

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506

June 29, 2020

Re: FINRA 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,

CFA Institute appreciates the opportunity to provide comments on Regulatory Notice 20-05 (“the Notice”) pertaining to the implementation of a series of recommendations by the CE Council to the Continuing Education (“CE”) requirements for Securities Industry Professionals. CFA Institute represents the views of investment professionals before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and on issues that affect the integrity and accountability of global financial markets.

After carefully studying the proposals contained in the Notice, we would like to express our support for the majority of them, as they are balanced and beneficial to the investment industry. Nevertheless, we have included some suggestions for your analysis.

CFA Institute’s position on CE Programs

CE programs (or “Professional Learning” as we like to call it at CFA Institute nowadays) perform a critical role in maintaining high proficiency standards. While investment professionals may be able to demonstrate proficiency at one point in time by passing a licensing exam, we believe it is necessary that these professionals be required to keep their knowledge current while they practice in the industry.

Therefore, it is essential that supervisory agencies promote robust CE programs that require completion of educational activities that can help achieve and maintain quality in professional services. The investment management industry today is characterized by rapid changes, advancing technology and increasing complexity. Thus, investment professionals must be compelled to further their knowledge, skills, and abilities to ensure quality of services.

At CFA Institute, we believe that effective CE programs have the following characteristics:

- Require the completion of frequent CE (either each calendar year or in two-year cycles)
- Are flexible in nature, in terms of permitted activities, but also in terms of the content a registered representative may study.
- Require completing both an ethics/regulatory element and a knowledge of business/firm element.

Feedback on questions open for comment:

1. Does focusing the Regulatory Element on rule changes and significant regulatory issues relevant to each registration category seem appropriate? Would this help distinguish the Regulatory Element from the Firm Element? Are there other topics that should be included within the Regulatory Element?

Our view is that the Regulatory Element should focus primarily on regulatory rules, changes to those rules and significant compliance issues. In this regard, we wonder if the Regulatory Element should also incorporate both the Anti Money Laundering training (AML) and the Annual Compliance Meeting training (ACM) to help differentiate from the other professional development activities that may be applied in the Firm Element. This change could also address some of the concerns expressed with respect to not having sufficient changes in regulation from year to year to support an annual Regulatory Element.

Further in this line of thinking, we also given thought to whether a change in the terms could facilitate distinguishing more clearly the two elements of the Continuing Education program. Perhaps naming the program elements “Compliance Training” and “Professional Development Training” may help further reduce confusing the two elements required within the CE program at FINRA.

As to other topics to include, we would like to suggest that ethics training be featured more prominently as part of the Regulatory Element to promote that securities industry professionals utilize an ethical mindset in their daily interactions with clients. It is our position that ethical behavior goes beyond simply following laws and established rules. It is about knowing how to navigate ambiguous ethical situations and put the interests of investors first when the rules are unclear.

Thus, we would recommend integrating our [Ethical Decision Making Course](#) and our [Giving Voice to Values](#) course within the Regulatory Element requirements.

2. Would the transition to an annual Regulatory Element requirement or the focus on rule changes and significant regulatory issues relevant to each registration category disparately impact specific populations? If so, would the introduction of greater diversity in instructional formats and delivery modes alleviate any such potential impacts? Are there any other mitigations that FINRA should consider to address any such potential impacts?

We understand that the transition to annual Regulatory Element may impact specially those individuals who have registrations in multiple categories. For this particular issue, we support the introduction of greater instructional formats, however, it is our understanding, that the introduction of these additional formats may still not reduce the burden on these individuals in terms of time and effort. Therefore, it may be necessary to consider other possible solutions that may help mitigate the additional burden.

One possible way to solve for this would be to introduce the concept of primary registration category and ensure individuals complete the Regulatory Element for this category annually. In this way the primary registration category would be covered, and the additional registration category requirements could be covered on alternative years or on a rotating basis. This proposed solution could create additional complexities if not properly supported by technological enhancements to the CRD system.

3. FINRA is proposing possible enhancements to the CRD system and FinPro system to facilitate the transition to an annual Regulatory Element requirement. Would enhanced reporting and automated notification functions help mitigate the additional efforts required to monitor participation in, and completion of, an annual requirement? What other system enhancements would firms find helpful?

We consider that enhanced reporting and automated notification functions through the CRD and FinPro systems would certainly benefit firms to help them navigate the new requirements.

4. Are member firms currently requiring all registered persons to complete Firm Element training? Does the express recognition of other training requirements, including the annual compliance meeting, towards satisfying the Firm Element training mitigate the potential burdens associated with extending the Firm Element to all registered persons?

For question 4, we support FINRA's recommendation to recognize other training requirements to meet the Firm Element. The express recognition should help mitigate burdens derived from extending the Firm Element to all registered persons.

As to the development of a content catalog, managed by FINRA, we are fully supportive of it, and would suggest it incorporates courses and content offered by CFA Institute. Examples of content that could feature on this catalog could be passing any level of the CFA program, or the CIPM, to participating in one of our online webinars or courses.

5. Are the eligibility criteria for participation in the proposed program to maintain a qualification status for a terminated registration category appropriate? Is a participation time period of seven years sufficient? Should FINRA consider other options for eligibility or the length of time an individual can participate in the program?

We support the proposal by FINRA to enable individuals who terminate their registrations the option of maintaining their qualification by completing continuing education. In our view this proposal recognizes the changing nature of people's careers, life circumstances and will allow individuals to enjoy a high degree of flexibility to return to the industry should they be forced to leave it.

Additionally, the proposal also recognizes the need for lifelong learning by incentivizing the completion of a CE program, which is something CFA Institute upholds very strongly and advocates for regularly. We have no doubt that to succeed in a highly competitive and ever-changing investment industry, investment professionals must be committed to furthering their knowledge, skills, and abilities throughout their careers.

As to the eligibility criteria itself, we believe it is appropriate, but would argue that there should not be a cap of seven years for participation. Other professions such as the accountants allow to retain the qualifications indefinitely as long as the CE program has been completed, with no restrictions as to time.

6. In light of the proposed program to maintain a qualification status for a terminated registration category through continuing education, should FINRA eliminate the two-year qualification period?

For this question, in light of the proposed program to maintain qualification status for a terminated registration category through continuing education, we believe it would make sense to eliminate the two year qualification period.

7. Are there approaches other than the proposed changes that FINRA should consider?

With respect to approaches we would suggest that FINRA considers introducing a competency framework. The competency framework would provide registrants with guidance in terms of how to develop their skills throughout their professional career and would inform the CE program. It would provide guidance not only on the skills and knowledge needed to (1) develop in an existing job role, but also to (2) transition into a new job role.

At CFA Institute, we have recently developed a [competency framework](#) to inform the ongoing development and relevance of the CFA Program and our Professional Learning activities. Our framework consists of three broad competency areas (Technical, Personal & Business, and Ethical) across a range of job role families.

To access the competency framework, please click [here](#). To check on the competencies necessary for each role click into the relevant cells and work down the column to review the competencies most relevant in each role.

8. *What other economic impacts, including costs and benefits, might be associated with the proposal? Who might be affected and how? Please provide estimates or estimated ranges for costs and benefits wherever possible.*

We have no comments for this question.

9. *Would the proposal impose any other competitive impacts that FINRA has not considered?*

We have no comments for this question.

CFA Institute would be pleased to discuss our comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact us.

Yours sincerely,

On behalf of CFA Institute:



Inigo Bengoechea, CFA
CFA Institute
Senior Director, Government Relations
292 Madison Avenue
New York, NY 10017
Tel: 212 418 6895
Email: inigo.bengoechea@cfainstitute.org