Qualification Examination Program Restructure and Regulatory Continuing Education (CE) Program Changes
Tuesday, October 9
1:00 p.m. – 2:00 p.m.

This session provides guidance on FINRA’s exam restructuring initiative. Panelists discuss the consolidated rules, the restructuring of the representative-level qualification examination program and change in the CE requirements for permissively registered individuals. Additionally, panelists discuss recently proposed changes to the vision of the CE Regulatory Element published by the CE Council, and offer practical answers to questions about these program changes.

**Moderator:** John Kalohn
Vice President
FINRA Testing and Continuing Education

**Panelists:**
Joseph McDonald
Senior Director
FINRA Testing and Continuing Education

Alexandra Toton
Associate Director
FINRA Testing & Continuing Education
Qualification Examination Program Restructure and Regulatory Continuing Education (CE) Program Changes Panelist Bios:

Moderator:

**John Kalohn** is Vice President, FINRA, Registration and Disclosure/Testing and Continuing Education. He leads FINRA’s efforts in the development, maintenance and delivery of the securities industry qualification examinations and continuing education programs. He has more than 20 years of experience in educational measurement and assessments, and extensive experience developing, implementing and managing assessment programs for professional licensure and university admissions. Mr. Kalohn’s prior experiences include service with one of the nation’s largest providers of educational and workplace measurement and research services. He holds a bachelor’s degree from State University of New York, a master’s degree from Wake Forest University and a doctorate from the University of Wisconsin, Madison.

Panelists:

**Joe McDonald** is Senior Director in FINRA’s Testing and Continuing Education Department, where he manages the FINRA qualification examination and examination waivers programs. Previously, he was a director in FINRA’s Market Regulation Department. Mr. McDonald has been with FINRA for 20 years. Before joining FINRA, he worked as counsel in the Office of Compliance and Inspections and the Division of Market Regulation at the Securities and Exchange Commission, and as a clerk for an administrative law judge at the Commodity Futures Trading Commission. Mr. McDonald received a bachelor’s degree in psychology from the State University of New York at Stony Brook and a law degree from the American University’s Washington College of Law.

**Alexandra (Lex) Toton** is Associate Director of Testing and Continuing Education, RAD, FINRA, where she co-manages the FINRA qualification examination and client services programs. Ms. Toton has been with FINRA for nine years. Before joining FINRA, Ms. Toton worked in compliance and operations at The Investment Center in Bedminster, New Jersey. Ms. Toton received a B.S. in Business Administration from the Boston University and a M.S. in Finance from Johns Hopkins’ Carey Business School.
Qualification Examination Program
Restructure and Regulatory Continuing Education (CE) Program Changes
Panelists

Moderator
- John Kalohn, Vice President, FINRA Testing and Continuing Education

Panelists
- Joseph McDonald, Senior Director, FINRA Testing and Continuing Education
- Alexandra Toton, Associate Director, FINRA Testing and Continuing Education
Exam Restructuring, the SIE Exam and Registration Rule Consolidation

CE Program enhancements under consideration by the CE Council
October 1, 2018 Rollout

- The Securities Industry Essentials Exam is now available.

- The representative-level qualification exams have been restructured – most are now shorter in length.

- The registration rules have been consolidated into the FINRA Rule 1200 Series.
Revised Rep-level Exam Structure
SIE – Answers to ‘Essential’ Questions

- How many questions? 75
- How long do I have? 105 minutes
- How long is it good for? 4 years
- Can I take it even if I do not work for a firm? Yes
- How much does the SIE cost? $60
- What is the passing score? 70
SIE – ‘Essential’ Facts

Content areas covered:

- Knowledge of capital markets
- Understanding products and their risks
- Understanding trading, customer accounts and prohibited activities
- Overview of the regulatory framework
## Top-offs – ‘Essential’ Facts

