

Qualification and Registration

SEC Approves Consolidated FINRA Registration Rules, Restructured Representative-Level Qualification Examinations and Changes to Continuing Education Requirements

Effective Date: October 1, 2018

Summary

The Securities and Exchange Commission (SEC) approved a proposed rule change to: (1) adopt consolidated FINRA registration rules;¹ (2) restructure the representative-level qualification examinations by creating a general knowledge examination called the Securities Industry Essentials (SIE) and transforming the representative-level examinations into specialized knowledge examinations; and (3) amend the Continuing Education (CE) requirements.²

These changes become effective October 1, 2018.

The text of the new and amended rules is available at www.finra.org/notices/17-30.

Questions regarding this *Notice* should be directed to:

- ▶ Afshin Atabaki, Associate General Counsel, Office of General Counsel, at (202) 728-8902 or by email at afshin.atabaki@finra.org;
- ▶ Joe McDonald, Senior Director, Testing and Continuing Education Department, at (240) 386-5065 or by email at joe.mcdonald@finra.org; or
- ▶ Alexandra Toton, Associate Director, Testing and Continuing Education Department, at (240) 386-4677 or by email at alexandra.toton@finra.org.

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Notice Type

- ▶ Consolidated Rulebook
- ▶ Rule Amendment and New Rule

Suggested Routing

- ▶ Compliance
- ▶ Finance
- ▶ Legal
- ▶ Operations
- ▶ Registered Representatives
- ▶ Registration
- ▶ Senior Management
- ▶ Training

Key Topics

- ▶ Central Registration Depository (CRD®)
- ▶ Compliance Officer
- ▶ Consolidated FINRA Rules
- ▶ Continuing Education
- ▶ Financial Services Affiliate Waiver Program
- ▶ Permissive Registrations
- ▶ Principal Financial Officer and Principal Operations Officer
- ▶ Qualification and Registration
- ▶ Securities Industry Essentials™ (SIE™)

Referenced Rules & Notices

- ▶ FINRA By-Laws, Article V, Section 4
- ▶ FINRA Rule 1200 Series
- ▶ FINRA Rules 2010, 3110, 3130(a), 3220, 3240, 3270 and 3280
- ▶ SEA Section 15A(g)(3)

Background and Discussion

Section 15A(g)(3) of the Securities Exchange Act of 1934 (Exchange Act or SEA) authorizes FINRA to prescribe standards of training, experience and competence for persons associated with FINRA members. FINRA's registration rules ensure that associated persons attain and maintain specified levels of competence and knowledge pertinent to their function. In general, the registration rules: (1) require that persons engaged in a firm's investment banking or securities business who are to function as representatives or principals register with FINRA in each category of registration appropriate to their functions by passing one or more qualification examinations; (2) provide a process for firms to request a waiver of a qualification examination; (3) exempt specified associated persons from the registration requirements; and (4) allow firms to permissively register specified persons.

FINRA has consolidated the NASD and Incorporated NYSE registration rules as FINRA rules. The consolidated rules streamline, and bring consistency and uniformity to, the qualification and registration requirements. The consolidated rules, among other things, allow a member firm to permissively register, or maintain the registration(s) as a representative or principal of, *any associated person* of the firm, establish a waiver program for individuals registered with a member firm who move to a financial services industry affiliate of a member firm and require firms to designate a Principal Financial Officer and a Principal Operations Officer. In conjunction with these changes, FINRA has also restructured the representative-level qualification examination program into a more efficient format whereby all representative-level applicants will take a general knowledge examination (the SIE) and a tailored, specialized knowledge examination (a revised representative-level qualification examination) for their particular registered role. Individuals who are not associated persons of firms, such as members of the general public, are also eligible to take the SIE. The restructured program, among other things, eliminates duplicative testing of general securities knowledge on representative-level examinations and eliminates several representative-level registration categories that have become outdated or have limited utility. In addition, FINRA has made corresponding and clarifying changes to the CE requirements.

Summary of Consolidated Registration Rules

The following is a summary of the consolidated registration rules.

FINRA Rule 1210 (Registration Requirements)

FINRA Rule 1210 requires that each person engaged in the investment banking or securities business of a member firm register with FINRA as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in FINRA Rule 1220 (Registration Categories), unless exempt from registration pursuant to FINRA Rule 1230 (Associated Persons Exempt from Registration). FINRA Rule 1210 also provides that such person is not qualified to function in any registered capacity other than

that for which the person is registered, unless otherwise stated in the rules. In addition, FINRA Rule 1210 addresses the following: (1) requirement to have a minimum number of registered principals;³ (2) ability to maintain permissive registrations for associated persons;⁴ (3) requirement to pass an appropriate qualification examination and, in the case of representatives, the SIE, and process for obtaining a waiver of a qualification examination;⁵ (4) requirements applicable to registered persons functioning as principals prior to passing an appropriate principal qualification examination;⁶ (5) rules of conduct for taking examinations and confidentiality of examinations;⁷ (6) waiting periods for retaking a failed examination;⁸ (7) requirement that registered persons satisfy CE;⁹ (8) lapse of registration and expiration of the SIE;¹⁰ (9) waiver program for individuals working for a financial services industry affiliate of a member firm;¹¹ (10) status of persons serving in the Armed Forces of the United States;¹² and (11) impermissible registrations.¹³

FINRA Rule 1220 (Registration Categories)

FINRA Rule 1220 sets forth the definitions of “principal”¹⁴ and “representative”¹⁵ as well as the qualification and registration requirements for principals,¹⁶ such as General Securities Principals, and representatives,¹⁷ such as General Securities Representatives. The rule also addresses the following: (1) status of certain foreign registrations;¹⁸ (2) additional requirements for registered persons engaged in security futures activities;¹⁹ (3) requirements applicable to firms operating with only one Registered Options Principal;²⁰ (4) scope of the General Securities Sales Supervisor registration category;²¹ (5) scope of the Operations Professional registration category;²² and (6) status of eliminated registration categories.²³

FINRA Rule 1230 (Associated Persons Exempt from Registration)

FINRA Rule 1230 identifies associated persons who are not required to be registered with FINRA, including, among others, associated persons whose functions are solely and exclusively clerical or ministerial. The rule further provides that the function of accepting customer orders is not considered a clerical or ministerial function.²⁴

FINRA Rule 1240 (Continuing Education Requirements)

FINRA Rule 1240 sets forth the CE requirements, which consist of a Regulatory Element and a Firm Element. The Regulatory Element consists of periodic online-based training on regulatory, compliance, ethical, supervisory subjects and sales practice standards.²⁵ The Firm Element consists of annual, firm-developed and administered training programs designed to keep specified registered persons current regarding job- and product-related subjects.²⁶

Significant Changes

For the most part, the consolidated registration rules are substantially similar to the legacy NASD and Incorporated NYSE rules that they replaced. Yet, there are some significant differences between the consolidated rules and the legacy rules, which are described below.

