

Election Notice

Notice of Nominee to Fill FINRA Board of Governors Large Firm Seat

Executive Summary

FINRA will conduct a special meeting of large member firms on Friday, January 6, 2012, to elect one individual to fill a vacant Large Firm Governor seat on the FINRA Board of Governors (FINRA Board). A formal notice of the meeting, including the precise time and location, will be mailed to executive representatives on or about Friday, December 9, 2011.

The individual nominated by the Nominating Committee of the FINRA Board for election to the vacant Large Firm Governor seat is Gregory J. Fleming, President of Morgan Stanley Smith Barney and President of Morgan Stanley Investment Management.

Eligible individuals who were not nominated may petition to have their name included on the ballot by following the procedures included below.

Note: This *Notice* was distributed electronically to the Executive Representative of each FINRA large member firm and it is posted on FINRA's website at www.finra.org/notices/election/102511. Executive representatives should circulate this *Notice* to their firm's branch managers.

Questions regarding this *Election Notice* may be directed to:

- ▶ Marcia E. Asquith, Senior Vice President and Corporate Secretary, at (202) 728-8949; or
- ▶ T. Grant Callery, Executive Vice President and General Counsel, at (202) 728-8285.

Composition of the Board

The FINRA Board consists of 22 members, including:

- ▶ the Chief Executive Officer of FINRA;
- ▶ eleven Public Governors;
- ▶ one Floor Member Governor;
- ▶ one Independent Dealer/Insurance Affiliate Governor;
- ▶ one Investment Company Affiliate Governor;

October 25, 2011

Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

- ▶ three Small Firm Governors;
- ▶ one Mid-Size Firm Governor; and
- ▶ three Large Firm Governors.

Of the 22 Board members, the Public, Floor Member, Independent Dealer/Insurance Affiliate and Investment Company Affiliate Governors are appointed by the FINRA Board from candidates recommended by the Nominating Committee (the “Appointed Governors”). The Nominating Committee also may nominate individuals to run for election for the seven elected governor seats that comprise the three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors (the “Elected Governors”).

One Large Firm Governor seat is vacant as a result of the resignation of a Large Firm Governor elected in August 2011.

Large Firm Governor Vacancy on the FINRA Board

The FINRA Nominating Committee has nominated Gregory J. Fleming as its Large Firm Governor nominee (see attached profile) to fill the vacancy.¹

Pursuant to Article VII, Section 10 of FINRA’s By-Laws, a person who has not been so nominated for election to the FINRA Board may be included on the ballot for the election of governors if:

- (a) within 45 days after the date of this *Election Notice*, such person presents to the Secretary of FINRA petitions in support of such nomination, duly executed by at least three percent of FINRA member firms entitled to vote for such nominee’s election; and
- (b) the Secretary certifies that such petitions have been duly executed by the executive representatives of the requisite number of FINRA member firms entitled to vote for such person’s election, and the person being nominated satisfies the classification of the governorship to be filled based on the information provided by the person as is reasonably necessary for the Secretary to make the certification.

Only large firm member firms may endorse nominees for the vacant Large Firm Governor seat. No firm may endorse more than one nominee. Persons submitting petitions must provide information sufficient for the Secretary to determine that the petitions are duly executed by the executive representatives of the requisite number of large firms by Friday, December 9, 2011.

The number of FINRA large firms as of the close of business on Monday, October 24, 2011, was 171, and the requisite number of large firms required to meet the above-referenced threshold is 6.

To be eligible to serve, Large Firm Governors must be registered with a large firm. A large firm is defined as a member firm that employs more than 500 registered persons.² Individuals seeking nomination for the large firm seat also have an obligation to satisfy the firm-size classification on the date the petition is circulated, the date the petition is certified by the Secretary and date of the annual meeting. Individuals who fail to meet this requirement will be disqualified from election.

Term of Office

The elected individual will serve a term concluding at the 2014 annual meeting of FINRA, or until his or her successor is duly elected or qualified, or until death, resignation, disqualification or removal.³

In order for the Board to maintain compliance with the compositional requirements of the FINRA By-Laws, elected Board members have a continuing obligation to satisfy the firm-size classification throughout the entire term for which the Governor is elected. The By-Laws expressly provide that the term of office of a Governor shall terminate immediately upon a determination by the Board, by a majority vote of the remaining Governors that the Governor no longer satisfies the classification for which the Governor was elected.

Voting Eligibility

Member firms are eligible to vote for the industry nominees who are running for seats that are in the same size category as their own firm. Therefore, only large firm members are eligible to vote in this election.

The size of each FINRA member firm will be verified on the day that proxies for the special meeting are mailed. Each eligible large firm will receive a proxy containing the nominees for the vacant Large Firm Governor seat.

Endnotes

1. See Article VII, Section 9 of the FINRA By-Laws.
2. See Article I (y) of the FINRA By-Laws.
3. See Article XXII, Section 3 of the FINRA By-Laws.

Attachment A

Profile of FINRA Large Firm Governor Nominee

Gregory J. Fleming is the President of Morgan Stanley Smith Barney and President of Morgan Stanley Investment Management, including Merchant Banking. Mr. Fleming also serves as a member of the firm's Operating Committee.

Mr. Fleming joined Morgan Stanley in February 2010 as president of Morgan Stanley Investment Management and assumed the additional role of president of Morgan Stanley Smith Barney in January 2011.

Prior to joining the firm, Mr. Fleming served as president and chief operating officer of Merrill Lynch from June 2007 to early 2009. From 2003 to 2007, he served as executive vice president and co-president of Merrill Lynch's Global Markets and Investment Banking Group, where he advised leading global corporations, financial institutions, asset management firms, financial sponsors and hedge funds in the United States and internationally.

Mr. Fleming joined Merrill Lynch as an investment banker in 1992. While at Merrill Lynch, he also oversaw the firm's private equity and real estate investment businesses. He also has been a principal at Booz Allen Hamilton. After leaving Merrill Lynch in January 2009, Mr. Fleming was a senior research scholar and distinguished visiting fellow of the Center for the Study of Corporate Law at Yale Law School.

Mr. Fleming is a former board member of BlackRock Inc., a member of the Council on Foreign Relations, a director of Colgate University and a member of the board of advisors for the Yale Law School Center for the Study of Corporate Law. Mr. Fleming is a Phi Beta Kappa, summa cum laude graduate in economics from Colgate University and received his J.D. from Yale Law School.