

Election Notice

Annual FINRA Election Cycle and Procedures Overview

Executive Summary

The purpose of this *Notice* is to provide firms with a summary of FINRA's 2016 election cycle to fill vacancies on the FINRA District Committees, Small Firm Advisory Board (SFAB), National Adjudicatory Council (NAC) and FINRA Board of Governors (Board). This *Notice* provides an overview of all of the FINRA elections that will take place in 2016, a description of responsibilities of the Board, NAC, District Committees and SFAB, and a summary of how eligible individuals can be included as candidates in each election. FINRA's goal in issuing this *Notice* is to encourage broad participation of member firm representatives in FINRA elections.

Questions concerning this *Election Notice* may be directed to:

- ▶ Marcia Asquith, Senior Vice President and Corporate Secretary, at (202) 728-8949, or via email to CorporateSecretary@finra.org;
- ▶ Jennifer Mitchell, Deputy Corporate Secretary, at (202) 728-8949 or via email to jennifer.mitchell@finra.org; or
- ▶ Chip Jones, Senior Vice President, Member Relations and Education, at (240) 386-4797, or via email to chip.jones@finra.org.

Background

Each year, individuals are elected to fill vacancies on FINRA's District Committees, the SFAB, the NAC and FINRA's Board. Recently, FINRA simplified the election process for the District Committees and the SFAB by permitting any eligible candidate to be included on the ballot for election by self-nominating and sending a candidate profile form to FINRA's corporate secretary.

March 10, 2016

Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

In 2016, FINRA will conduct elections to fill 31 seats, as follows:

Board of Governors	NAC	District Committees	SFAB
1 Small Firm Governor 2 Large Firm Governors	1 Mid-Size Firm NAC Member 1 Large-Firm NAC Member	Districts 1 – 9 & 11 1 Small Firm Representative 1 Large Firm Representative District 10 2 Small Firm Representatives 1 Mid-Size Firm Representative 2 Large Firm Representatives	1 Small Firm Representative from the New York Region (Note: South and Mid-West Region elections take place in 2017; North and West Region elections in 2018)

FINRA firm sizes are defined as follows:

- ▶ a small firm is defined as a firm that employs at least one and no more than 150 registered persons;¹
- ▶ a mid-size firm is defined as a firm that employs at least 151 and no more than 499 registered persons;² and
- ▶ a large firm is defined as a firm that employs 500 or more registered persons.³

Detailed election procedures will be included in the *Election Notice* announcing the kickoff of each election later this year. Meanwhile, FINRA is providing the following overview to educate firms and help interested, eligible candidates plan to participate.

► District Committee Elections

The FINRA District 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.

If you have not yet participated in FINRA's governance process, a good starting point is the District Committees. Serving on a District Committee allows members to interact with firms from their region, FINRA regional staff, as well as many of FINRA's senior executives. Past committee members have found the experience educational about the regulatory work of FINRA as well as rewarding in giving back to the industry by providing their practical advice and insights.

Committee members must have the experience, ability and commitment to fulfill these responsibilities, including:

- understanding the issues the securities industry faces and possess the ability to apply knowledge and expertise to these issues to develop solutions;
- educating firms in their district on the responsibilities of FINRA;
- attending regularly and participating in a collegial manner in District Committee meetings; and
- remaining objective and unbiased, regardless of the interest of their firm, in the performance of District Committee matters.

Composition of FINRA's District Committees

District Committees from districts 1, 2, 3, 4, 5, 6, 7, 8, 9 and 11 comprise three small, one mid-size and three large firm representatives that are elected by firms of the same size. The District 10 committee comprises six small, two mid-size and six large firm representatives that are elected by member firms of the same size.

A list of the current District Committee members is available at www.finra.org/districtcommittees.

District Committee Member Terms

District Committee members serve three-year terms beginning in January following their election or appointment. There is no limit on the number of terms that a District Committee member may serve, except that he or she may not serve two full terms consecutively.

Election Process

The District Committee elections begin with a call for candidate nominations in September of each year, when FINRA publishes an *Election Notice* that lists the vacancies on FINRA's 11 District Committees. The *Election Notice* sets forth the detailed procedures by which an individual can have his or her name added to the ballot. Any eligible individual may be included on the ballot by completing a candidate profile form and submitting it to FINRA's Corporate Secretary. The profile form includes basic information about a candidate, including a biography and position statement. Each individual who meets the eligibility requirements (set forth below) is included on the ballot mailed to the firms eligible to vote in that election in October. The District Elections conclude in November.

Candidate Eligibility and Nomination

All candidates who submit their names and meet the qualifications set forth in the FINRA Regulation By-Laws are included on their district's ballot. Article VIII, Section 8.2 of the FINRA Regulation By-Laws requires that to be eligible District Committee members must:

1. be associated with a FINRA member firm eligible to vote in the district for that District Committee election
2. be registered in the capacity of either a branch manager, principal or denoted as a corporate officer of the FINRA member; and
3. work primarily from such FINRA member firm's principal office or a branch office that is located within the district where the member would serve on the District Committee.