SIE

FINRA has restructured the representative-level qualification examination program by creating the SIE and revising the representative-level qualification examinations. Beginning on October 1, 2018, all new representative-level applicants are required to pass the SIE and a revised representative-level qualification examination, such as the revised General Securities Representative (Series 7) examination,²⁷ appropriate to their job functions at the firm with which they are associating before their registration can become effective.²⁸ For example, an individual who is applying for registration as a General Securities Representative, for the first time on October 10, 2018, is required to pass both the SIE and the revised General Securities Representative (Series 7) examination. This requirement also applies to applicants who are seeking a representative-level registration as a prerequisite to a principal-level registration.²⁹ As described below, certain former and current registered representatives will be considered to have passed the SIE. Further, similar to the current waiver process, firms can request a waiver of the qualification requirements for applicants required to pass the SIE.

The restructured program eliminates duplicative testing of general securities knowledge on the representative-level qualification examinations by moving such content into the SIE. The SIE will test fundamental securities-related knowledge, including knowledge of basic products, the structure and function of the securities industry, the regulatory agencies and their functions and regulated and prohibited practices,³⁰ whereas the revised representative-level qualification examinations will test knowledge relevant to day-to-day activities, responsibilities and job functions of representatives.³¹

As stated below, FINRA is eliminating several representative-level registration categories and associated examinations. Individuals maintaining the eliminated representative-level registrations will be grandfathered (*i.e.*, they may continue to maintain their current registration on or after October 1, 2018, unless the registration lapses). FINRA, however, is retaining the following representative-level registrations: Investment Company and Variable Contracts Products Representative; General Securities Representative; Direct Participation Programs Representative; Securities Trader; Investment Banking Representative; Private Securities Offerings Representative; Research Analyst; and Operations Professional. The table below lists the representative-level registration categories that FINRA is retaining and the current and future examinations that individuals must pass in order to register in these categories. The table also includes the number of questions on each current examination and the anticipated number of questions on each future examination.³²

FINRA Representative-Level Registration Categories and Qualification Examinations		
Registration Category (and CRD System Designation)	Current Examination(s) (prior to October 1, 2018)	Future Examination(s) (on or after October 1, 2018)
Investment Company and Variable Contracts Products Representative (IR)	Series 6 (100 questions)	SIE (75 questions) + Revised Series 6 (50 questions)
General Securities Representative (GS)	Series 7 (250 questions)	SIE (75 questions) + Revised Series 7 (125 questions)
Direct Participation Programs Representative (DR)	Series 22 (100 questions)	SIE (75 questions) + Revised Series 22 (50 questions)
Securities Trader (TD)	Series 57 (125 questions)	SIE (75 questions) + Revised Series 57 (50 questions)
Investment Banking Representative (IB)	Series 79 (175 questions)	SIE (75 questions) + Revised Series 79 (75 questions)
Private Securities Offerings Representative (PR)	Series 82 (100 questions)	SIE (75 questions) + Revised Series 82 (50 questions)
Research Analyst (RS)	Series 7 (250 questions) + Series 86 (Part I: Analysis) (100 questions) + Series 87 (Part II: Regulatory Administration and Best Practices) (50 questions)	SIE (75 questions) + Revised Series 86 (Part I: Analysis) (100 questions) + Revised Series 87 (Part II: Regulatory Administration and Best Practices) (50 questions)
Operations Professional (OS)	Series 99 (100 questions)	SIE (75 questions) + Revised Series 99 (50 questions)

Individuals applying for registration with FINRA as a representative can schedule both the SIE and the applicable representative-level qualification examination(s)³³ for the same day, provided they are able to reserve space at one of FINRA's designated testing centers. Individuals applying for registration as a representative must pass both the SIE and the applicable representative-level qualification examination(s). Therefore, individuals who fail either the SIE or the applicable representative-level qualification examination(s) will not qualify for registration as a representative. In addition, individuals applying for registration must satisfy all other requirements relating to the registration process (*e.g.*, submit fingerprints).

With the exception of individuals registered solely as Order Processing Assistant Representatives or Foreign Associates, the following individuals will be considered to have passed the SIE: (1) individuals whose registration as a representative was terminated between October 1, 2014, and September 30, 2018, provided they re-register as a representative within four years from the date of their last registration; and (2) individuals who registered as representatives prior to October 1, 2018, and who continue to maintain those registrations on or after October 1, 2018.³⁴ All other individuals seeking representative-level registration must pass the SIE, unless they obtain a waiver.

Further, the representative-level (and principal-level) registrations continue to be subject to a two-year lapse of registration period, while the SIE is subject to a four-year expiration period. Accordingly, if an individual was last registered as a representative two or more years immediately preceding the date of receipt by FINRA of a new application for registration as a representative, the individual would not be able to re-register as a representative without passing an appropriate representative-level qualification examination. If an individual last passed the SIE or was last registered as a representative, whichever occurred last, four or more years immediately preceding the date of receipt by FINRA of a new application for registration as a representative, the individual would not be able to re-register as a representative without passing the SIE in addition to passing an appropriate representative-level qualification examination. FINRA uses the termination date stated on an individual's Form U5 (Uniform Termination Notice for Securities Industry Registration) to determine when the individual was last registered for purposes of lapse of registration.

The following examples illustrate the application of the new requirements to former, current and future representative-level applicants who re-register as representatives on or after October 1, 2018:

- ▶ *Individual A* was last registered as a Private Securities Offerings Representative prior to October 1, 2014. He applies to re-register as a Private Securities Offerings Representative on or after October 1, 2018. To re-register as a Private Securities Offerings Representative, he would need to pass both the SIE and the revised Private Securities Offerings Representative (Series 82) examination. Likewise, if he applies to register in another representative-level registration category on or after October 1, 2018, he would need to pass both the SIE and the representative-level examination(s) applicable to that category.
- ▶ *Individual B* was last registered as an Investment Company and Variable Contracts Products Representative on April 1, 2016. He applies to re-register as an Investment Company and Variable Contracts Products Representative at some point between October 1, 2018, and March 31, 2020. To re-register as an Investment Company and Variable Contracts Products Representative, he would need to pass the revised Investment Company and Variable Contracts Products Representative (Series 6) examination, but not the SIE. Similarly, if he applies to register in another

- representative-level registration category at some point between October 1, 2018, and March 31, 2020, he would need to pass the applicable representative-level examination(s), but not the SIE. If he waits to apply for registration in a representative category until April 1, 2020, or thereafter, he would need to pass both the SIE and the applicable representative-level examination.
- ▶ *Individual C* was last registered as a Direct Participation Programs Representative on December 1, 2016. She applies to re-register as a Direct Participation Programs Representative on November 1, 2018. To re-register as a Direct Participation Programs Representative, she is not required to pass any examinations. If she were to apply for registration as a Direct Participation Programs Representative at some point between December 1, 2018, and November 30, 2020, she would be required to pass the revised Direct Participation Programs Representative (Series 22) examination, but not the SIE. Similarly, if she applies to register in another representative-level registration category at some point between December 1, 2018, and November 30, 2020, she would need to pass the applicable representative-level examination(s), but not the SIE. If she waits to apply for registration as a Direct Participation Programs Representative until December 1, 2020, or thereafter, she would need to pass both the SIE and the revised Direct Participation Programs Representative (Series 22) examination.
 - ▶ *Individual D*, who registered as a General Securities Representative on August 1, 2016, remains registered as a General Securities Representative after October 1, 2018. He is not required to take any additional examinations to maintain that registration. He subsequently applies for registration as an Investment Banking Representative on February 1, 2019. To register as an Investment Banking Representative, he is required to pass the revised Investment Banking Representative qualification (Series 79) examination, but not the SIE. He then terminates his registrations altogether on March 2, 2020. He applies for registration as a General Securities Representative with another member firm on February 1, 2022. To re-register as a General Securities Representative, he is not required to pass any examinations. If he were to apply for registration at some point between March 2, 2022, and March 1, 2024, he would be required to pass the revised General Securities Representative (Series 7) examination, but not the SIE. If he waits to apply for registration until March 2, 2024, or thereafter, he would need to pass both the SIE and the revised General Securities Representative (Series 7) examination.

