

Via E-Mail to [pubcom@finra.org](mailto:pubcom@finra.org)

November 5, 2018  
Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1506

RE: Regulatory Notice 18-26 - Continuing Education Program  
FINRA Requests Comment on Enhancements Under Consideration by the Securities  
Industry/Regulatory Council on Continuing Education

Dear Ms. Mitchell:

Securities America, Inc. (SAI)<sup>1</sup> appreciates the opportunity to comment on Regulatory Notice 18-26 - Continuing Education Program and the Enhancements Under Consideration for the Securities Industry Continuing Education Program (the Proposal). The Proposal would enhance the Securities Industry Continuing Education Program (CE Program) and is under consideration by the Securities Industry/Regulatory Council on Continuing Education (CE Council). These enhancements would include the transition of the Regulatory Element program to a more focused and shorter learning requirement administered annually. SAI respectfully submits the following comments and recommendations for your consideration.

### **Relevance of Regulatory Element Content**

As the CE Council describes in the Proposal, some registered persons complete Regulatory Element content that is not directly relevant to the registrations they hold or the job roles in which they work. SAI agrees with the CE Council that it should improve its processes to determine which topics to address within the Regulatory Element program, the amount of learning content necessary to address each topic and the relevance to each registration category with the goal of creating targeted learning units or modules. SAI also agrees that individuals should only receive those portions of the Regulatory Element that are pertinent to the registrations they hold. This would help to maximize efficiency and improve registered persons' training experiences as well as focus their attention on those topics that would benefit them most.

### **Frequency of Regulatory Element Content**

SAI currently monitors Regulatory Element requirements for SAI's registered persons and notifies registered persons concerning their Regulatory Element window and deadlines. SAI currently

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<sup>1</sup> SAI, together with Securities America Advisors, Inc. and Arbor Point Advisors, LLC, is one of the nation's largest independent advisory and brokerage firms, with more than 2,500 independent representatives and \$86 billion in client assets as of December 31, 2017.

dedicates over 400 hours per year to sending Regulatory Element notifications to registered persons whose window opens with follow-ups and notifications. The Proposal's increase of Regulatory Element frequency to annually will likely increase SAI's workload as the firm would be monitoring and notifying all registered persons each year.

SAI supports the CE Council's recommendation to leverage the FINRA Financial Professional Gateway (FinPro) as a means for delivering the Regulatory Element and sending automated email reminders to registered persons at the onset of the training period and leading up to the deadline. Implementing such a system would relieve SAI of efforts to manually notify registered persons. SAI would likely continue to monitor and contact registered persons who have not satisfied their Regulatory Element. Directing registered persons to FinPro would also provide registered persons awareness and insight into their current Form U-4, as well as access to their Form U-5s from previous firms, if applicable. With anticipated CRD and FinPro enhancements and features expected, it will be important to promote FinPro use for individuals currently or previously registered as a resource to help answer their questions and it may alleviate general inquiries normally directed to the B-D or FINRA.

Additional enhancements to the frequency of the Regulatory Element could include adjusting the annual completion window. For example, if the annual completion window were extended from 120-days to a 300-day completion window, Regulatory Element could begin on February 1 each year and require completion by December 1. Adopting this calendar-based annual completion model would allow for a thirty-day window for individuals delinquent on the Regulatory Element training to complete the ongoing training requirement before becoming inactive at year-end.

### **Synergy with Firm Element**

SAI believes the Regulatory Element and Firm Element should continue to operate largely independent from one another. Even with the narrower focus of the Regulatory Element, the content has historically been more general to cover all types of broker-dealers and more focused on what a registered person needs to know to maintain their registrations. SAI's Firm Element training is designed to provide education on the specific business model of the firm and how current regulatory trends and hot topics may impact the firm, its registered persons and clients. SAI considers the annual FINRA Examination Priorities Letter when determining Firm Element content, along with the firm's most recent regulatory examination findings and the firm's internal branch examination findings.

If the Regulatory Element content were timelier and more closely aligned with industry hot topics, including examination priorities, a great synergy could exist between Regulatory Element and Firm Element CE requirements.

### **Firm Element**

SAI's Firm Element training program includes four or more modules covering a variety of topics. SAI offers both in-person and electronic delivery for its Firm Element training. Firm Element training delivered electronically includes an assessment component. SAI's Firm Element training is based on a firm-specific needs assessment. Conferences or seminars not affiliated with SAI typically would not address the content provided in SAI's Firm Element training.

