

Election Notice

Nominees for Upcoming FINRA Board of Governors Election

Executive Summary

The annual meeting of FINRA firms will take place on or about Monday, August 13, 2012, to elect one Small Firm Governor, one Mid-Size Firm Governor and one Large Firm Governor to the FINRA Board of Governors (FINRA Board).

A formal notice of the meeting, including the precise date, time and location, will be mailed to executive representatives on or about July 9, 2012.

Eligible individuals who have not been nominated for election to the FINRA Board by the Nominating Committee may be included on the ballot for the election of governors by following the petition procedures set forth in the By-Laws and as further described in this *Election Notice*.

Note: FINRA distributed this *Notice* electronically to the executive representative of each FINRA firm and it is posted online at www.finra.org/notices/election/051112. Executive representatives should circulate this *Notice* to their firms' 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,¹ 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;
- ▶ three Small Firm Governors;
- ▶ one Mid-Size Firm Governor; and
- ▶ three Large Firm Governors.

May 11, 2012

Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

Of the 22 Board members, Public Governors, the Floor Member Governor, the Independent Dealer/Insurance Affiliate Governor and the Investment Company Affiliate Governor (Appointed Governors) are appointed by the FINRA Board from candidates recommended by the Nominating Committee.

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 (Elected Governors).

To be eligible to serve, Small Firm Governors must be registered with Small Firms, the Mid-Size Firm Governor must be registered with a Mid-Size Firm and Large Firm Governors must be registered with Large Firms. In order for the Board to maintain compliance with the compositional requirements of the FINRA Board set forth in the FINRA By-Laws, the seven Elected Governors have a continuing obligation to satisfy the firm-size classification throughout the entire term for which the governor is elected. Pursuant to Article I of FINRA's By-Laws, firm sizes are defined as follows:

- ▶ a Small Firm is defined as a firm that employs at least one and no more than 150 registered persons;²
- ▶ a Mid-Size Firm is defined as a firm that employs at least 151 and no more than 499 registered persons;³ and
- ▶ a Large Firm is defined as a firm that employs 500 or more registered persons.⁴

Terms and Term Limits

Governors are appointed or elected for three-year terms to replace those whose terms expire. Governors may not serve more than two consecutive terms.⁵ If a governor is elected or appointed to fill a vacancy for a term of less than one year, the governor may serve up to two consecutive terms following the expiration of the governor's initial term.

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. Individuals seeking nomination for election as a Small Firm Governor, a Mid-Size Firm Governor or a Large Firm Governor 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 Corporate Secretary and the date of the annual meeting. Individuals who fail to meet this requirement will be disqualified from election.

FINRA Nominating Committee Nominees

Pursuant to Article VII, Section 9 of the FINRA By-Laws, the FINRA Nominating Committee has nominated the following individuals:

Large Firm Governor: Seth H. Waugh, Chief Executive Officer, Deutsche Bank Americas

Mid-Size Firm Governor: W. Dennis Ferguson, Executive Vice President and Director of Clearing, Sterne, Agee & Leech, Inc.

The profiles of the nominees are attached.

With respect to the Small Firm Governor seat, the Nominating Committee determined it would not nominate a candidate for election in 2012. Instead, any eligible candidates who obtain the requisite number of petitions will be included on the ballot.

Petition Process for Additional Candidates

Pursuant to Article VII, Section 10 of FINRA's By-Laws, a person who has not been nominated for election to the FINRA Board by the Nominating Committee 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. If, however, a candidate's name appears on a petition in support of more than one nominee, the petition must be endorsed by 10 percent of FINRA member firms entitled to vote for such nominees' 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.

As of close of business on Thursday, May 10, 2012, the number of FINRA Small Firms was 4059, the number of Mid-Size firms was 218, and the number of Large Firms was 169.

Firms may only endorse one petitioner for the same firm size seat as their own.

The petition must identify the seat for which the petitioner is seeking to be nominated. The petitioner must submit sufficient information to determine the person's status with respect to the category for which he or she is petitioning to be nominated. The petitioner must also provide information sufficient for the Corporate Secretary to determine that the petitions are duly executed by the executive representatives of the requisite number

of applicable size firm members. In addition, to assist in the process of verifying petitions, FINRA requests that all petitions submitted be dated by their signatory. **Petitions must be submitted no later than Monday, June 25, 2012.**

The names of persons obtaining the requisite number of valid petitions will be included on the appropriate proxy mailed to eligible firms in advance of the annual meeting.

Voting Eligibility

A proxy will be mailed, along with the notice of the annual meeting, to the executive representative on record at each eligible FINRA firm prior to the annual meeting.