Individuals are not precluded from applying to register as representatives between now and September 30, 2018. Individuals who apply for registration as a representative prior to October 1, 2018, will be required to pass the *current* representative-level examination appropriate to that registration category, not the revised version. In addition, such individuals will not be required to pass the SIE in order to register as a representative. However, if such individuals fail to pass the current representative-level examination and the next eligibility date for retaking the examination is on or after October 1, 2018,³⁵ they will be required to pass the SIE and the revised representative-level qualification

examination in order to register as a representative. Such individuals may take the SIE and the revised representative-level examination at the next available date on or after October 1, 2018. These individuals would not have to wait the requisite period for retaking a failed examination because the SIE and the revised representative-level examinations are different examinations than the current representative-level examinations.

The following examples address the application of the new requirements to individuals who apply for registration as a representative between now and September 30, 2018:

- ▶ *Individual E* applies for registration as an Investment Banking Representative on August 1, 2018, which will open a 120-day enrollment window for the individual to schedule an appointment to take the current Investment Banking Representative (Series 79) examination. She schedules to take the examination at a designated testing center on November 1, 2018, and she passes the examination. She is now eligible to register as an Investment Banking Representative.
- ▶ *Individual F*, who has no prior registration, applies for registration as an Operations Professional on September 3, 2018, which will open a 120-day enrollment window for the individual to schedule an appointment to take the current Operations Professional (Series 99) examination. He schedules to take the examination at a designated testing center on December 3, 2018, and he fails the examination. He will be required to pass the SIE and the revised Operations Professional (Series 99) examination in order to register. Further, he could schedule to take the SIE and the revised Operations Professional (Series 99) examination immediately at the next available date on or after October 1, 2018, and does not have to wait 30 calendar days to take them, which is the mandatory waiting period for retaking a failed examination.
- ▶ *Individual G*, who has no prior registration, applies for registration as a General Securities Representative on July 2, 2018, which will open a 120-day enrollment window for the individual to schedule an appointment to take the current General Securities Representative (Series 7) examination. He schedules to take the examination at a designated testing center on September 5, 2018, and he fails the examination. He must wait 30 calendar days to be eligible to retake that examination. However, because the eligibility date falls on October 5, 2018, which is after October 1, 2018, he is required to pass the SIE and the revised General Securities Representative (Series 7) examination to register. Moreover, he could take the SIE and the revised General Securities Representative (Series 7) examination on any available date on or after October 1, 2018.

In addition, beginning on October 1, 2018, all associated persons, such as associated persons whose functions are solely and exclusively clerical or ministerial, as well as individuals who are not associated persons of firms, such as members of the general public, are eligible to take the SIE.³⁶ While all associated persons of firms as well as individuals who are not associated persons are eligible to take the SIE, passing the SIE alone, as noted

above, will not qualify an individual for registration with FINRA. Rather, to be eligible for registration, an individual must be associated with a firm, pass an appropriate qualification examination(s) for representative or principal and satisfy the other requirements relating to the registration process.

Associated persons who take the SIE are subject to the SIE Rules of Conduct.³⁷ Further, associated persons taking a representative- or principal-level examination are subject to the Rules of Conduct for representative and principal examinations.³⁸ A violation of the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations by an associated person will be deemed to be a violation of FINRA Rule 2010 (Standards of Commercial Honor and Principles of Trade). Moreover, if FINRA determines that an associated person has violated the SIE Rules of Conduct or the Rules of Conduct for representative and principal examinations, the associated person may forfeit the results of the examination and may be subject to disciplinary action by FINRA.

Further, individuals taking the SIE who are not associated persons must agree to be subject to the SIE Rules of Conduct. Among other things, the SIE Rules of Conduct require individuals to attest that they are not qualified to engage in the investment banking or securities business based on passing the SIE and prohibits individuals from cheating on the examination or misrepresenting their qualifications to the public subsequent to passing the SIE. Individuals taking the SIE who are not associated persons may forfeit their SIE results and may be prohibited from retaking the SIE if FINRA determines that they cheated on the SIE or that they misrepresented their qualifications to the public subsequent to passing the SIE.³⁹ In addition, if FINRA discovers that such individuals have engaged in other types of misconduct subsequent to passing the SIE, FINRA will refer the matter to the appropriate authorities or regulators.

As is the case today, firms must use the CRD system to request registrations for representatives. Firms may also use the CRD system to request the SIE for an associated person who is not seeking registration as a representative. FINRA is creating an enrollment system separate from the CRD system to allow individuals who are not associated persons of a firm, including members of the general public, to enroll and pay the SIE fee. An associated person who is not seeking registration as a representative may also use this enrollment system to schedule the SIE and pay the associated fee, rather than going through the CRD system.

All individuals who take an examination will receive a passing or failing result. FINRA is exploring options for providing appropriate performance feedback to individuals who fail an examination. Firms will be able to access passing or failing results for associated persons who are registering as representatives through the CRD system. In addition, firms will be able to view whether an associated person who is not registering as a representative or an individual seeking to associate with the firm has passed or failed the SIE using an interface within the CRD system. For such individuals, the firm must obtain written permission, from

the individual, authorizing the firm to review the individual's CRD record or SIE results. The CRD system will also automatically obtain the SIE passing or failing result of an individual who is seeking to associate with a firm once the firm submits a Form U4 (Uniform Application for Securities Industry Registration or Transfer) and requests a registration for that individual.

Consistent with current practice and guidelines, FINRA will consider examination waiver requests submitted by a firm for individuals associated with the firm who are seeking registration in a representative- or principal-level registration category. FINRA will also consider waivers of the SIE alone or the SIE and the representative- and principal-level examination(s) for such individuals. In addition, firms may request a waiver of the SIE for an individual applying for registration with FINRA as a representative who is in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator. Finally, FINRA will not consider a waiver of the SIE for individuals who are not associated persons of a firm or for associated persons who are not seeking registration as representatives with a firm.

Financial Services Affiliate Waiver Program

Effective October 1, 2018, FINRA is implementing a waiver program for individuals who terminate their registrations as representatives or principals to go to work for a foreign or domestic financial services industry affiliate of a member firm.⁴⁰ Under the waiver program, individuals who go to work for a financial services industry affiliate of a member firm would terminate their registrations with the firm and would be granted a waiver of their requalification requirements, including the SIE, upon reapplying with FINRA for registration as a representative or principal, subject to the following conditions:

- ☑ the individual must have been registered as a representative or principal for a total of five years within the most recent 10-year period prior to his or her *initial designation* under the waiver program;
- ☑ the individual must have been registered as a representative or principal for at least one year prior to his or her *initial designation* under the waiver program with the member firm that is designating him or her;
- ☑ all waiver requests under the program must be made within seven years of the individual's *initial designation*;
- ☑ the individual's *initial designation* and any *subsequent designation* must be made concurrently with the filing of the individual's related Form U5;
- ☑ the individual must have continuously worked for a financial services industry affiliate of a member firm since his or her last Form U5 filing;
- ☑ the individual must have complied with the Regulatory Element of CE; and
- ☑ the individual must not have any pending or adverse regulatory matters,⁴¹ or terminations,⁴² that are reportable on the Form U4, and must not have been subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act while eligible under the program.