For the current year, SAI's Firm Element training is required to be completed by affiliated registered persons, and some of the training modules are required to be completed by non-registered persons. SAI generally uses the same Firm Element training for all registered persons, irrespective of whether they are a covered registered person.

SAI believes the CE Council should refrain from communicating any expectations on how much Firm Element training a firm should provide. In doing so, the CE Council's recommendation could become a de facto requirement that examiners could enforce on member firms. Member firms have differing business models and correspondingly have differing needs as to the appropriate amount of Firm Element training.

In addition to Firm Element training, SAI provides training in Anti-Money Laundering (AML) and the Annual Compliance Meeting (ACM). There is significant coordination between these training requirements. Generally speaking AML training is a part of the Firm Element content. SAI also ensures there are not redundant topics between Firm Element training and the ACM.

### **Other Training Requirements and Credentialing Programs**

SAI does not currently engage in any efforts to ensure associated persons meet the requirements of non-regulatory credentialing programs. SAI does not consider the training completed for such programs in the firms' regulatory training. However, SAI is interested in learning more about how the CE Council could engage in a reciprocity agreement between these programs. For example, would the member firm be responsible for evaluating each course for acceptability, or would the CE Council undertake this as part of its reciprocity agreement? How would the CE Council be able to evaluate the adequacy of the credentialing programs training as a replacement of a member firm's Firm Element training without the knowledge of the specific training modules of each firm? While it may benefit a member firm and its associated persons, what extra manual processing would this create for a member firm? How does the member firm obtain information on the completion of any course? How would a member firm capture and track the completion of each course? Irrespective of the answers to these questions, it is our opinion that any use of reciprocity by a member firm should be voluntary on the part of that firm.

SAI frequently utilizes training from third party vendors. SAI agrees with the CE Council's recommendation of creating a centralized catalog of available content from multiple providers and believes this would be a benefit to the industry.

### **Maintaining Qualification Status Post Termination**

SAI agrees with the CE Council's consideration of allowing registered persons to maintain their FINRA qualification status post termination. SAI believes the securities industry probably does itself a disservice by terminating a person's registration status after two years of disassociation from a member firm. This is contrary to the practices of other industries having similar continuing education requirements. The termination procedures also negatively impact the industry by denying the ability to rehire qualified previously registered persons simply due to a seemingly arbitrary two-year period.

SAI agrees with the CE Council that such persons would still need to satisfy all other conditions of registration. However, SAI disagrees with the suggestion of including an experience requirement for maintaining registration, especially as there is no such requirement for initial registration.

With regards to the need of establishing a baseline amount of Firm Element equivalent training, SAI believes that such a baseline can and should only apply to those registered persons not associated with a member firm. As noted above, applying the same standard to all member firms may be ineffective, as each firm is unique in its business model and would therefore have a different amount of Firm Element training it would deem appropriate for its personnel.

SAI agrees with the CE Council that Firm Element equivalent training should be completed via the FINRA platform using the new centralized catalog.

SAI believes that with the above program in place, and with adequate training being completed each year, a registered person should be allowed to retain their qualification status indefinitely, provided they continue to meet all conditions for registration. This would be in line with other professions and provide the securities industry a larger pool of qualified persons to fill needed positions at member firms.

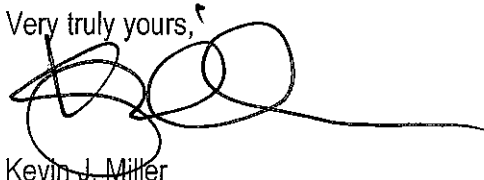
With regards to associated persons who terminate their registrations while still employed by a member firm, SAI agrees that such persons should be allowed to maintain their qualification status provided they meet all requirements. SAI does not believe their continued employment by a member firm should disqualify them. However, as the CE Council notes, with the implementation of permissive registration, the rate of such scenarios would be infrequent.

SAI agrees with the CE Council's recommendation of implementing a two year catch-up opportunity as part of the Proposal.

In developing specific recommendations to change the industry's CE requirements, SAI believes the ability for registered persons to maintain their qualification status when meeting all conditions is the most important. As stated above, the securities industry stands to benefit greatly from the ability to rehire qualified persons to fill needed positions. This can reduce the training time and associated costs and improve members firms' abilities to quickly bring newly hired registered persons on line as fully productive associates.

SAI thanks FINRA for this opportunity to comment on the CE Council's proposals to enhance the securities industry's Continuing Education Program. If you have any questions or would like to further discuss these issues, please contact the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Kevin J. Miller', with a long horizontal line extending to the right.

Kevin J. Miller

Executive Vice President, General Counsel & Chief Compliance Officer