CE Transformation Webinar

September 29, 2022
CE Transformation Overview

Regulatory Element Changes

Firm Element Changes

Resources
In 2018, CE Council recommended to enhance the Securities Industry CE Program.

FINRA filed proposed rule changes that were approved by the SEC in September 2021.

FINRA published Regulatory Notice 21-41 announcing the effective dates and changes.

FINRA continues to work with CE Council and partners with SROs to implement the CE Transformation.
CE Transformation Major Rule Changes

**Effective March 15, 2022**

• **Maintaining Qualifications Program (MQP):** Eligible individuals have the option of maintaining their qualifications for terminated registrations by participating in this annual program.

*For more info, visit [www.finra.org/MQP](http://www.finra.org/MQP)*

**Effective January 1, 2023**

• **Regulatory Element:** All registered persons will be required to complete annual training for each registration they hold.

• **Firm Element:** All registered persons will be required to participate.
Overview of Regulatory Element Changes

**Rule 1240 (a)**
- Effective January 1, 2023
- Annual requirement
- December 31 deadline
- Fee reduced from $55 to $18
- Registration-specific with a focus on rule changes & industry trends

**Learning Topics**
- Published topics for each coming year in advance
  ➢ For 2023, topics will be published by October 1, 2022

**FINRA System(s)**
- Will be enhanced for firms and individuals to assist with compliance with the Regulatory Element requirements:
  - FinPro
  - FINRA Gateway
Individuals holding a single registration (not including state registrations) can generally expect to receive each year one-third of the content they receive in the current three-year cycle.

Individuals with multiple registrations may receive more courses than those with only one registration. They will not receive duplicative content.
View a Regulatory Element Learning Plan

The Regulatory Element provides training on significant rule changes and other regulatory developments relevant to each registration category. Beginning Jan. 1, 2023, FINRA Rule 1240 requires registered persons to complete the Regulatory Element annually by Dec. 31 for each registration that they hold.

https://www.finra.org/registration-exams-ce/continuing-education/regulatory-element-topics
Select Registration Categories

Select as many as apply.

**REPRESENTATIVES**

- [ ] Sales Representative
- [ ] Municipal Securities Representative
- [ ] Investment Banking Representative
- [ ] Operations
- [ ] Research Analyst
- [ ] Securities Trader

**PRINCIPALS**

- [ ] Sales Principal
- [ ] Sales Supervisor
- [ ] Options Principal
- [ ] Municipal Securities Principal
- [ ] Investment Banking Principal
- [ ] Financial Operations Principal (FinOp)
- [ ] Research Principal
- [ ] Securities Trader Principal
- [ ] Compliance

**FINRA**

- GS – General Securities Representative (Series 7)
- IR – Investment Company Products and Variable Contracts Representative (Series 6)
- DR – Direct Participation Programs Representative (Series 22)
- PR – Private Securities Offerings Representative (Series 82)
- AR – Order Processing Assistant Representative (Series 11)
- RG – Government Securities Representative (Series 72)
- CS – Corporate Securities Representative (Series 62)
- OR – Options Representative (Series 42)
- IE – United Kingdom Securities Representative (Series 17)
- CN – Canadian Securities Representative (Series 37 and 38)

**VIEW LEARNING PLAN >>**
2023 Learning Plan

The Regulatory Element provides training on significant rule changes and other regulatory developments. Courses focus on new and amended rules, industry trends and core knowledge areas relevant to each registration category.

The Regulatory Element Learning Plan below has been created based on the registration categories that were selected.

SELECTED REGISTRATION CATEGORIES:

- Sales Representative [X]

TOPICS FOR SELECTED REGISTRATION CATEGORIES:

<table>
<thead>
<tr>
<th>Amended Rules 1210 and 1240</th>
<th>Sales Representative, Municipal Securities Representative, Investment Banking Representative, Operations, Research Analyst, Securities Trader, Sales Principal, Sales Supervisor, Options Principal, Municipal Securities Principal, Investment Banking Principal, Financial Operations Principal (FinOp), Research Principal, Securities Trader Principal, Compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation BI</td>
<td>Sales Representative, Municipal Securities Representative, Sales Principal, Sales Supervisor, Options Principal, Municipal Securities Principal, Compliance</td>
</tr>
<tr>
<td>Cybersecurity</td>
<td>Sales Representative, Municipal Securities Representative, Investment Banking Representative, Operations, Research Analyst, Securities Trader, Sales Principal, Sales Supervisor, Options Principal, Municipal Securities Principal, Investment Banking Principal, Financial Operations Principal (FinOp), Research Principal, Securities Trader Principal, Compliance</td>
</tr>
<tr>
<td>New Rule 3241</td>
<td>Sales Representative, Sales Principal, Sales Supervisor, Options Principal</td>
</tr>
</tbody>
</table>

TOPICS AND COURSE DESCRIPTIONS

AMENDED RULES 1210 AND 1240

Amended Rules 1210 and 1240: Continuing Education Transformation

This course provides an overview of the changes made to continuing education training, including the new Maintaining Qualifications Program (MQP).