Individuals would be eligible for a single, fixed seven-year waiver period from the date of their *initial designation*, and the period will not be tolled or renewed. However, individuals are not required to return to the member firm that designated them as eligible for a waiver under the program. They could return to a firm other than the one that designated them.

Further, during the seven-year period, an individual can move back and forth between a member firm and its affiliate or move to another member firm. An individual could also move between the financial services affiliates of a member firm or move from a financial services affiliate of one member firm to the financial services affiliate of another member firm, so long as the individual is continuously working for a financial services affiliate of a member firm since his or her last Form U5 filing. While individuals must be continuously working for a financial services affiliate of a member firm to be eligible for a waiver, FINRA recognizes that eligible individuals may need sufficient time to transfer between member firms and their affiliates or between affiliates of member firms. FINRA expects eligible individuals to make such transfers promptly and no later than 30 calendar days.

Under the program, firms are responsible for designating eligible individuals upon terminating their registrations and requesting waivers and providing the necessary representations upon registering them. Specifically, when a registered person is transferring to a financial services industry affiliate of a member firm, the member firm with which the individual is associated must designate the individual as an eligible person by notifying FINRA. Firms must notify FINRA through the CRD system. The firm must also concurrently file a Form U5 to terminate the individual's registration with FINRA, which would also terminate the individual's other SRO and state registrations. Further, BrokerCheck® would reflect that the individual is no longer registered or associated with a firm.⁴³ Under the program, an individual cannot be registered with a member firm while working for a financial services industry affiliate of a member firm. In addition, an individual who has been designated as eligible under the program will not be able to take additional examinations to gain additional registrations while working for a financial services affiliate of a member firm.

An eligible individual will be subject to a Regulatory Element program that correlates to his or her most recent registration category, and CE would be based on the same cycle had he or she remained registered. If the individual fails to complete the prescribed Regulatory Element during the 120-day window for taking the session, he or she would lose eligibility under the waiver program (*i.e.*, the individual would have the standard two-year period after termination to re-register without having to retake an examination). FINRA will directly notify eligible individuals of upcoming Regulatory Element CE via email, and it will provide them an interface to the FINRA CE Online System™ so that they can complete the requirement within the 120-day window. Eligible individuals will be responsible for providing FINRA their contact information, including a valid email address, and for updating such information. Eligible individuals will also be responsible for paying the CE fee.

If a firm decides to associate with and register an individual who is eligible for a waiver under the program, the firm must file a Form U4 and request the appropriate registration(s) for the individual. To request a waiver, the firm must also submit an examination waiver request to FINRA, similar to the process used today for waiver requests. As part of the waiver request, the firm must represent that the individual has satisfied the conditions of the waiver, as described above.⁴⁴ While FINRA will rely on the firm's representation, FINRA may also independently verify whether the individual has satisfied the conditions of the waiver. For instance, FINRA will be able to identify whether an individual was designated as eligible under the program and track whether the individual completed the Regulatory Element of CE while working for a financial services industry affiliate of a member firm. FINRA will review the waiver request and determine whether to grant the request within 30 calendar days of receiving the request. FINRA will consider a waiver of the SIE, the representative-level qualification examination(s) or the principal-level qualification examination(s), whichever is applicable. Individuals who do not qualify for a waiver under the program may still be eligible for a waiver under FINRA's general waiver process, which FINRA evaluates on a case-by-case basis.

The following examples illustrate the application of the waiver program:

- ▶ *Individual A* has been registered with *Firm A* as a General Securities Representative since September 1, 2017. Prior to that, she had been registered with *Firm B* since August 1, 2013. *Firm A* decides to transfer her to *Firm A's* insurance affiliate located in Nebraska. On December 3, 2018, *Firm A* notifies FINRA through the CRD system that it is designating her as eligible for a waiver under the financial services affiliate waiver program. *Firm A* concurrently files a Form U5 to terminate her registration with FINRA. Within a month of leaving *Firm A*, *Individual A* starts working for the insurance affiliate. After working for *Firm A's* insurance affiliate for six and a half years, she leaves the affiliate and rejoins *Firm A*. She rejoins *Firm A* within a month of leaving the affiliate. *Individual A* completed the Regulatory Element of CE while working for the affiliate. Further, while working for the affiliate, she does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and is not subject to a statutory disqualification. On August 1, 2025, *Firm A* files a Form U4 requesting registration for her as a General Securities Representative. *Firm A* also submits an examination waiver request to FINRA, requesting a waiver of the SIE and the revised General Securities Representative (Series 7) examination. *Firm A* represents in its waiver request that she has satisfied the conditions of the financial services affiliate waiver program. FINRA grants the waiver.

- ▶ *Individual B* has been registered with *Firm A* as an Investment Company and Variable Contracts Products Representative since April 2, 2012. *Firm A* decides to transfer him to *Firm A's* insurance affiliate located in New York. On October 1, 2018, *Firm A* notifies FINRA through the CRD system that it is designating him as eligible for a waiver under the financial services affiliate waiver program. *Firm A* concurrently files a Form U5 to terminate his registration with FINRA.

Within a month of leaving *Firm A*, *Individual B* starts working for the insurance affiliate. After working for *Firm A's* affiliate for three years, he leaves the affiliate and rejoins *Firm A*. He rejoins *Firm A* within a month of leaving the affiliate.

Individual B completed the Regulatory Element of CE while working for *Firm A's* affiliate. Further, while working for the affiliate, he does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and is not subject to a statutory disqualification. On December 1, 2021, *Firm A* files a Form U4 requesting registration for him as an Investment Company and Variable Contracts Products Representative. *Firm A* also submits an examination waiver request to FINRA, requesting a waiver of the SIE and the revised Investment Company and Variable Contracts Products Representative (Series 6) examination. *Firm A* represents in its waiver request that he has satisfied the conditions of the financial services affiliate waiver program. FINRA grants the waiver.

After six months at *Firm A*, the firm transfers *Individual B* back to its insurance affiliate. On June 1, 2021, *Firm A* notifies FINRA through the CRD system that it is designating him as eligible for a waiver under the financial services affiliate waiver program. *Firm A* concurrently files a Form U5 to terminate his registration with FINRA. Within a month of leaving *Firm A*, he returns to the insurance affiliate. After working for the insurance affiliate for three years, he leaves the affiliate and rejoins *Firm A*. Within a month of leaving the affiliate, he rejoins *Firm A*.