<table>
<thead>
<tr>
<th>Exam</th>
<th>Test Length</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 6</td>
<td>50</td>
<td>$40</td>
</tr>
<tr>
<td>Series 7</td>
<td>125</td>
<td>$245</td>
</tr>
<tr>
<td>Series 22</td>
<td>50</td>
<td>$40</td>
</tr>
<tr>
<td>Series 57</td>
<td>50</td>
<td>$60</td>
</tr>
<tr>
<td>Series 79</td>
<td>75</td>
<td>$245</td>
</tr>
<tr>
<td>Series 82</td>
<td>50</td>
<td>$40</td>
</tr>
<tr>
<td>Series 86</td>
<td>100</td>
<td>$185</td>
</tr>
<tr>
<td>Series 87</td>
<td>50</td>
<td>$130</td>
</tr>
<tr>
<td>Series 99</td>
<td>50</td>
<td>$40</td>
</tr>
</tbody>
</table>
Other Features of the Restructuring

As of October 1, 2018, FINRA no longer offers the following exams:

- Series 11
- Series 17/37/38
- Series 42
- Series 62
- Series 72

Candidates for these exams whose 120-day window opened prior to October 1, 2018, will be able to take these exams after October 1, 2018, until their windows close.
Effect on Current Registrants

- Most current registrants have received credit for the Essentials Exam, and it will be valid for 4 years upon leaving the industry. CRD reflects this.

- Registrants who return between 2 and 4 years later will not need to take the Essentials Exam, only the top-off exam for the registration position.

- Registrants who return more than 4 years later will need to take both the Essentials and the top-off exam.
Individuals who applied for registration on or before September 30 will take their exam under the old format (i.e., the 250-question Series 7), even though their exam appointment date is on or after October 1. If they pass, they will receive credit for the SIE.

Individuals who apply for registration on or after October 1 will take the SIE and the revised qualification exam (i.e., SIE + revised 125-question Series 7).
<table>
<thead>
<tr>
<th>Essentials Exam Enrollment for Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access enrollment system from finra.org</td>
</tr>
<tr>
<td>Initially need to create an account to enroll and pay</td>
</tr>
<tr>
<td>Access direct link to Prometric appointment scheduling from enrollment system</td>
</tr>
<tr>
<td>Will receive score report at test center</td>
</tr>
<tr>
<td>Can also view result in enrollment system</td>
</tr>
<tr>
<td>Can pay for exam with credit card or by redeeming voucher</td>
</tr>
</tbody>
</table>
Securities Industry Essentials (SIE) Exam

The Securities Industry Essentials (SIE) Exam, available beginning October 1, 2018, is a new FINRA exam for prospective securities industry professionals. This introductory-level exam assesses a candidate’s knowledge of basic securities industry information, including concepts and fundamentals to working in the industry, such as types of products and their risks, the structure of the securities industry, markets, regulatory agencies and their functions, and prohibited practices.

Key Features of the Essentials Exam

- The Essentials exam is open to anyone aged 18 or older, including students and prospective candidates interested in demonstrating basic industry knowledge to potential employers.
- Associates with a firm is not required, and individuals are permitted to take the exam before or after associating with a firm.
- Essentials exam results are valid for four years.

The Essentials Exam at a Glance

| Number of Items | 75 |
| Format          | Multiple Choice |
| Duration        | 165 minutes |
| Passing Score   | 70 |
| Cost            | $500 |

Content Outline

This Securities Industry Essentials (SIE) Exam Content Outline provides a comprehensive guide to the range of topics covered on the exam, as well as the depth of knowledge required. The outline is comprised of the four sections. The table below lists the allocation of exam questions for each section.

<table>
<thead>
<tr>
<th>Sections</th>
<th>Percentage of Exam Questions</th>
<th>Number of Exam Questions</th>
</tr>
</thead>
</table>

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Through CRD, there are two options for a firm to request an enrollment for the Essentials Exam:

- Form U4: request a rep-level registration (e.g., GS request opens SIE and S7 exam enrollments)
- Non-Form U4: enrollment system
  - Group – upload a list of candidates
  - Purchase vouchers – used by candidates to enroll for the SIE
Web CRD has an option for firms to enroll non-registered individuals for the SIE and pay the exam fees from the firm’s Flex-Funding Account.
Non-U4 SIE Enrollment (cont.)
Non-U4 SIE Enrollment (cont.)

