated email notifications to their registered persons regarding an earlier completion deadline, if one is selected. For more information on configuring notifications, see the Firm Settings Guide. Notifications will be sent to the email addresses that registered persons have provided in their FinPro account.

- **Monitoring CE Obligations:** Throughout the year, firms can monitor the CE obligations and statuses of their registered persons by using the Annual Regulatory Element templates in FINRA Gateway Reports. More information on these customizable templates is available on FINRA Gateway's Annual CE Obligations page.
- **Ensuring Registered Persons Have Access to FinPro:** To identify registered persons without an active FinPro account, use the FinPro Access Tracking report template available in FINRA Gateway. Set the filter for the "Is FinPro User" field to "No" when using the template. (Ref. Information Notice 7/12/24; Publish Date: July 12, 2024)

Annual Regulatory Element Learning Topics

By October of each year, the Regulatory Element learning topics for the coming year will be made available on FINRA.org. The current year's learning topics for each registration category have been published, and the upcoming year's learning plan topics will be published later that year. Firms can view a Regulatory Element learning plan assigned to a registration category or group of registration categories for a given calendar year by using the learning topics publication tool available on FINRA.org. This information is provided in advance so that firms may consider it when preparing their Firm Element training plans. (Ref. Information Notice 7/12/24; Publish Date: July 12, 2024)

CE Transformation Toolkit

FINRA has published a list of resources for firms and securities industry professionals relating to the transformation of the CE program, including a webinar on CE Transformation that discusses the changes to the Firm Element requirement.

CE Council Publications

The CE Council regularly publishes the following documents to assist firms in designing their Firm Element training plans:

- [Firm Element Needs Analysis Quarterly Highlights](#) (formerly the Firm Element Advisory) assists industry participants with identification of potential topics to include in Firm Element training plans. Topics are identified from a review of industry, regulatory and SRO announcements; publications of significant events; and the annual report from FINRA's Examination and Risk Monitoring Program.
- [CE Council Guide to Firm Element Continuing Education Programs](#) supports the development of a Firm Element program that addresses regulatory requirements and assists firms with the creation of their annual needs analysis and written training plan.
- [CE Council Firm Element FAQs](#) are provided as a helpful starting point to walk firms through planning, developing and implementing their Firm Element programs.

CE Content Catalog

FINRA has developed an online, centralized content catalog, Financial Learning Experience (FLEX), which firms may optionally leverage for administering education and training for their Firm Element

programs or other training needs. The platform currently includes courses FINRA developed and may include courses from third-party training providers and other self-regulatory organizations (SROs) in the future. Firms have the option of using the courses in the catalog for their Firm Element training, but they are not obligated to select content from the catalog. (Ref. Information Notice 7/12/24; Publish Date: July 12, 2024)

Implementation Strategy

On an annual basis, the designated supervisor may utilize additional resources and guidance provided by FINRA and CE Council to support the Firm in designing its education and training program. Any FINRA or CE Council resources used by the Firm will be included in its Firm Element Continuing Education Program (CEP).

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.