

Special Notice

2021 Election Process Overview

Summary

FINRA conducts annual elections to fill positions on its Regional Committees, the Small Firm Advisory Committee (SFAC), the National Adjudicatory Council (NAC)¹ and the FINRA Board of Governors (FINRA Board). This *Notice* provides:

- ▶ a description of responsibilities for the various groups;
- ▶ an overview of each elected vacancy to be filled in 2021; and
- ▶ a summary of how eligible individuals can become candidates for election.

FINRA will issue an *Election Notice* describing the nomination and election procedures for each specific election at the start of each election cycle. Individuals interested in being considered for nomination to positions on the Regional Committees, SFAC, NAC or FINRA Board may submit an indication of interest through FINRA's online [Engagement Portal](#).

FINRA is committed to promoting greater representation of underrepresented minorities and women across the industry and is seeking to increase such representation on its committees. FINRA encourages those with diverse backgrounds and perspectives to consider running for the vacancies discussed in this *Notice*.

Questions concerning this *Notice* may be directed to:

- ▶ Jennifer Piorko Mitchell, Vice President and Deputy Corporate Secretary, at (202) 728-8949 or Jennifer.PiorkoMitchell@finra.org; or
- ▶ Kayte Toczylowski, Vice President, Member Relations and Education, at (215) 209-7087 or Kayte.Toczylowski@finra.org.

Background

FINRA believes in vibrant markets that are built on integrity and confidence. As a guardian of market integrity, FINRA works to protect investors. It engages with member firms, investors and other stakeholders in a variety of ways to cultivate a deep expertise in the securities industry to ensure that the markets work for everyone.

Due to its structure as a self-regulatory organization, FINRA consults with industry members and stakeholders directly in its deliberations and thus benefits from expertise on relevant matters, such as the different business

April 28, 2021

Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

models of firms and how they operate in practice, the complex and rapidly evolving securities markets in which they trade and the concerns of the wide range of investors they serve. One way FINRA accomplishes this interaction is through feedback from its members and stakeholders serving on its various committees and the FINRA Board. Some members on these bodies are appointed and others are elected; this *Notice* provides an overview of the vacancies for elected positions in 2021.

Small Firm Advisory Committee (SFAC)

The [SFAC](#) is an advisory committee that provides guidance to FINRA staff, particularly regarding the potential effects of proposed regulatory initiatives on FINRA's small firms. The SFAC also ensures that issues of particular interest and concern to small firms are effectively communicated to and considered by the FINRA Board, including by reviewing and commenting on all new and amended FINRA rule proposals.

The SFAC generally meets four times a year in advance of each FINRA Board meeting.

SFAC Composition and 2021 Vacancies

The [SFAC](#) comprises 10 members—five regional members elected by small firms² (one from each FINRA region) and five at-large members appointed by FINRA. Additionally, the FINRA Board's Small Firm Governors serve as ex-officio, non-voting members of the SFAC. SFAC members serve three-year terms. Once an individual has completed a full three-year elected term, he or she is ineligible to run for re-election for another three years.

The five elected regional members represent the following geographic regions:

- ▶ West Region (Districts 1 (San Francisco), 2 (Los Angeles) and 3 (Denver));
- ▶ Midwest Region (Districts 4 (Kansas City) and 8 (Chicago));
- ▶ South Region (Districts 5 (New Orleans), 6 (Dallas) and 7 (Atlanta and Boca Raton));
- ▶ North Region (Districts 9 (Philadelphia and Woodbridge) and 11 (Boston)); and
- ▶ New York Region (District 10 (Long Island and New York)).

There are two elected seats to fill in 2021 for the North and West Regions (the term for these seats is January 2022 to December 2024).³

SFAC Member Eligibility and Election Process

Any senior member of a small firm is eligible to run for a regional seat on the SFAC representing the region in which his or her firm has its main office (as indicated in FINRA records). Senior members of firms include owners, chief executive officers, presidents, chief compliance officers, chief operating officers, the firm's FINOP or individuals of comparable status.

SFAC elections begin in early September when FINRA publishes an *Election Notice* announcing vacancies on the SFAC and soliciting candidate nominations. This *Election Notice* sets forth the procedures for individuals to have their name added to the ballot.

Eligible candidates self-nominate by submitting to FINRA's Corporate Secretary a completed candidate profile form that includes basic information about the candidate, and a biography and personal statement section for voters to learn more about the candidate.

Individuals who meet the eligibility requirements will be certified as candidates and included on the ballot. Ballots are mailed in October to the executive representatives of firms eligible to vote in the election, with the voting period concluding in November. Elected SFAC members' terms begin the following January.