- Firms can use the downloadable templates to create the CSV file and then select for upload.
Non-U4 SIE Enrollment (cont.)

- SIE enrollments uploaded and paid for by the firm will be added to the Individuals Enrolled for SIE list.
  - Once an individual sits for the exam, the same list will be updated with the exam result and score (if applicable).

<table>
<thead>
<tr>
<th>ID</th>
<th>First Name</th>
<th>Last Name</th>
<th>Email</th>
<th>Group Name</th>
<th>Billing Co.</th>
<th>Window End Date</th>
<th>Status</th>
<th>Exam Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>T00139002</td>
<td>John</td>
<td>Doe</td>
<td><a href="mailto:email1@finra.org">email1@finra.org</a></td>
<td>06/13/2018</td>
<td>123</td>
<td>12/11/2018</td>
<td>Pending</td>
<td></td>
</tr>
<tr>
<td>T00139001</td>
<td>Jane</td>
<td>Doe</td>
<td><a href="mailto:email2@finra.org">email2@finra.org</a></td>
<td>06/13/2018</td>
<td>123</td>
<td>12/11/2018</td>
<td>Pending</td>
<td></td>
</tr>
</tbody>
</table>
Firms also have the option to purchase SIE vouchers (up to 100 at a time) to provide to individuals who can enroll themselves for the SIE.
After vouchers are purchased, firms can download a spreadsheet to obtain the list of voucher codes and track their redemption.
Non-U4 SIE Enrollment (cont.)

Non-U4 SIE Enrollment Reminders

- Enrolling an individual for the SIE outside of Form U4 does not by itself create a CRD number for them. A CRD number will be assigned when a filing is made for the individual in CRD.

- Non-U4 SIE exam results can be seen in the “SIE Enrollment/Results” link and can also be viewed via the existing Pre-Registration Search feature. However, they will not immediately be part of the individual’s CRD record.

- When an SIE-only individual becomes registered, their SIE “Pass” result will then be posted to their CRD record.
Viewing SIE Results

- Firms that pay the Essentials Exam fee are able to view the individual’s result.

- If an individual pays the Essentials Exam fee, the firm will ONLY be able to view the result when:
  - Conducting a pre-registration search or
  - Filing a Form U4 requesting a registration.
The Pre-Registration Search has been enhanced to display individuals that have passed the SIE outside of Form U4.
As of October 1, 2018, CRD shows the following:

- For passing test results – indicates that the individual passed the exam but does not display the test score.
- For failing test results – indicates that the individual failed the exam and displays the test score.
- Once an individual passes the exam, the failing results will no longer be displayed. Only the passing result will be displayed.
Why was this change made?

- CRD maintains registration information.
- FINRA qualification exams determine whether a person has demonstrated minimum proficiency to act in a registered capacity.
- Exam score is not intended to predict how well a person will perform in a position (i.e., a person who scores 90 will not necessarily perform better than a person with a score of 75).
- Test scores are not stored in CRD.
Revised Test Center Exam Results Report – Pass

Financial Industry Regulatory Authority
Securities Industry Essentials (SIE) Exam

CANDIDATE INFORMATION

Name: John Doe
ID: 285750
Test Center: 2618 AL HUNTSVILLE
Date: 07/31/2018

TEST RESULT

Result: Pass
Revised Test Center Exam Results Report – Fail

Financial Industry Regulatory Authority
Securities Industry Essentials (SIE) Exam