Individual B completed the Regulatory Element of CE while working for *Firm A's* affiliate for a second time. Further, while working for the affiliate, he does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and is not subject to a statutory disqualification. On August 1, 2025, *Firm A* files a Form U4 requesting registration for him as an Investment Company and Variable Contracts Products Representative. *Firm A* also submits an examination waiver request to FINRA, requesting a waiver of the SIE and the revised Investment Company and Variable Contracts Products Representative (Series 6) examination. *Firm A* represents in its waiver request that he has satisfied the conditions of the financial services affiliate waiver program. FINRA grants the waiver.

- ▶ *Individual C* has been registered with *Firm A* as a Private Securities Offering Representative since June 1, 2012. *Firm A* decides to transfer him to *Firm A's* advisory affiliate located in the United Kingdom. On February 1, 2019, *Firm A* notifies FINRA through the CRD system that it is designating him as eligible for a waiver under the financial services affiliate waiver program. *Firm A* concurrently files a Form U5 to terminate his registration with FINRA.

Within a month of leaving *Firm A*, *Individual C* starts working for the advisory affiliate. After working for *Firm A's* advisory affiliate for four years, he leaves the affiliate and rejoins *Firm A*. He rejoins *Firm A* within a month of leaving the affiliate.

Individual C completed the Regulatory Element of CE while working for *Firm A's* affiliate. Further, while working for the affiliate, he does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and is not subject to a statutory disqualification. On April 3, 2023, *Firm A* files a Form U4 requesting registration for him as a Private Securities Offering Representative. *Firm A* also submits an examination waiver request to FINRA, requesting a waiver of the SIE and the revised Private Securities Offering Representative (Series 82) examination. *Firm A* represents in its waiver request that he has satisfied the conditions of the financial services affiliate waiver program. FINRA grants the waiver.

After three months at *Firm A*, the firm transfers *Individual C* back to its advisory affiliate. On July 3, 2023, *Firm A* notifies FINRA through the CRD system that it is designating him as eligible for a waiver under the financial services affiliate waiver program. *Firm A* concurrently files a Form U5 to terminate his registration with FINRA. Within a month of leaving *Firm A*, he returns to the advisory affiliate. After working for *Firm A's* advisory affiliate for one year, he leaves the affiliate and joins the banking affiliate of *Firm B*, another member firm. Within a month of leaving *Firm A's* affiliate, he starts working for *Firm B's* affiliate. He works for *Firm B's* banking affiliate for one year then decides to leave the affiliate and join *Firm B*. He joins *Firm B* within a month of leaving the affiliate.

Individual C completed the Regulatory Element of CE while working for *Firm B's* affiliate. Further, while working for *Firm B's* affiliate, he does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and is not subject to a statutory disqualification. On October 1, 2025, *Firm B* files a Form U4 requesting registration for him as a Private Securities Offering Representative. *Firm B* also submits an examination waiver request to FINRA, requesting a waiver of the SIE and the revised Private Securities Offering Representative (Series 82) examination. *Firm B* represents in its waiver request that he has satisfied the conditions of the financial services affiliate waiver program. FINRA grants the waiver.

- ▶ *Individual D* has been registered as an Investment Banking Representative with a member firm, *Firm A*, since August 1, 2012. *Firm A* decides to transfer her to *Firm A's* banking affiliate located in California. On November 1, 2018, *Firm A* notifies FINRA through the CRD system that it is designating her as eligible for a waiver under the financial services affiliate waiver program. *Firm A* concurrently files a Form U5 to terminate her registration with FINRA.

Within a month of leaving *Firm A*, *Individual D* starts working for the banking affiliate. After working for *Firm A's* banking affiliate for four years, she leaves the affiliate and joins the insurance affiliate of *Firm B*, another member firm. Within a month of leaving *Firm A's* banking affiliate, she starts working for *Firm B's* insurance affiliate, which is located in France. She works for *Firm B's* insurance affiliate for one year and then decides to leave the affiliate and join the advisory affiliate of another FINRA member, *Firm C*. Within a month of leaving *Firm B's* insurance affiliate, she starts working for *Firm C's* advisory affiliate located in New York. Finally, after working for *Firm C's* advisory affiliate for a year, she decides to return to the securities industry by joining *Firm D*, another member firm that is also located in New York. Within a month of leaving *Firm C's* advisory affiliate, she joins *Firm D*.

Individual D completed the Regulatory Element of CE while working for the affiliates of *Firms A, B* and *C*. Further, while working for the affiliates of *Firms A, B* and *C*, she does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and is not subject to a statutory disqualification. On March 1, 2024, *Firm D* files a Form U4 requesting registration for her as an Investment Banking Representative. *Firm D* also submits an examination waiver request to FINRA, requesting a waiver of the SIE and the revised Investment Banking Representative (Series 79) examination. *Firm D* represents in its waiver request that she has satisfied the conditions of the financial services affiliate waiver program. FINRA grants the waiver.

Permissive Registrations

Beginning on October 1, 2018, firms may permissively register or maintain the registration of any associated person,⁴⁵ including individuals working solely in a clerical or ministerial capacity. This is an expansion of the current categories of permissive registrations.⁴⁶ For instance, an individual working in the technology department of a firm would be able to obtain and maintain a General Securities Representative registration with the firm. As another example, an associated person of a firm who is registered and functioning as a General Securities Representative would be able to permissively obtain and maintain a General Securities Principal registration with the firm. In addition, as is the case today, a firm may continue to permissively register or maintain the registration of individuals engaged in the investment banking or securities business of a foreign securities affiliate or foreign securities subsidiary of the firm.

Individuals maintaining a permissive registration are considered associated persons as well as registered persons and subject to all FINRA rules, to the extent relevant to their activities. By way of example, FINRA rules that relate to interactions with customers, such as FINRA Rule 3240 (Borrowing From or Lending to Customers), would not have any practical application to the conduct of a permissively-registered individual who does not have any customer contact. However, rules that have general application to the conduct of all associated persons, or all registered persons, would also apply to the conduct of permissively-registered individuals. For instance, FINRA Rules 3270 (Outside Business Activities of Registered Persons) and 3280 (Private Securities Transactions of an Associated Person) apply to an individual's activities outside the course of the individual's association with a member firm, regardless of the individual's function at the firm. Therefore, these rules apply to the outside activities of all permissively-registered persons, irrespective of their activities for member firms. As another example, all registered persons, including those who solely maintain a permissive registration, are required to satisfy the Regulatory Element of CE.

Firms are required to have adequate supervisory systems and procedures reasonably designed to ensure that individuals with permissive registrations do not act outside the scope of their assigned functions. FINRA does not anticipate that this requirement will have any significant impact on the supervision of individuals who are currently registered and functioning as representatives or principals who permissively maintain another registration under the new requirements. Firms are currently required to supervise the activities of these individuals consistent with the requirements of FINRA Rule 3110 (Supervision), including the assignment of an appropriately registered supervisor under FINRA Rule 3110(a)(5) who is responsible for supervising their activities.

Firms will also have to address the supervision of an individual who *solely* maintains a permissive registration, such as an individual working in a firm's technology department who is permissively registered as a General Securities Representative. While firms are not required to assign a registered person as the day-to-day supervisor of an individual who solely maintains a permissive registration, for purposes of compliance with FINRA Rule 3110(a)(5), firms are required to assign a registered supervisor to the permissively-registered individual who will be responsible for *periodically* contacting the individual's day-to-day supervisor to verify that the individual is not acting outside the scope of his or her assigned functions. If the permissively-registered individual is registered as a representative, the assigned registered supervisor must be registered as a representative or principal. If the permissively-registered individual is registered as a principal, the assigned registered supervisor must be registered as a principal. However, the assigned registered supervisor is not required to be registered in the same representative or principal registration category as the permissively-registered individual. For instance, in the example above, an Investment Company and Variable Contracts Products Representative is eligible to function as the assigned registered supervisor of the individual in the technology department who is permissively registered as a General Securities Representative.