Upcoming Vacancies

Every year, FINRA holds an election to fill small and large firm vacancies. For mid-size firms, the election takes place every three years. If a member resigns before his or her term is complete, FINRA will hold an election to fill that partial term vacancy. There are 25 District Committee seats up for election this year, they are as follows:

Districts 1-9 & 11

- ▶ 1 Small Firm Representative
- ▶ 1 Large Firm Representative

District 10

- ▶ 2 Small Firm Representatives
- ▶ 1 Mid-Size Firm Representative
- ▶ 2 Large Firm Representatives

► Small Firm Advisory Board

The SFAB provides guidance to FINRA staff, particularly regarding the potential effects of proposed regulatory initiatives on FINRA's small firms and meets five times a year—primarily in Washington, DC—prior to each FINRA Board of Governors meeting. SFAB members are expected to attend SFAB meetings in person.

Composition of the SFAB

The SFAB comprises 10 members—five regional members elected by small firms in the five FINRA regions (one from each region) and five at-large members appointed by FINRA. Additionally, the FINRA Board of Governors' Small Firm Governor representatives serve as ex-officio members of the SFAB.

The five elected regional members represent the following geographic regions:

- Midwest Region: Districts 4 and 8
- New York Region: District 10
- North Region: Districts 9 and 11
- South Region: Districts 5, 6 and 7
- West Region: Districts 1, 2 and 3

A current list of SFAB Members is available at www.finra.org/sfab.

SFAB Member Terms

SFAB members serve a three-year term beginning in January following their election or appointment. Once an individual has completed a full three-year elected term on the SFAB, he or she is ineligible to run for re-election to the SFAB for another three years.

Election Process

The SFAB election begins in early September when FINRA publishes an *Election Notice* announcing vacancies on the SFAB and soliciting candidate nominations. The *Election Notice* sets forth the procedures for an individual to have his or her name added to the ballot. Eligible candidates self-nominate by completing a candidate profile form and submitting it to FINRA's Corporate Secretary. The profile form includes basic information about a candidate including a biography and position statement. Only one candidate from a firm may submit his or her name for a particular seat.

Any individual who meets the eligibility requirements will be certified as a candidate and included on the ballot. Ballots are mailed to the executive representatives of firms eligible to vote in the election in or around October, with the voting period concluding in November.

Candidate Eligibility and Nomination

Any senior member of a small firm is eligible to run for the regional seat for which they have their primary place of business and whose firm has its main office in that region (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. There may be only one candidate per firm on each ballot.

Upcoming Vacancies

- ▶ New York Region Representative

▶ National Adjudicatory Council

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, exercises exemptive authority and acts in other proceedings as set forth in the Code of Procedure.

Composition of the NAC

The NAC comprises 14 members—seven industry members and seven non-industry members. The seven industry members of the NAC include two small firm, one mid-size firm, two large firm and two at-large industry members. Of the seven non-industry NAC Members, at least three are public members.

A current list of NAC Members is available at <http://www.finra.org/industry/nac-committee-members>.

NAC Member Terms

NAC members serve three-year terms beginning the January following their election or appointment.

Election Process

The NAC election cycle begins in July when FINRA publishes an *Election Notice* announcing the candidates nominated by the FINRA Nominating Committee. The initial *Election Notice* begins a 45-day petition period during which eligible individuals who were not nominated can petition to have their name included on the ballot.

At the close of the petition period, the Corporate Secretary reviews all submitted petitions and certifies candidates who obtain the required number of petitions in support of their candidacy. Petition candidates are included on the ballot, along with the Nominating Committee's candidates, which is mailed to firms in September. The voting period concludes in November.

Candidate Eligibility and Nomination

FINRA's Nominating Committee considers candidates for all NAC seats, including the five elected industry member seats that are based on firm size.

Eligible individuals who are not nominated may petition to have their name included on a ballot for election by obtaining petitions in support of their candidacy. Likewise, if the Nominating Committee does not nominate a candidate for a vacancy, any eligible individual may gather petitions to qualify as a candidate. Any eligible candidate(s) who obtain the requisite number of valid petitions within the 45-day petition period will be included as a candidate by following the procedures set forth in Article VI, Section 6.2 of the FINRA Regulation By-Laws.

If you are interested in being considered for nomination by the Nominating Committee, please email the Corporate Secretary with a copy of your resume or CV and short biographical profile.

Upcoming Vacancies

- ▶ 1 Mid-Sized Firm NAC Member
- ▶ 1 Large Firm NAC Member

▶ FINRA Board of Governors

The FINRA Board of Governors 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.

Composition

The FINRA Board consists of 24 members, including:

- ▶ the Chief Executive Officer of FINRA;
- ▶ thirteen Public Governors;
- ▶ one Floor Member Governor;
- ▶ one Independent Dealer/Insurance Affiliate Governor;
- ▶ one Investment Company Affiliate Governor;
- ▶ three Small Firm Governors;
- ▶ one Mid-Size Firm Governor; and
- ▶ three Large Firm Governors.

The Nominating Committee considers individuals for election to the seven elected governor seats that comprise the three small firm governors, one mid-size firm governor and three large firm governors (Elected Governors). The remaining positions on the Board are appointed seats.