**CANDIDATE INFORMATION**

<table>
<thead>
<tr>
<th>Name</th>
<th>John Doe</th>
</tr>
</thead>
<tbody>
<tr>
<td>ID</td>
<td>285750</td>
</tr>
<tr>
<td>Test Center</td>
<td>2618 AL HUNTSVILLE</td>
</tr>
<tr>
<td>Date</td>
<td>07/31/2018</td>
</tr>
</tbody>
</table>

**TEST RESULT**

Result: Fail  
Score: 20%

**SECTION ANALYSIS**

<table>
<thead>
<tr>
<th>Section</th>
<th>Content Area</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Knowledge of Capital Markets</td>
<td>Low Performance</td>
</tr>
<tr>
<td>2</td>
<td>Understanding Products and Their Risks</td>
<td>Borderline Performance</td>
</tr>
<tr>
<td>3</td>
<td>Understanding Trading, Customer Accounts and Prohibited Activities</td>
<td>Adequate Performance</td>
</tr>
<tr>
<td>4</td>
<td>Overview of the Regulatory Framework</td>
<td>Low Performance</td>
</tr>
</tbody>
</table>

**ADDITIONAL INFORMATION**

The test result shown on this report reflects equating that accounts for the difficulty of questions on each candidate’s exam. This allows for fair comparison and ensures that every candidate is held to the same passing standard regardless of which set of exam questions he or she received.
Exam Validity
• Exam History has a new field that indicates if a passed/waived exam is still valid for registration purposes, including a future expiration date (if applicable).

SIE Credit
• SIE exam credit has been automatically granted to individuals registered within the last 4 years, and displayed in Exam History.

(See sample screenshots on the following slide…)
# Exam History

## Exam History Samples

- **#1 – Currently registered individual**

<table>
<thead>
<tr>
<th>Exam</th>
<th>Enrollment ID</th>
<th>Exam Status</th>
<th>Status Date</th>
<th>Exam Date</th>
<th>Grade</th>
<th>Score</th>
<th>Window Begin Date</th>
<th>Window End Date</th>
<th>Exam Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIE</td>
<td>992727444</td>
<td>Credit</td>
<td>10/01/2016</td>
<td>02/10/2016</td>
<td>Passed</td>
<td></td>
<td>01/24/2012</td>
<td>05/23/2012</td>
<td>Valid</td>
</tr>
<tr>
<td>56</td>
<td>23625055</td>
<td>Official Result</td>
<td>02/13/2012</td>
<td>02/19/2012</td>
<td>Passed</td>
<td></td>
<td>01/24/2012</td>
<td>05/23/2012</td>
<td>Valid</td>
</tr>
<tr>
<td>563</td>
<td>23625056</td>
<td>Official Result</td>
<td>02/22/2012</td>
<td>02/21/2012</td>
<td>Passed</td>
<td></td>
<td>01/24/2012</td>
<td>05/23/2012</td>
<td>Valid</td>
</tr>
</tbody>
</table>

- **#2 – Not currently registered, but exams still valid**

<table>
<thead>
<tr>
<th>Exam</th>
<th>Enrollment ID</th>
<th>Exam Status</th>
<th>Status Date</th>
<th>Exam Date</th>
<th>Grade</th>
<th>Score</th>
<th>Window Begin Date</th>
<th>Window End Date</th>
<th>Exam Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIE</td>
<td>993125699</td>
<td>Credit</td>
<td>08/18/2016</td>
<td>03/31/2000</td>
<td>Passed</td>
<td></td>
<td>03/30/2000</td>
<td>07/28/2000</td>
<td>Valid until 08/18/2020</td>
</tr>
<tr>
<td>57</td>
<td>23594790</td>
<td>Official Result</td>
<td>04/03/2000</td>
<td>04/05/2000</td>
<td>Passed</td>
<td></td>
<td>02/08/2000</td>
<td>06/07/2000</td>
<td>Valid until 08/18/2018</td>
</tr>
<tr>
<td>563</td>
<td>23594788</td>
<td>Official Result</td>
<td>04/07/2000</td>
<td>04/05/2000</td>
<td>Passed</td>
<td></td>
<td>02/08/2000</td>
<td>06/07/2000</td>
<td>Valid until 08/18/2018</td>
</tr>
</tbody>
</table>