FINRA is enhancing the CRD system and BrokerCheck to enable the general public, firms, FINRA and other regulators to identify whether a registered person is maintaining *only* a permissive registration. FINRA will provide additional information regarding the process for identifying such individuals in the future.

Principal Financial Officer and Principal Operations Officer

Effective October 1, 2018, firms are required to designate: (1) a Principal Financial Officer with primary responsibility for financial filings and the related books and records; and (2) a Principal Operations Officer with primary responsibility for the day-to-day operations of the business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and firm assets, calculation and collection of margin from customers and processing dividend receivables and payables and reorganization redemptions and those books and records related to such activities.⁴⁷ This requirement replaces the current requirement that dual members of FINRA and the NYSE designate a Chief Financial Officer (CFO) and a Chief Operations Officer (COO) and that other FINRA members designate a CFO.

The requirement to designate a Principal Financial Officer and a Principal Operations Officer applies to all firms, including those firms that are currently exempt from the requirement to have a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal. Further, individuals designated as Principal Financial Officers or Principal Operations Officers must qualify and register as Financial and Operations Principals or Introducing Broker-Dealer Financial and Operations Principals, as applicable.⁴⁸ Principal Financial Officers and Principal Operations Officers must also be registered in the CRD system as Operations Professionals because their activities and responsibilities intersect with those of *covered persons* as specified in FINRA Rule 1220(b)(3). However, individuals designated as Principal Financial Officers and Principal Operations Officers are not required to pass the Operations Professional (Series 99) examination in order to register as Operations Professionals, if they already hold a qualifying registration. Moreover, because Principal Financial Officers and Principal Operations Officers are required to be registered as Financial and Operations Principals or Introducing Broker-Dealer Financial and Operations Principals, they will be eligible to register as Operations Professionals as these registrations qualify for the Operations Professional registration.⁴⁹

Firms that neither self-clear nor provide clearing services may designate the same person as the Principal Financial Officer, Principal Operations Officer and Financial and Operations Principal or Introducing Broker-Dealer Financial and Operations Principal (that is, such firms are not required to designate different persons to function in these capacities). Firms that are clearing and self-clearing must designate separate persons to function as Principal Financial Officer and Principal Operations Officer, though such individuals may also carry out the responsibilities of a Financial and Operations Principal. A clearing or self-clearing firm that is limited in size and resources may request a waiver of the requirement to designate separate persons to function as Principal Financial Officer and Principal Operations Officer.

A firm is not precluded from designating multiple Principal Operations Officers, provided that the firm precisely defines and documents the areas of primary responsibility and makes specific provision for which of the officers has primary responsibility in areas that can reasonably be expected to overlap. A firm, however, may not designate multiple Principal Financial Officers, given the importance of having one principal who is responsible for the financial statements of a firm as a whole. Finally, a Principal Financial Officer or a Principal Operations Officer is permitted to delegate his or her day-to-day duties to other principals at the firm with the understanding that ultimate responsibility for the function rests with the Principal Financial Officer and the Principal Operations Officer.

New Principal Registration Categories

FINRA has established three new principal registration categories, Compliance Officer, Investment Banking Principal and Private Securities Offerings Principal.

Compliance Officer

Beginning on October 1, 2018, an individual designated as Chief Compliance Officer (CCO) on Schedule A of Form BD (Uniform Application for Broker-Dealer Registration) of a member firm,⁵⁰ other than a firm engaged in limited investment banking or securities business, is required to register as a Compliance Officer.⁵¹ An individual designated as a CCO on Schedule A of Form BD of a firm that is engaged in limited investment banking or securities business may be registered in a principal category that corresponds to the limited scope of the firm's business,⁵² rather than register as a Compliance Officer.

Individuals can qualify for registration as Compliance Officers in several ways. An individual who is designated as CCO on Schedule A of Form BD of a member firm and who is registered with FINRA as a General Securities Representative and a General Securities Principal prior to October 1, 2018, and who continues to maintain the CCO designation and the General Securities Representative and General Securities Principal registrations on October 1, 2018, will automatically be granted Compliance Officer registration on October 1, 2018. Further, other individuals who are registered with FINRA as a General Securities Representative and a General Securities Principal prior to October 1, 2018, and who continue to maintain those registrations on or after October 1, 2018, are qualified to register as Compliance Officers without having to take any additional examinations. Similarly, an individual who is registered as a Compliance Official in the CRD system prior to October 1, 2018, and who continues to maintain that registration on or after October 1, 2018, is qualified to register as a Compliance Officer without having to take any additional examinations.

In addition, individuals whose registrations as General Securities Representatives and General Securities Principals, or whose registrations as Compliance Officials, were terminated between October 1, 2016, and September 30, 2018, are qualified to register as Compliance Officers without having to take any additional examinations, provided they register as a Compliance Officer within two years from the date of terminating those registrations.

All other individuals registering as Compliance Officers on or after October 1, 2018, are required to: (1) satisfy the General Securities Representative prerequisite registration, including pass the SIE, and pass the General Securities Principal (Series 24) qualification examination; or (2) pass the Compliance Official (Series 14) qualification examination.

Investment Banking Principal

Effective October 1, 2018, principals responsible for supervising specified investment banking activities are required to register as Investment Banking Principals.⁵³ Individuals can qualify for registration as an Investment Banking Principal in several ways. An individual who is registered with FINRA as an Investment Banking Representative and a General Securities Principal prior to October 1, 2018, and who continues to maintain those registrations on October 1, 2018, will automatically be granted an Investment Banking Principal registration on October 1, 2018.⁵⁴ Further, an individual whose registrations as an Investment Banking Representative and a General Securities Principal were terminated between October 1, 2016, and September 30, 2018, is qualified to register as an Investment Banking Principal without having to take any additional examinations, provided he or she registers as an Investment Banking Principal within two years from the date of terminating those registrations. All other individuals registering as Investment Banking Principals on or after October 1, 2018, are required to satisfy the Investment Banking Representative prerequisite registration, including passing the SIE, and passing the General Securities Principal (Series 24) qualification examination.

Private Securities Offerings Principal

Also effective on October 1, 2018, principals solely responsible for supervising specified activities relating to private securities offerings may register as Private Securities Offerings Principals, instead of registering as General Securities Principals.⁵⁵ Individuals can qualify for registration as a Private Securities Offerings Principal in several ways. An individual who is registered with FINRA as a Private Securities Offerings Representative and a General Securities Principal prior to October 1, 2018, and who continues to maintain those registrations on October 1, 2018, will automatically be granted a Private Securities Offerings Principal registration on October 1, 2018.⁵⁶ Further, an individual whose registrations as a Private Securities Offerings Representative and a General Securities Principal were terminated between October 1, 2016, and September 30, 2018, is qualified to register as a Private Securities Offerings Principal without having to take any additional examinations, provided he or she registers as a Private Securities Offerings Principal within two years from the date of terminating those registrations. All other individuals registering as Private Securities Offerings Principals on or after October 1, 2018, are required to satisfy the Private Securities Offerings Representative prerequisite registration, including pass the SIE, and pass the General Securities Principal (Series 24) qualification examination.

