



*Why Go It
Alone?*

June 16, 2020

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506
Alexandria, VA 22314

Re: FINRA Regulatory Notice 20-05: Request for Comment on a Proposal to Implement the Recommendations of the CE Council Regarding Enhancements to the Continuing Education Program for Securities Industry Professionals

Dear Ms. Mitchell,

The Association of Registration Management, Inc. ("ARM")¹ would like to comment on the proposal to implement the recommendations of the CE Council regarding enhancements to the Continuing Education ("CE") program for securities industry professionals. ARM appreciates the opportunity to submit this letter and present feedback collected from the financial securities industry on this topic and related processes.

Along with our member firms, ARM has reviewed the proposed recommendations. While ARM is fully supportive of the proposed suggestions for Firm Element and applauds the plan to enable individuals who were previously registered to maintain qualifications through Continuing Education, we have concerns about the annual Regulatory Element plans as suggested in Regulatory Notice 20-05.

¹ The Association of Registration Management is an industry association founded in 1975, comprised of registration professionals from broker-dealers and investment advisers who deal with the regulatory community on licensing matters and related issues.

ARM is extremely grateful to FINRA and to the CE Council for their plans to assist our member firms with the planned Firm Element improvements. By recognizing other training requirements for the purposes of satisfying Firm Element, FINRA also acknowledges how training programs at member firms better prepare registered representatives to serve the investing public. This recognition allows firms to better streamline their training programs, and manage their training calendars with more efficiency. This planning will be further enhanced with the guidance and resources discussed in the proposal, including the assistance with the needs analysis.

The establishment of a content catalog is also helpful for our member firms. ARM believes that having a library of FINRA-endorsed material allows firms to build training programs while being confident that they are meeting regulatory expectations.

ARM member firms are celebrating the proposed rule changes to allow previously registered individuals to maintain their qualifications through CE. This ability to preserve licenses independently occurs in other industries, but it has not been available for registered representatives in the securities business until now. ARM agrees with the plan to allow these individuals to keep their qualifications, to allow them to stay prepared for work in the industry, and to have them ready to serve the investing public. Our member firms have long requested this ability, as it allows these individuals to deservingly maintain the registrations that they worked so hard to obtain.

Regarding Regulatory Element content, ARM fully supports the plan to tailor the material to registration categories. More specifically, our member firms have requested education, training programs, and examination content that are all more closely aligned with the specific businesses of our registered representatives. For example, firms with institutional businesses have often expressed frustration with how sales examinations and related CE are more focused on retail business scenarios than the activity performed by their personnel. ARM and our member firms hope that this approach to specialized content continues with further reviews of the Series 7 for an alternate institutional version.

While ARM previously noted our agreement with the plan for an annual Regulatory Element program in our response to Regulatory Notice 18-26 in November 2018, we indicated that support was for “a shorter requirement.” While ARM recognizes that Regulatory Notice 20-05 indicates that the annual format of the new Regulatory Element would be one-third of the usual content, the program in this proposal would not be shorter for all registered

representatives. ARM does not support a plan that requires additional training content for individuals with more registrations.

When providing feedback to Regulatory Notice 18-26, ARM called for the elimination of duplicative CE requirements, indicating the different types of trainings administered to financial service industry personnel. These staff members are required to complete training on multiple topics, including but not limited to information security, compliance policies, business services and products, code of conduct updates, and data protection. Additionally, all registered representatives have the obligations of the Annual Compliance Meeting (in compliance with FINRA Rule 3110(a)), and other registered representatives have the additional requirements of Firm Element, National Futures Association registration training (including Ethics training, and new Swap Dealer Associated Person training requirements), and other training and education obligations. The plan to recognize other training requirements to satisfy Firm Element requirements appears to be an acknowledgement of this point, which is appreciated. However, with a Regulatory Element program that requires additional content for multiple registrations, FINRA is adding significantly to those training obligations. This additional content creates the type of administrative and operational burdens for the registered representatives and the member firms that was mentioned in the feedback to Regulatory Notice 18-26. This aspect of the plan also has an indirect impact on the investing public as FINRA is requiring these representatives to spend more time on CE than the current requirement, and therefore taking more time away from servicing their clients.

