FINRA Qualification Examination Program Restructure and Web Delivery of Continuing Education Regulatory Element Program
Thursday, May 28
3:00 p.m. – 4:00 p.m.

Topics:

• Understand the important points of FINRA’s proposed restructuring of the representative level qualification examination program.
• Explain and understand the upcoming changes to the Regulatory Element Continuing Education (CE) Program.
• Summarize the timelines for the changes to the Qualification and Continuing Education Program.

Speakers:

John Kalohn (moderator)
Vice President
FINRA Testing and Continuing Education

Joseph Fleming
Chief Compliance Officer
RBC Capital Markets LLC

Carolyn May
Senior Vice President and Chief Financial Officer
Simmons First Investment Group

Joseph McDonald
Senior Director
FINRA Testing and Continuing Education

Roni Meikle
Senior Director
FINRA Continuing Education
FINRA Qualification Examination Program Restructure and Web Delivery of Continuing Education Regulatory Element Programs

2015 FINRA Annual Conference
May 28, 2015 • Washington, DC
Panelists

Moderator

• John Kalohn, Vice President, FINRA Registration and Disclosure / Testing and Continuing Education

Panelists

• Joseph Fleming, Chief Compliance Officer, RBC Capital Markets LLC
• Carolyn May, Senior Vice President and Chief Financial Officer, Simmons First Investment Group
• Joseph McDonald, Senior Director, FINRA Testing and Continuing Education
• Roni Meikle, Senior Director, FINRA Continuing Education
Future Directions for Qualification Examinations and Continuing Education
Evolution of CE and Qualification Exams

- Regulatory Element Continuing Education Program
  - Started in 1995 – S101 only
  - Introduction of the S106 and S201 programs
  - Redesign of the Regulatory Element program 2007 – 2010
  - Launch of S901 for Operations Professionals
  - Planning for Web Delivery – Q4 2015

- Qualification Exams
  - Long history – starting in 1956 with the Series 1
  - Exams have been added as the industry has grown and new products have been created.
Qualification Examination History

Examination Implementation Timeline
Future

- Restructuring of Qualification Exams
  - Presentation today
  - Regulatory Notice Concept Release

- Continuing Education
  - Web Delivery Q4 – 2015
  - Projected Evolution of CE
    - Availability via tablet, smartphone
Web CE – Overview

- Project underway to migrate the Regulatory Element Program to a Web-delivered format
- Industry outreach to seek feedback
  - Industry Focus Groups
  - Firm Survey
    - Test center security measures too extreme for education
    - Extreme travel time to test centers in some instances
    - Must successfully complete entire program in 3 1/2 hours
    - Lost productivity due to time out of office
    - Ease of use, anytime/anywhere access
    - No time restriction, allow bookmarking and self validation like Firm Element training
  - Pilot Test
    - Conducted from July 21 through August 20, 2014
Web CE – Pilot Test

Post Pilot Analysis

• Analyze statistics from 2073 participants
  – Overwhelmingly positive response to Web delivery of CE
  – Participants completed a brief survey at end of pilot to provide feedback

• Firm outreach and survey data
  – Conducted after pilot

• Call Center logs/ mailbox questions / comments
  – Technology issues
  – Candidate validation issues
    ▪ Captcha and full SSN

• On-going conversations with CE Council and content committees

Develop technology to support production implementation

• Use data and lessons learned from outreach and pilot test
Web CE – Tech Updates

- Candidate accesses CE Sessions through link on FINRA.org and CECouncil.com
- System check runs to verify supported browsers and versions after clicking on link
  - Will not be able to start session if browser is not supported
- Supported browsers:
  - Internet Explorer: Versions 9 and higher
  - Firefox: Versions 20 and higher
  - Chrome: Versions 25 and higher
  - Safari: Versions 5 and higher (MAC only – no tablet support at this time)
- Updated Captcha software
Web CE – Firm Notifications

- Automatic messaging to firms re 120 day window status continues
  - CE Contacts continue to receive standard CRD CE alerts at 90/60/30/14/10/2 day intervals
- CRD will allow firms to track candidates’ sessions
  - Status of session - Will appear under “Appointment Status”
    - Candidates must show proficiency in 4 modules
      - Displays number of modules successfully completed
  - Web Delivery will be listed under “Vendor”

- Report Center
  - No anticipated changes to quarterly reports
Web CE – Advantages

■ Increased productivity due to elimination of travel to test centers
  • Advantages for both firms and candidates

■ Ability to access CE Online anytime/anywhere
  – No session time restriction
  – Candidate can satisfy requirement anytime within 120 day window

■ Bookmarking allows candidates to complete at their pace and return to last location in session

■ No onerous security measures

■ No requirements for firms to proctor sessions
  • Flexibility as to amount of involvement/oversight
  • WSPs may define where/when/how candidates take CE Online sessions
Web CE – Sessions

- Click on link on FINRA.org or CECouncil.com to begin session
  - Logs in using first name / last name / CRD #
  - System randomly requests candidate to enter either first 5 or last 4 of SSN and DOB
    - SSN and DOB will NOT be stored
      - Matched against CRD and discarded
  - Responds to Captcha entry

- Acknowledges Data Privacy Policy
- Agrees to Code of Conduct

- 30-minute lockout period if candidate enters information incorrectly 3x.