To lessen the administrative burden on firms from multiple registration submissions to the CRD system, FINRA is considering enhancements to the system to automatically register individuals as principals, including individuals registering as Investment Banking Principals, Research Principals, Securities Trader Principals and Private Securities Offerings Principals, based on a combination of their approved representative-level registrations and their principal-level qualification examination(s). Such automatic registrations will be subject to firm review. For instance, such an enhancement would enable the CRD system to automatically register an individual who is registered as a General Securities Representative and a Securities Trader as a General Securities Principal and a Securities Trader Principal upon his passing the General Securities Principal (Series 24) examination, subject to review by the firm with which the person is registered.

Eliminated Representative-Level Registration Categories

As part of the restructuring of the representative-level examinations, FINRA is eliminating several representative-level registration categories, and the related examinations, that have become outdated or have limited utility. Specifically, FINRA is eliminating the current registration categories of Order Processing Assistant Representative, United Kingdom Securities Representative, Canada Securities Representative, Options Representative, Corporate Securities Representative, Government Securities Representative and Foreign Associate. However, FINRA is grandfathering individuals registered in these categories.

Specifically, individuals registered as Order Processing Assistant Representatives, United Kingdom Securities Representatives, Canada Securities Representatives, Options Representatives, Corporate Securities Representatives and Government Securities Representatives on September 30, 2018, may continue to maintain these same registrations on October 1, 2018. In addition, individuals whose registrations in these categories were terminated between October 1, 2016, and September 30, 2018, are qualified to re-register in the same categories, provided they re-register in these categories within two years from the date of terminating those registrations. Individuals registered in these categories who terminate their registrations with FINRA on or after October 1, 2018, and whose registrations remain terminated for two or more years, will not be able to re-register in these categories.

Currently, registration as a United Kingdom Securities Representative or a Canada Securities Representative is considered equivalent to registration as a General Securities Representative, provided the representative does not engage in municipal securities activities. While FINRA is eliminating the United Kingdom Securities Representative and Canada Securities Representative registration categories, individuals maintaining these registrations will be grandfathered and their registrations will continue to be viewed as equivalent to registration as a General Securities Representative registration, provided they do not engage in municipal securities activities.⁵⁷ In addition, currently, individuals who are registered as Government Securities Representatives are qualified to register as Government Securities Principals, without having to pass a principal-level qualification

examination. Individuals who maintain their registrations as Government Securities Representatives on or after October 1, 2018, will similarly be eligible to register as Government Securities Principals.

Further, individuals registered as General Securities Principals and Corporate Securities Representatives (in lieu of registration as General Securities Representatives) on September 30, 2018, may continue to maintain these same registrations on October 1, 2018, and may continue to supervise corporate securities activities as currently permitted. Individuals whose registrations in these categories were terminated between October 1, 2016, and September 30, 2018, are also qualified to re-register in the same categories and may continue to supervise corporate securities activities, provided they re-register in these categories within two years from the date of terminating those registrations.

Finally, an individual registered as a Foreign Associate on September 30, 2018, may continue to maintain that same registration on October 1, 2018. However, if such individual subsequently terminates his or her Foreign Associate registration with FINRA, he or she will not be able to re-register as a Foreign Associate.

Research Analyst, Research Principal and Supervisory Analyst Qualification Requirements

Beginning on October 1, 2018, individuals registering as Research Analysts will no longer be required to satisfy the General Securities Representative prerequisite registration. Rather, to register as a Research Analyst, an individual will be required to pass the SIE and the revised Research Analyst (Series 86 and Series 87) qualification examinations. Further, an individual seeking registration as a Research Principal will be required to register and qualify as a Research Analyst (pass the SIE and the revised Series 86 and 87 examinations) and pass the General Securities Principal (Series 24) qualification examination. Alternatively, an individual can register as a Research Principal by registering and qualifying as a Supervisory Analyst (pass the Series 16 examination) and pass the General Securities Principal (Series 24) qualification examination. FINRA is also eliminating the current prerequisite experience requirement (*i.e.*, three or more years prior experience within the immediately preceding six years involving securities or financial analysis) for individuals seeking registration as Supervisory Analysts. Therefore, individuals registering as Supervisory Analysts will only be required to pass the Supervisory Analyst (Series 16) examination to demonstrate their knowledge of the subject matter. These changes do no impact the qualification requirements of individuals whose registrations are grandfathered.⁵⁸

Registered Persons Functioning as Principals for a Limited Period

Effective October 1, 2018, firms may designate a registered representative to function (or act) as a principal for 120 calendar days, rather than the current 90 calendar days, before having to pass an appropriate principal-level qualification examination. However, any registered representative who is designated to function as a principal before passing an appropriate principal-level qualification examination must have at least 18 months

of experience functioning as a registered representative within the five-year period immediately preceding the designation. This requirement also applies to representatives who are designated to function in a principal category that does not require a prerequisite representative-level registration, such as the Financial and Operations Principal category. Firms will have the flexibility to designate a principal to function in another principal category for 120 calendar days before passing any applicable examinations, without having to satisfy the experience requirement for representatives. For instance, a firm may designate a Financial and Operations Principal to function as a General Securities Principal for 120 calendar days before having to pass the SIE, the revised General Securities Representative (Series 7) examination and the General Securities Principal (Series 24) examination.

Accepting Orders From Customers

Beginning on October 1, 2018, unregistered persons cannot accept an order from a customer under any circumstances. Only appropriately registered persons can accept an order from a customer. If a customer contacts a firm to place an unsolicited order for the purchase or sale of securities and an appropriately registered person is unavailable to accept such an order, an unregistered person may transcribe the order details, provided that an appropriately registered person subsequently contacts the customer to confirm the order details before the order is accepted.

Additional Resources

For additional information regarding examination restructuring, please visit the [Exam Restructuring](#) web page, which provides details and information that firms and applicants need to know. FINRA will regularly update the web page with any new information.