Regional Committees

FINRA [Regional Committee](#) members serve an important role in the self-regulatory process by, among other things:

- ▶ serving on disciplinary panels in accordance with FINRA rules;
- ▶ alerting FINRA to industry trends that could present regulatory concerns; and
- ▶ consulting with FINRA on proposed policies and rule changes.

Serving on Regional Committees allows members to interact with firms from their region, FINRA staff and many of FINRA's senior executives. In addition, Regional Committee members routinely speak at annual Region Member Forums. The Region Member Forums are one-day events designed to provide financial professionals associated with FINRA member firms in different regions the opportunity to engage in key discussions with FINRA senior staff, and connect with industry leaders and peers. In addition, the forums include discussions on regulatory initiatives and emerging trends relevant to the financial services industry.

The Regional Committees generally meet twice per year and FINRA hosts the Region Member Forums in conjunction with one of those bi-annual meetings. The date and location of each Region Member Forum is posted on FINRA's [Conferences and Events web page](#).

Regional Committee Composition and Vacancies

FINRA has five Regional Committees representing the geographical regions listed above, each comprising six elected members from each district within that committee's region, with the exception of the New York Region (its 12 members are all based in one district, District 10). Regional Committee members serve three-year terms beginning in January following their election. There is no limit on the number of terms that a Regional Committee member may serve, except that he or she may serve no more than two full terms consecutively.

The Regional Committees' 2021 vacancies are as follows:

- ▶ West Region: Six Vacancies (2 seats each in Districts 1, 2 and 3)
- ▶ Midwest Region: Four Vacancies (2 seats each in Districts 4 and 8)
- ▶ South Region: Six Vacancies (2 seats each in Districts 5, 6, and 7)
- ▶ North Region: Four Vacancies (2 seats each in Districts 9 and 11)
- ▶ New York Region: Four Vacancies (all seats in District 10)

Regional Committee Member Eligibility and Election Process

The district-level Regional Committee elections begin with a call for candidate nominations in September of each year, when FINRA publishes an *Election Notice* listing the coming year's vacancies for each of FINRA's five Regional Committees. Eligible candidates self-nominate by submitting to FINRA's Corporate Secretary a completed candidate profile form that includes basic information about the candidate, and a biography and personal statement section where voters can learn more about the candidate.

To be eligible to run for election to a Regional Committee, individuals must:

1. be associated with a FINRA member firm eligible to vote in the FINRA district-level elections for the Regional Committees and registered with the FINRA member firm in the capacity of a branch manager or principal or denoted as a corporate officer of the firm; and
2. work for a FINRA member firm headquartered within the district the member will be representing on the Regional Committee.⁴

All candidates who submit their names and meet the eligibility qualifications will be certified as candidates. Ballots are mailed in October to the executive representatives of firms eligible to vote in the election, with the voting period concluding in November. Elected Regional Committee members' terms begin the following January.

National Adjudicatory Council (NAC)

The [NAC](#) is an adjudicatory body that reviews all disciplinary decisions issued by FINRA hearing panels and presides over disciplinary matters that have been appealed to or called for review by the NAC. The NAC also reviews statutory disqualification matters, considers appeals of membership proceedings, considers appeals of requests for exemptions and acts in other proceedings as set forth in the Code of Procedure. In addition, FINRA consults with the NAC on rule proposals related to the disciplinary process and recommended changes to the Sanction Guidelines, which address disciplinary fines and sanctions.

The NAC meets four to five times a year; in addition to attending the meetings, NAC members will also be requested to serve on appeals, which involves reading the record of the case and attending oral argument, and to participate in several conference calls to handle NAC matters.

NAC Composition

The NAC comprises 15 members—seven industry members and eight non-industry members. The seven industry members of the NAC include two at-large industry members and the following elected seats: two small firm seats, one mid-size firm seat, and two large firm seats.⁵ Of the eight non-industry NAC members, at least three are public members. NAC members serve single four-year terms beginning the January following their appointment.

There are no vacancies for elected seats in 2021 on the NAC.

Board of Governors

The FINRA Board of Governors (FINRA Board) is the governing body of the corporation and is responsible for overseeing management in the administration of FINRA's affairs and the promotion of FINRA's welfare, objectives and purposes.

Board Composition and Vacancies

The [FINRA Board](#) consists of 22 members, comprising FINRA's CEO, 11 public governors and 10 industry governors. The 10 industry governors include three appointed governors: the Floor Member Governor⁶, an Independent Dealer/Insurance Affiliate Governor⁷ and an Investment Company Affiliate Governor⁸—and seven elected governors: three small firm governors, one mid-size firm governor and three large firm governors.