Firms are eligible to vote for the nominees who are running for seats that are in the same size category as their own firm. Therefore, Small Firms, Mid-Size Firms and Large Firms may vote only for the candidates running for the seats reserved for their firm size.

FINRA will verify the size of each firm on the day the proxies are mailed. Each firm eligible to vote will receive a proxy containing the nominees for their voting class.

Endnotes

1. See Article Eighth, paragraph (b) of the Restated Certificate of Incorporation of FINRA; Article VII, Section 4 of the FINRA By-Laws.
2. See Article I (ww) of the FINRA By-Laws.
3. See Article I (cc) of the FINRA By-Laws.
4. See Article I (y) of the FINRA By-Laws.
5. As of the 2010 annual meeting, the Appointed Governors and the Elected Governors were staggered into three classes, with the first class of governors (Appointed or Elected) holding office until the first succeeding annual meeting of FINRA firms, the second class of governors holding office until the second succeeding annual meeting and the third class of governors holding office until the third succeeding annual meeting, or until a successor is duly appointed or elected (as the case may be) and qualified, or until death, resignation, disqualification or removal. The By-Laws specified that, with respect to the Elected Governors, the first class of governors includes one Large Firm Governor and one Small Firm Governor; the second class includes one Large Firm Governor, one Mid-Size Firm Governor and one Small Firm Governor; and the third class includes one Large Firm Governor and one Small Firm Governor. See Article VII, Sec. 5 of FINRA's By-Laws.

Profiles of Large Firm Governor Nominee

Seth Waugh joined Deutsche Bank in April 2000 as regional head of Global Markets and Equities and vice chairman of the Americas Executive Committee. Seth was appointed CEO of Corporate and Investment Banking in the Americas in 2001 and the following year was named CEO of Deutsche Bank Americas and chairman of the Americas Executive Committee, a position he has held since May 2002. He was appointed member of the Group Executive Committee effective April 1, 2009. Seth is chairman of the Deutsche Bank Securities Inc. (DBSI) Board of Directors and serves as chairman of the board, CEO and president of several Deutsche Bank companies including Deutsche Bank Trust Company and Deutsche Bank Trust Corporation Americas. He has recently announced that he will be stepping down as CEO once the ideal replacement is identified and in place. He will remain at the bank in a senior advisory capacity going forward. Before joining Deutsche Bank, Seth was CEO of Quantitative Financial Strategies (QFS) in Greenwich, CT. Prior to his role at QFS, Seth spent 11 years at Merrill Lynch in a variety of capacities in the Fixed Income Division, most recently as senior vice president and co-head of Global Debt Markets. Earlier in his career, Seth managed the Corporate Bond and International Trading desks at Salomon Brothers. Seth's industry positions have included board seats with the Securities Industry and Financial Markets Association and The Clearing House. In addition, he is the Deutsche Bank Americas representative to the Financial Services Forum, an organization composed of 20 CEOs from the largest U.S. financial institutions. He is also a member of the Executive Committee of the Partnership for New York City. Seth is the chairman of the board of directors for Deutsche Bank Americas Foundation which administers the philanthropic activities of Deutsche Bank within the United States, Canada and Latin America. Seth's philanthropic endeavors also include positions on the boards of the YMCA of Greater New York, the Multiple Sclerosis Society of Greater New York, the Partnership for New York City, St. Vincent's Services of Brooklyn, the Local Initiatives Support Corporation, the Lawrenceville School in Lawrenceville, New Jersey, and he is a member of the Winthrop University Hospital Board of Regents in Syosset, New York. A graduate of Amherst College, Seth earned dual Bachelor of Arts degrees in Economics and English.

Profile of Mid-Size Firm Governor Nominee

W. Dennis Ferguson is executive vice president, director of Clearing for Sterne, Agee & Leach, Inc., as well as registered with Sterne Agee Financial Services, Inc., located in Boca Raton, Florida. Starting in the securities industry in 1970, he has worked in the clearing services arena since 1982. Service in the financial industry includes Securities and Financial Markets Association (SIFMA) as member of the Clearing Firms Committee and the Membership Committee, both of which he has previously chaired. From 1995 to 1996, he was president of the Florida Securities Dealers Association. Mr. Ferguson has previously served NASD as chairman of the District 7 Committee and as a member of the Membership, Financial Responsibility and Uniform Practice Code Committees. In 2008, he completed a four-year term on the FINRA National Adjudicatory Council, the last two years as its chairman. Mr. Ferguson graduated from Florida Southern College and did graduate work at Florida Atlantic University.