This proposed Regulatory Element structure will disproportionately burden registered principals and those more experienced registered representatives who have developed multiple skill sets, who have obtained different types of business knowledge, and who have acquired multiple registrations over their careers. These individuals have worked for years to accumulate these accomplishments, and have worked diligently to complete all training requirements related to these licenses. Now these accomplished professionals will either spend more time away from the investing public to maintain these licenses, or they will be forced to prioritize and terminate some registrations rather than take the time for the additional CE content.

ARM recognizes that this change would not impact the entire registered population, and acknowledges FINRA's indication that only 35% of these individuals have multiple registrations. However, our member firms feel that over one-third of the registered population is a significant impact. ARM also believes that this figure fails to consider the number of representatives who will be discouraged from taking more examinations and collecting more registered

qualifications because of the continuous requirements. ARM would like to see a Regulatory Element plan that encourages representatives to increase their qualifications and their ability to serve their clients rather than a program that dissuades representatives from further learning.

ARM would also like more information on how FINRA plans to improve systems to address the administrative and operational burden that this process would create. While our member firms look forward to improved notifications and system interfaces, ARM would also like to learn more on the related reporting that would be available to the Registration Departments that will need to track, chase, and notify firm management about the number of individuals in danger of missing their deadlines.

ARM also feels that the fifteen-day window between the deadline and the CE Inactive date adds to this administrative burden. In the current process, most firms take action to eliminate the building and system access of a registered representative who has failed to meet their CE deadline and has inactive registrations. In larger firms, this would be a coordinated effort between Registration, Human Resources, Employment Law, Information Technology, and the Security departments, as well as Compliance coverage teams and managers related to the representative. At smaller firms, all of these same efforts are performed by fewer people. For all firms, potentially performing this process for a number of representatives at once would be more consuming—but having to document the events, actions, and reasons for late CE completion makes this situation significantly worse.

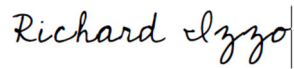
There is no regulatory guidance or precedent for allowing a representative with active registrations to act in a registered capacity when the individual has overdue CE. Member firms will need more information on the controls expected by FINRA and the content expected for any documentation memorializing an individual's failure to meet the deadline and his/her activity during this fifteen-day period. ARM and our member firms are also concerned that the increased Regulatory Element content for individuals with multiple registrations will increase the likelihood of missed deadlines and CE Inactive registrations.

ARM would be supportive of an annual Regulatory Element program that would have the same time requirements for all representatives, and would not increase the obligations for registered principals and representatives with more qualifications. This support does not contradict or conflict with our wish for Regulatory Element content that would be more tailored to registrations. In fact, ARM believes that FINRA should make the additional content available for member firms and registered representatives for optional additional training and supplementary information related to key registration issues.

ARM truly appreciates the efforts and intentions of both FINRA and the CE Council to improve the Firm Element and the Regulatory Element components of the Continuing Education program. We hope that FINRA considers this feedback, which is supported by our member firms and SIFMA's Licensing and Registration Council.

Thank you for your time and consideration on this matter. Please contact me if you wish to discuss our comments in more detail, if you have any questions, or if I can assist with this initiative any further.

Sincerely,

A handwritten signature in cursive script that reads "Richard Izzo". The signature is written in black ink and is positioned to the left of a vertical line.

Richard Izzo
President, Association of Registration Management, Inc.
armgmt@armgmt.org

On behalf of the Executive Board and members of the
Association of Registration Management, Inc.

CC: Kevin Zambrowicz
Compliance & Regulatory Policy Committee, SIFMA