Endnotes

1. The current FINRA rulebook consists of: (1) FINRA rules; (2) NASD rules; and (3) Incorporated NYSE rules. While the NASD rules generally apply to all FINRA members, the Incorporated NYSE rules apply only to those members of FINRA that are also members of the NYSE (dual members). The FINRA rules apply to all FINRA members, unless such rules have a more limited application by their terms. For more information about the rulebook consolidation process, see *Information Notice, March 12, 2008* (Rulebook Consolidation Process).
2. See Securities Exchange Act Release No. 81098 (July 7, 2017), 82 FR 32419 (July 13, 2017) (Order Approving File No. SR-FINRA-2017-007).
3. FINRA Rule 1210.01 (Minimum Number of Registered Principals).
4. FINRA Rule 1210.02 (Permissive Registrations).
5. FINRA Rule 1210.03 (Qualification Examinations and Waivers of Examinations).
6. FINRA Rule 1210.04 (Requirements for Registered Persons Functioning as Principals for a Limited Period).
7. FINRA Rule 1210.05 (Rules of Conduct for Taking Examinations and Confidentiality of Examinations).
8. FINRA Rule 1210.06 (Waiting Periods for Retaking a Failed Examination).
9. FINRA Rule 1210.07 (All Registered Persons Must Satisfy the Regulatory Element of Continuing Education).
10. FINRA Rule 1210.08 (Lapse of Registration and Expiration of SIE).
11. FINRA Rule 1210.09 (Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of a Member).
12. FINRA Rule 1210.10 (Status of Persons Serving in the Armed Forces of the United States).
13. FINRA Rule 1210.11 (Impermissible Registrations).
14. FINRA Rule 1220(a)(1) (Definition of Principal).
15. FINRA Rule 1220(b)(1) (Definition of Representative).
16. Paragraphs (a)(2) through (a)(14) of FINRA Rule 1220.
17. Paragraphs (b)(2) through (b)(9) of FINRA Rule 1220.
18. FINRA Rule 1220.01 (Foreign Registrations).
19. FINRA Rule 1220.02 (Additional Qualification Requirements for Persons Engaged in Security Futures Activities).
20. FINRA Rule 1220.03 (Members With One Registered Options Principal).
21. FINRA Rule 1220.04 (Scope of General Securities Sales Supervisor Registration Category).
22. FINRA Rule 1220.05 (Scope of Operations Professional Requirement).
23. FINRA Rule 1220.06 (Eliminated Registration Categories).
24. FINRA Rule 1230.01 (Registration Requirements for Associated Persons Who Accept Customer Orders).
25. FINRA Rule 1240(a) (Regulatory Element).
26. FINRA Rule 1240(b) (Firm Element).
27. FINRA is not making any changes to the examination numbering system (*e.g.*, Series 7 will continue to be referred to as Series 7).
28. FINRA Rule 1220(b) sets forth each representative-level registration category and applicable qualification examination.

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29. A representative-level registration is a prerequisite to qualifying as a principal, with some exceptions. For instance, representative-level registration is not a prerequisite to registration as a Financial and Operations Principal.
30. For example, the SIE will cover, among other rules, FINRA Rule 3220 (Influencing or Rewarding Employees of Others) (the Gifts Rule).
31. FINRA will file the SIE content outline and the content outlines for the revised representative-level qualification examinations with the SEC in the near term. FINRA will also file a proposed rule change with the SEC to establish the fees for the SIE and the revised representative-level qualification examinations, which will include a pricing analysis.
32. The specified number of questions for each revised examination are estimates. The final number of questions on each revised examination may slightly vary based on additional work with the respective examination committees. Further, the table does not include the number of pretest questions on each of the listed current and future examinations.
33. To register as a Research Analyst, an individual must pass two examinations (the Series 86 and Series 87 examinations).
34. Registered principals who do not hold a representative-level registration as described above will not be considered to have passed the SIE. For example, an individual who is registered solely as a Financial and Operations Principal will not be considered to have passed the SIE.
35. An individual who fails an examination must wait 30 calendar days to be able to retake that examination. Further, if an individual fails an examination three or more times in succession within a two-year period, the individual is prohibited from retaking that examination until 180 calendar days from the date of the person's last attempt to pass it.
36. Individuals who have passed the SIE but not a representative- or principal-level examination are not considered registered persons, and thus they are not subject to FINRA rules to which registered persons are subject, such as the CE requirements.
37. The SIE Rules of Conduct will be available on the FINRA website prior to October 1, 2018.
38. The Rules of Conduct for representative and principal examinations are currently available on the FINRA website.
39. For instance, an individual may forfeit his SIE results if he misrepresents to the public that he is qualified to sell securities based on passing the SIE.
40. A "financial services industry affiliate of a member" is defined as a legal entity that controls, is controlled by or is under common control with a member firm and is regulated by the SEC, CFTC, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.
41. Form U4 (Questions 14C through 14E and Question 14G(1)).
42. Form U4 (Question 14J).

43. As is the case with all former registered persons, FINRA retains jurisdiction for up to two years over an eligible individual who ceases to be registered with a member, including with respect to conduct that commenced prior to the individual's termination of registration. *See* FINRA By-Laws, Article V, Section 4 (Retention of Jurisdiction). FINRA uses the filing date of an initial or, if applicable, amended Form U5 for purposes of calculating the retention of jurisdiction period for former registered persons.
44. Upon registering an individual, firms will be able to view whether the individual was designated as eligible under the waiver program and the individual's CE status in the CRD system.
45. Permissive registration is available to any individual who will be functioning as an associated person of a firm, including individuals who were previously functioning in a registered capacity.
46. Currently, a firm may permissively register or maintain the registration as a representative or principal of an individual performing legal, compliance, internal audit, back-office operations or similar responsibilities for the firm as well as an individual engaged in the investment banking or securities business of a foreign securities affiliate or foreign securities subsidiary of the firm. A firm may also permissively register or maintain the registration as a representative of an individual performing administrative support functions for registered persons.
47. Schedule A of Form BD requires firms to list individuals with similar status or functions to, among others, Chief Financial Officers and Chief Operations Officers. Therefore, firms may be required to list individuals designated as Principal Financial Officers and Principal Operations on Schedule A of Form BD, unless such individuals are already listed on the form. In addition, while not required, firms may identify their designated Principal Financial Officer and Principal Operations Officer via the FINRA Contact System (FCS).
48. The determination of whether an individual is eligible to register as an Introducing Broker-Dealer Financial and Operations Principals depends on the minimum net capital requirements of the firm with which the individual is registering.
49. To lessen the administrative burden on firms, FINRA is considering enhancements to the CRD system to automatically register individuals as Operations Professionals if they are registered as Financial and Operations Principals or Introducing Broker-Dealer Financial and Operations Principals, subject to review by the firm with which the person is registered.
50. *See also* FINRA Rule 3130(a) (Designation of Chief Compliance Officer(s)).
51. Consistent with FINRA Rule 1210.02 relating to permissive registrations, a firm may allow other associated persons to permissively register as Compliance Officers.
52. There is a similar exception under the two-principal requirement. *See* FINRA Rule 1210.01 (allowing, for example, a firm that is solely engaged in investment banking activities to have two Investment Banking Principals, instead of two General Securities Principals).
53. *See* FINRA Rule 1220(a)(5) (Investment Banking Principal).
54. If such an individual does not hold any other registrations, such as a General Securities Representative registration, the CRD system will only reflect the individual's principal registration as an Investment Banking Principal.

55. See FINRA Rule 1220(a)(13) (Private Securities Offerings Principal).
56. If such an individual does not hold any other registrations, such as a General Securities Representative registration, the CRD system will only reflect the individual's principal registration as a Private Securities Offerings Principal.
57. Accordingly, registration as a United Kingdom Securities Representative or Canada Securities Representative will continue to satisfy the prerequisite for General Securities Principal registration.
58. As discussed elsewhere in the *Notice*, FINRA is grandfathering the registrations of individuals who registered prior to October 1, 2018, and who continue to maintain those registrations on or after October 1, 2018. FINRA is also grandfathering the registrations of individuals whose registrations were terminated between October 1, 2016, and September 30, 2018, provided they re-register within two years from the date of terminating those registrations.