The Board's Nominating & Governance Committee (Nominating Committee) nominates candidates to run for election or appointment to all seats on the Board.⁹ Individuals may also petition to become candidates for the seven elected governor seats on the Board designated by firm size category. To be eligible to serve as an elected small firm, mid-size firm or large firm governor, individuals must be registered with a member firm in that firm size category.¹⁰

These governors are elected for three-year terms by the firms eligible to vote for that category of governorship, and generally may not serve more than two consecutive terms.¹¹

There are three elected seats to fill in 2021: one small firm seat, one mid-size firm seat and one large firm seat. The term for these seats begins at FINRA's Annual Meeting in August 2021 and ends at the Annual Meeting in 2024.

Individuals interested in being considered for nomination for any of these positions may submit an indication of interest through FINRA's online [Engagement Portal](#).¹²

FINRA Board Election Process

The annual FINRA Board election begins in May with the issuance of an *Election Notice* that announces the upcoming vacancies on the FINRA Board and the Nominating Committee's nominees to fill the vacancies, and describes the process by which eligible individuals who were not nominated may petition to be included as a candidate during the 45-day petition period.

At the close of the petition period, the Corporate Secretary reviews any submitted petitions and certifies all candidates who submit the requisite number of petitions in support of their candidacy. Petition candidates are included on the proxy, along with any FINRA-nominated candidates, and the election begins in June or July. The voting period concludes at FINRA's Annual Meeting, which generally occurs in August, and the newly elected Board members' terms begin immediately following the Annual Meeting.

Endnotes

- 1 There are no vacancies for elected seats in 2021 on the NAC.
- 2 A small firm employs at least one and no more than 150 registered persons. See FINRA By-Laws, Article I(ww).
- 3 In addition to the two SFAC elected vacancies, there are two appointed at-large seat vacancies in 2021.
- 4 A candidate must be working from where the FINRA member firm is headquartered. A FINRA member is headquartered where it designates its main address on the member's Form BD. See FINRA Regulation By-Laws, Article VIII, Sec. 8.2(a)(2).
- 5 FINRA Regulation By-Laws, Article I(kk), (aa) and (y).
- 6 FINRA By-Laws, Article I(n).
- 7 FINRA By-Laws, Article I(r).
- 8 FINRA By-Laws, Article I(w).
- 9 In addition, FINRA's 11 public governors are appointed by the FINRA Board from candidates nominated by the Nominating Committee.
- 10 FINRA By-Laws, Article I(z), (dd) and (xx).
- 11 If a governor is elected to fill a vacancy for a term of less than one year, the governor may serve up to two consecutive terms after the expiration of the governor's initial term.
- 12 In addition to the three Board elected vacancies, there will be three appointed seat vacancies in 2021: one public governor seat, the Investment Company Affiliate seat and the Independent Dealer/Insurance Affiliate seat.

Summary of 2021 Elected Positions

	FINRA Board	NAC	Regional Committees	SFAC
Term Length	3-year terms 2 consecutive term limit	4-year terms 1 term limit	3-year terms 2 consecutive term limit	3-year terms 1 term limit
Elected Seat Vacancies in 2021	<ul style="list-style-type: none"> • One small firm seat • One mid-size firm seat • One large firm seat 	<i>No elected vacancies in 2021</i>	<ul style="list-style-type: none"> • West Region: 6 Vacancies (2 seats each in Districts 1, 2 and 3) • Midwest Region: 4 Vacancies (2 seats each in Districts 4 and 8) • South Region: 6 Vacancies (2 seats each in Districts 5, 6 and 7) • North Region: 4 Vacancies (2 seats each in Districts 9 and 11) • New York Region: 4 Vacancies (4 seats in District 10) 	<ul style="list-style-type: none"> • One North Region seat • One West Region seat
Timing	Nominees and petition procedures announced in May; election begins in July and concludes in August.	Generally, nominees and petition procedures announced in August; election begins in October and concludes in November— <i>however, there are no elected vacancies in 2021.</i>	Self-nomination procedures announced in September; election begins in October and concludes in November.	Self-nomination procedures announced in September; election begins in October and concludes in November.
How to Become a Nominee for an Elected Position	Nomination by the FINRA Nominating Committee or Submit the requisite number of valid petitions in support of his or her nomination by the petition due date.	Nomination by the FINRA Nominating Committee or Submit the requisite number of valid petitions in support of his or her nomination by the petition due date.	Every individual who submits a Candidate Profile Form and meets the eligibility requirements will be included on the ballot.	Every individual who submits a Candidate Profile Form and meets the eligibility requirements will be included on the ballot.
Firm Voting Eligibility	Firms are eligible to vote for one of the candidates running for a seat in the same size category as their own firm.	Firms are eligible to vote for one of the candidates running for a seat in the same size category as their own firm.	Firms are eligible to vote for candidates running for the seat on the Regional Committee corresponding to the district in which the firm is headquartered.	FINRA small firms are eligible to vote for candidates running for the SFAC seat representing the region corresponding to the district to which they are assigned in CRD.