- **#3 – Out of the industry**

<table>
<thead>
<tr>
<th>Exam</th>
<th>Enrollment ID</th>
<th>Exam Status</th>
<th>Status Date</th>
<th>Exam Date</th>
<th>Grade</th>
<th>Score</th>
<th>Window Begin Date</th>
<th>Window End Date</th>
<th>Exam Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>57</td>
<td>24794014</td>
<td>Official Result</td>
<td>04/17/2003</td>
<td>04/18/2003</td>
<td>Passed</td>
<td></td>
<td>04/10/2003</td>
<td>08/08/2003</td>
<td>Expired</td>
</tr>
</tbody>
</table>
FINRA Registration Rule Consolidation
FINRA Rule 1200 Series has replaced the NASD and incorporated NYSE registration rules.

Requires firms to designate a Principal Financial Officer and a Principal Operations Officer (can be same person at non-clearing firms)

If not already listed on Schedule A of Form BD with another title, the Principal Financial Officer and/or Principal Operations Office must be added.
Chief Compliance Officers (CCOs) now have a FINRA Compliance Officer registration requirement – CR (Series 14 exam).

Persons with a General Securities Representative and General Securities Principal (S7 GS and S24 GP) registration can register as a Compliance Officer without taking the Series 14 exam.

On October 1, FINRA automatically granted CR registration to persons with a GS/GP who were listed as the CCO on Schedule A of Form BD.
New Principal Positions

- Investment Banking Principal (BP) – S79 + S24
- Private Securities Offering Principal (PO) – S82 + S24
- General Securities Principal (GP) is now limited to S7 + S24

On October 1, FINRA automatically granted the BP to persons holding the IB (S79) and GP registrations.

On October 1, FINRA automatically granted the PO to persons holding the PR (S82) and GP registrations.
New Principal Positions (cont.)

Sample screenshot of individual automatically granted the BP, and GP automatically terminated:

<table>
<thead>
<tr>
<th>Regulatory Authority</th>
<th>Registration Category</th>
<th>Filing Date</th>
<th>Status Date</th>
<th>Registration Status</th>
<th>Approval Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>FINRA</td>
<td>BP</td>
<td>10/01/2018</td>
<td>10/01/2018</td>
<td>APPROVED</td>
<td>10/01/2018</td>
</tr>
<tr>
<td>FINRA</td>
<td>GP</td>
<td>04/01/2011</td>
<td>10/01/2018</td>
<td>ADMTERM</td>
<td>07/14/2011</td>
</tr>
<tr>
<td>FINRA</td>
<td>IB</td>
<td>04/01/2011</td>
<td>06/21/2011</td>
<td>APPROVED</td>
<td>06/21/2011</td>
</tr>
<tr>
<td>CT</td>
<td>AG</td>
<td>04/01/2011</td>
<td>07/08/2011</td>
<td>APPROVED</td>
<td>07/08/2011</td>
</tr>
</tbody>
</table>

Form Filing History

Individual CRD#: [Redacted]  Individual Name: [Redacted]

<table>
<thead>
<tr>
<th>ID</th>
<th>Date</th>
<th>Type</th>
<th>Submitted by</th>
<th>User ID</th>
</tr>
</thead>
<tbody>
<tr>
<td>49539784</td>
<td>10/01/2018</td>
<td>U5 ADMIN</td>
<td></td>
<td>2018 Registration Consolidation</td>
</tr>
<tr>
<td>49533389</td>
<td>10/01/2018</td>
<td>U4 ADMIN</td>
<td></td>
<td>2018 Registration Consolidation</td>
</tr>
</tbody>
</table>
Permissive Registration

- Allows permissive registration of persons engaged in a bona fide business purpose of a member (i.e., an associated person)