- Candidate must enter firm email address to receive CE completion certificate.
Web CE – Open Sessions

- Returning to session
  - Candidate skips verification if same user/machine (IP Address) within 3 hour window
  - Activity timeouts
    - Session timeout after 30 minutes of inactivity

- Candidates can repeat modules until they show proficiency
  - Candidates cycles through cases in module until proficiency achieved
  - Only repeat module(s) they are having trouble with
  - No additional charges

- Open session closes when CE window closes

- CE Online session fee is charged at time of completion

- For CE Inactive reps
  - Any open session will be closed at end of 120 days
  - Will have to take entire session again
Web CE – Transitioning from Test Centers

- **Phase 1  (Beginning of Q4-2015)**
  - In Firm Delivery sites transition begins
  - Candidates can access CE Online for S201 / S106 / S901 / S501 Programs
  - S101 continues to be administered at test centers

- **Phase 2  (Beginning of Q1-2016)**
  - Candidates can access CE Online for S101
    - Personalized S101 content rolls out
      - S501 is ceases as a program
      - Subsumed into Trading Module of S101
    - Complete In Firm Delivery transitions

- **Phase 3  (Q2-2016)**
  - 100% of CE sessions completed on Web
Web CE – Communications Plan

- Rule filing related to launch of Web CE
  - Changes to Rule 1250
    - Removing language related to In-Firm Delivery sites
    - Removing Proctor registration
    - Proposed fee for Web CE delivery ($55)
    - Regulatory Notice once approved by the SEC

- Continued outreach to industry
  - Conferences
  - District meetings

- Multiple channels for awareness and project status
  - Info Notices
  - Weekly Updates
  - Websites
  - Notifications included with CE quarterly reports
  - Webinars
Web CE Delivery: Rollout

- **Q1 2015**: Continue Communications to the Industry: Reg. Notice, Rule Filing, Committee/Council Meetings, etc.
- **Q2 2015**: S106, S201, S901 Programs Go Live
- **Q3 2015**: S101 Goes Live
- **Q4 2015**: *S501 Program Goes Live
- **Q1 2016**: *S501 Program Included in S101
- **Q2 2016**: 100% Web Delivery
- **Q3 2016**: Planning next generation of CE
Exam Restructuring
Today’s Representative-Level Exams

Series 7

Series 99
Series 22
Series 82
Series 72
Series 87
Series 86
Series 82
Series 99
Series 62
Series 55
Series 86
Series 87
Series 56
Series 42
Series 37
Series 38
Series 22
Series 79
Series 6
Series 17
Series 11
Series 56
Series 42
Series 37
Series 38
Qualification Exam Restructuring

- Respond to industry and regulatory changes
- Reduce the redundancy of content across exams
- Streamline the exam process
- Minimize impact and change to the registration rules
- Ensure registered reps have a solid breadth of understanding of the industry
Revised Exam Structure

- Series 6
- Series 7
- Series 99
- Series 22
- Series 82
- Series 57
- Series 79
- Series 86/87
- Essentials Exam
Securities Industry Essentials Exam Content

Securities Industry Essentials Exam content would include knowledge all securities industry registrants should understand, including but not limited to:

- Structure and functioning of the securities industry
- Regulatory agencies and their functions
- Basic economics
- Product knowledge (stocks, bonds, mutual funds)
- Regulated and prohibited practices
- Professional conduct

Content would be largely stable and subject to little change over time (i.e., the characteristics of products are constant)
Essentials Exam Eligibility

- FINRA would introduce two new features for the Essentials Exam:
  - A person would not need to be associated with a member firm to take the Essentials Exam.
  - A passing score on the Essentials Exam would be valid for four years from the date the person passes the exam.

- Passing the Essentials Exam alone would not qualify a person to hold a registered position.
Example: Current vs. Future (Conceptual Illustration)
Path to Registered Representative Registration

**Current:**
- Series 7 Exam
  - 250 Questions

  ➔

- General Securities Representative

**Future/Proposed:**
- Essentials Exam
  - 100 Questions

  +

- Revised Series 7
  - 150 Questions

  ➔

- General Securities Representative
Other Features of the Proposal

- Series 11 Exam (Order Processing Assistant) – FINRA considering the impact of retiring exam and registration category
- Series 17/37/38 Exams – FINRA analyzing whether UK and Canadian certifications have a high enough overlap of content with the Essentials Exam to exempt certificate holders
- FINRA would retire the Series 42 (Options Representative), Series 62 (Corporate Securities Representative) and Series 72 (Government Securities Representative) exams
### Effect on Current Registrants

- **Current representative-level registrants** would maintain registration without additional testing.

- **Most current registrants** would be considered to have passed the Essentials Exam and it would be valid for 4 years upon leaving the industry.
  - If the registrant returns within 2 years, she would regain registration without the need to take the Essentials or top-off exam.
  - If the registrant returns between 2 and 4 years later, she would not need to take the Essentials Exam, only the top-off exam for the registration position.
  - If the registrant returns more than 4 years later, she would need to take both the Essentials and the top-off exam.
Exam Restructure Concept Release

- FINRA welcomes comments on the Regulatory Notice Concept Release
- Registration rule, fee and qualification exam filings would be made with the SEC in late 2015 or early 2016
- Implementation of Essentials and Series 6, 7 and 79 top off exams would be made in late 2016 or early 2017
- Remaining top off exams would be implemented later in 2017
- FINRA is looking at principal level qualification examination program to identify an opportunity for restructuring
Industry Opportunities

- New exam structure will give firms an opportunity to employ new business models for onboarding staff
- Targeted training for Essentials and top off exams will allow reps to gain a more thorough understanding of products and associated rules
- Allowing non-registered staff (administrative, back office, etc.) to take Essentials Exam will help them gain a better understanding of the securities industry
- With current rep population ageing, new exam structure will create a larger pool of potential new reps
Comments & Questions