A current list of FINRA Board members is available at <http://www.finra.org/about/finra-board-governors>.

Board Member Terms

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

Election Process

The Board election begins in or around May of each year, at which time FINRA issues an *Election Notice* announcing the upcoming Elected Governor vacancies on the Board and listing any individuals nominated by the Nominating Committee. The *Election Notice* begins a 45-day petition period during which eligible individuals who were not nominated can petition to have their name included on the proxy.

At the close of the petition period, the Corporate Secretary reviews all submitted petitions and certifies candidates who obtain the requested number of petitions in support of their candidacy. Petition candidates are included on the proxy—along with FINRA nominated candidates—and the proxy is mailed to firms in July. The voting period concludes in August at FINRA's annual meeting.

Individuals elected begin their terms as of the date of their election on or around the date of FINRA's annual meeting.

Candidate Eligibility and Nomination

The Nominating Committee nominates candidates for all seats on the FINRA Board, including the seven Elected Governor seats that are based on firm size.

To be eligible to serve as an Elected Governor, small firm governors must be registered with small firms, the mid-size firm governor must be registered with a mid-size firm and large firm Governors must be registered with large firms.

Eligible individuals who are not nominated may petition to have their name include don the ballot for election obtaining petitions in support of their candidacy. Likewise, if the Nominating Committee does not nominate a candidate for a vacancy, any eligible individual may gather petitions to qualify as a candidate.

If you are interested in being considered for nomination by the Nominating Committee, please email the Corporate Secretary with a copy of your resume or CV and short biographical profile.

Upcoming Vacancies

This year FINRA will hold an election to fill one small firm governor vacancy and two large firm governor vacancies.⁴

Attachments

- ▶ FINRA Elections Comparison Chart
- ▶ FINRA Annual Election Cycle FINRA Elections Comparison Chart

Endnotes

1. See Article I (ww) of the FINRA By-Laws.
2. See Article I (cc) of the FINRA By-Laws.
3. See Article I (y) of the FINRA By-Laws.
4. One of the two large firm elections is to fill a large firm seat on the board vacated by former Governor Gregory Fleming, who resigned in February 2016.

FINRA Election Comparison Chart

	Board of Governors	National Adjudicatory Council	District Committees	Small Firm Advisory Board
Term Length	3-year terms	3-year terms	3-year terms	3-year terms
Elected Positions	<ul style="list-style-type: none"> ▶ 3 Small Firm ▶ 1 Mid-Size Firm ▶ 3 Large Firm 	<ul style="list-style-type: none"> ▶ 2 Small Firm ▶ 1 Mid-Size Firm ▶ 2 Large Firm 	Districts 1, 2, 3, 4, 5, 6, 7, 8, 9 & 11 <ul style="list-style-type: none"> ▶ 3 Small Firm ▶ 1 Mid-Size Firm ▶ 3 Large Firm District 10 <ul style="list-style-type: none"> ▶ 6 Small Firm ▶ 2 Mid-Size Firm ▶ 6 Large Firm 	<ul style="list-style-type: none"> ▶ Midwest Region Representative ▶ New York Region Representative ▶ North Region Representative ▶ South Region Representative ▶ West Region Representative
How to Get Name on Ballot	<p>Nomination by the FINRA Nominating Committee or</p> <p>Submit the requisite number of valid petitions in support of nomination by the petition due date.</p>	<p>Nomination by the FINRA Nominating Committee or</p> <p>Submit the requisite number of valid petitions in support of nomination by the petition due date.</p>	<p>Every individual who submits a Candidate Profile Form and meets the eligibility requirements (below) will be included on the ballot.</p>	<p>Every individual who submits a Candidate Profile Form and meets the candidate eligibility requirements (below) will be included on the ballot.</p>
Candidate Eligibility	Registered with a Small, Mid-Size or Large Firm to run for a corresponding seat.	Registered with a Small, Mid-Size or Large Firm to run for a corresponding seat.	Registered as a branch manager, principal or corporate officer.	Senior member of a small firm whose primary place of business and whose firm has its main office in the appropriate region.
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.	<p>Firms are eligible to vote for candidates running for the seat corresponding to their firm size in the district in which:</p> <ul style="list-style-type: none"> (1) it has its principal office, and (2) in districts where it has one or more registered branch offices. 	FINRA small firms are eligible to vote for candidates running for the SFAB seat representing the region corresponding to the district to which they are assigned in CRD.

FINRA Annual Election Cycle

	May	June	July	August	September	October	November	December	January
Board	Nominating Committee Nominates Candidate Petition Period Begins	45-day Petition Period Concludes	Proxies Mailed and Voting Begins	Election Concludes at FINRA's Annual Meeting & Terms Begin					
NAC			Nominating Committee Nominates Candidate Petition Period Begins	Petition Period Continues	45 – day Petition Period Concludes	Ballots Mailed	Election Concludes		Terms Begin
SFAB					Call for Nominations	Ballots Mailed	Election Concludes		Terms Begin
District Committees					Call for Nominations	Ballots Mailed	Election Concludes		Terms Begin