NAVIGATING REGULATION BI

Navigating Regulation BI

This overview of Regulation BI (Best Interest) focuses on issues relevant to registered representatives, including:

- applicability of the rule;
- what is considered a recommendation; and
- factors to be considered when making a recommendation.

The course also discusses the appropriate disclosure to provide customers and how to mitigate conflicts of interest.

CYBERSECURITY

Information Protection

This course discusses effective practices to protect electronic and physical data in the workplace and while working remotely.

NEW RULE 3241

New Rule Overview: FINRA Rule 3241 (Registered Person Being Named a Customer’s Beneficiary or Holding a Position of Trust for a Customer)

This course provides an overview of new FINRA Rule 3241 as well as resources to find answers to questions and learn more.

FINRA Rule 3241
Regulatory Element Experience

Courses

- Contain a Variety of Instructional Formats
- Registration Specific
- Focus on Industry Trends
- Focus on Rule Changes
- Mobile Responsive
- Accessed through FinPro

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Questions and Scenarios
Failure to Complete Annual Regulatory Element

What if a registered individual does not complete their 2023 Regulatory Element by the December 31, 2023, due date?

➢ The individual’s registration status will go CE Inactive effective January 1, 2024, until the individual completes their 2023 Regulatory Element.

➢ The individual will have to complete their 2023 Regulatory Element before they can access their 2024 Regulatory Element.
Terminating a Registration

What if an individual terminates one of their registrations mid-year?

➢ The individual’s Regulatory Element will be updated to remove any pending courses that are unique to the terminated registration.

➢ **Example:** An individual is GS- and GP-registered in 2023. On February 1, 2023, the individual’s GP registration is terminated. The individual had not yet completed his Regulatory Element. The individual’s Regulatory Element is updated to remove courses that are unique to the GP registration.
2022 Regulatory Element Windows

What if an individual has an S101 window that opens in 2022 and would close in 2023?

➢ If they do not complete their S101 Regulatory Element in 2022, the S101 will be removed and the individual will be assigned their 2023 Regulatory Element, which must be completed by December 31, 2023.

➢ If they do complete their S101 Regulatory Element in 2022, the individual will still be assigned their 2023 Regulatory Element in 2023.
## Additional Registration Impact on Regulatory Element

<table>
<thead>
<tr>
<th>Type</th>
<th>Method of Gaining</th>
<th>Registration Specific Regulatory Element Assignment</th>
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</thead>
<tbody>
<tr>
<td>New Registration</td>
<td>Passing an exam or receiving an unconditional waiver</td>
<td>Year following receipt of additional registration</td>
</tr>
<tr>
<td>Reregistration</td>
<td>Reregistering previously held registration within two years</td>
<td>Immediate</td>
</tr>
</tbody>
</table>
Example

Existing Registration & Regulatory Element Assignment

General Securities (GS) {Series 7} & GS Learning

Additional Registration

General Principal (GP) {Series 24}
Example – New Registration Path

Existing Registration & Regulatory Element Assignment

- General Securities (GS) {Series 7} & GS Learning

Additional Registration

- General Principal (GP) {Series 24}

Passes Exam or Receives Unconditional Waiver

Current Year Regulatory Element Assignment

- GS Learning (No Change)

Following Year Regulatory Element Assignment

- GS & GP Learning
Example – Reregistration Path

Existing Registration & Regulatory Element Assignment

| General Securities (GS) {Series 7} & GS Learning |

Additional Registration

| General Principal (GP) {Series 24} |

Reregisters previously held

Current Year Regulatory Element Assignment

| GS & GP Learning (Addition) |

Following Year Regulatory Element Assignment

| GS & GP Learning |
Example – Comparison of Paths

Existing Registration & Regulatory Element Assignment

General Securities (GS) {Series 7} & GS Learning

Additional Registration

General Principal (GP) {Series 24}

Passes Exam or Receives Unconditional Waiver

Reregisters previously held

Current Year Regulatory Element Assignment

GS Learning (No Change)

Following Year Regulatory Element Assignment

Current Year Regulatory Element Assignment

GS & GP Learning (Addition)

GS & GP Learning
Rule 1240(b)
- Effective January 1, 2023
- Firm Element extended to all registered persons
- Expressly recognizes other training such as ACM & AML

Improved Guidance and Resources
- Assist firms with improved guidance & resources for the annual needs analysis

Centralized Content Catalog
- Will include content created by SROs & training providers
- Firms may optionally leverage it for their Firm Element needs
Permissively Registered

If an individual is permissively registered, will the individual be required to complete Firm Element training starting in 2023?

➢ Yes, beginning on January 1, 2023, the Firm Element requirement will extend to all registered persons, including individuals who maintain solely a permissive registration consistent with Rule 1210.02.
Resources

Regulatory Notice 21-41
www.finra.org/rules-guidance/notices/21-41

CE Transformation Frequently Asked Questions
https://www.finra.org/registration-exams-ce/continuing-education/ce-transformation-faq

CE Transformation Webpage
www.finra.org/cet

CE Council Website
www.cecouncil.org
For questions or feedback regarding CE Transformation, please email:
finrace@finra.org