- Expands current NASD rule allowing for permissive registration of persons performing certain limited functions (e.g., legal, compliance, internal audit)

- Such persons will be subject to a level of supervision commensurate with their status.
Financial Services Affiliate Waiver Program (FSAWP)

FSAWP allows an individual working for a financial services affiliate of a member to receive a waiver of a qualification exam requirement upon returning to the member for up to seven years, provided the firm and the individual satisfy certain criteria.
Overview of FSAWP Process

- Firm files Form U5 for individual and emails FINRA requesting FSA eligibility (must meet 10/5/1 rule).
- FSAWP eligibility request email must include email address for individual.
- FINRA notifies individual via email of his/her FSA eligibility and individual’s responsibilities to maintain eligibility, including CE requirement.
- Recommended that individual establish a Financial Professional Gateway (FinPro) account
- FINRA notifies individual via email of each upcoming CE requirement with a link to enrollment page.
Overview of FSAWP Process (cont)

- When individual returns, firm files Form U4 and an FSAWP exam waiver request.
- FINRA processes waiver request within 30 days.
- Individual who has successfully maintained eligibility is granted an unconditional exam waiver.
Resources

- SR-FINRA-2017-007
- Regulatory Notices 17-30 and 18-27
- Essentials webpage: [www.finra.org/industry/essentials-exam](http://www.finra.org/industry/essentials-exam)
- Exam Restructuring webpage: [www.finra.org/industry/exam-restructuring](http://www.finra.org/industry/exam-restructuring)
CE Program Enhancements under Consideration by the CE Council

Call for Comments
The CE Council is seeking feedback on aspects of the industry’s Continuing Education program.

The CE Council has published a document on the CE Council website (cecouncil.com) that includes a combination of specific ideas under consideration and general areas of inquiry.

Providing comments:

- FINRA Regulatory Notice 18-26
- MSRB Notice 2018-21
- Cboe and NYSE are directing potential commenters to the FINRA regulatory notice.

The comment period ends on November 5.
Program Review Goals

- Communicating regulatory developments to the industry via the Regulatory Element in a timely fashion
- Improving coordination between firm and regulatory training programs
- Allowing for diverse instructional formats that facilitate the learning of a variety of content
- Identifying and reducing redundancy among training requirements and programs
- Ensuring all registered professionals in the industry receive adequate training
- Enabling previously registered individuals to maintain their qualification status by satisfying continuing education requirements while out of the industry
- Considering more defined minimum standards of CE for the industry
Considerations for Regulatory Element

- **Increased Relevance:**
  - Narrowing focus of Regulatory Element to current rule changes and industry-wide regulatory issues
  - Limiting an individual’s Regulatory Element session to topics directly pertinent to the individual’s current registrations

- **Improved Timeliness:** Shorter CE session required annually

- **System Enhancements:**
  - Improved reporting and tracking in CRD
  - Potential for automated notifications in Financial Professional Gateway

- **Synergy with Firm Element:** Communication of Regulatory Element topics
Considerations for Firm Element

- **Council Resources:**
  - Perceived value of current CE Council resources (e.g., Firm Element Advisory)
  - Suggestions for additional resources that the CE Council should provide

- **Typical Firm Element: Amount and variety of training included**

- **Other Training Conducted:**
  - Additional training requirements that firms manage
  - Common credentialing programs with CE requirements that firms support

- **Access to Firm Element Content:**
  - Typical mix of firm-developed and third-party materials used for Firm Element
  - Value of creating a centralized multiple-provider content catalog
The CE Council is exploring a recommendation to allow previously registered individuals to maintain qualification status while away from the industry.

Program Considerations:
- Annual Regulatory Element plus additional CE comparable to Firm Element
- Administered and tracked through FINRA systems
- CE content targeted to individual’s terminated registrations

Eligibility and Program Duration Considerations:
- Eligibility requirements: Minimum registration period and good standing
- Maximum program participation before needing to requalify

Access to “Catch-Up” CE could replace two-year termination provision.