

# Election Notice

## NAC Election

### FINRA Announces Changes in Composition of National Adjudicatory Council and Nominees for Vacant Small Firm and Large Firm Industry Seats

#### Executive Summary

The purpose of this *Election Notice* is to notify FINRA member firms of recent changes in the composition of FINRA's National Adjudicatory Council (NAC) and to announce FINRA's nominees for open industry seats on the NAC. Two industry NAC seats are open: one for a Small Firm NAC member and one for a Large Firm NAC member.

The Nominating and Governance Committee reviewed the backgrounds of potential candidates and nominated the following individuals: James Stephen "Jim" Jones for the Small Firm NAC seat and Pamela K. Cavness for the Large Firm NAC seat. Eligible individuals who were not nominated may petition to have their name included on a ballot for a contested election by following the procedure below.

**Note:** This *Notice* was distributed electronically to the executive representative of each FINRA member firm and it is posted on FINRA's Web site at [www.finra.org/Notices/Election/120808](http://www.finra.org/Notices/Election/120808). Executive representatives should circulate this *Notice* to their firms' branch managers.

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

- Marcia E. Asquith, Senior Vice President and Corporate Secretary, FINRA, at (202) 728-8949; or
- Marc Menchel, Executive Vice President and Regulatory General Counsel, FINRA, at (202) 728-8410.

December 8, 2008

#### Suggested Routing

- Executive Representatives
- Senior Management

## Background

The NAC serves an important role in the self-regulatory process at FINRA. The NAC is appointed by the FINRA Board of Governors to review 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 and considers appeals of membership proceedings and exemption requests.

## Composition of the NAC

On November 6, 2008, the SEC approved a proposed rule change to amend FINRA Regulation's By-Laws to restructure the industry representation on the NAC to parallel the firm-size criteria for industry representation on the FINRA Board of Governors. The amended By-Laws also modify the nomination process for certain industry member seats on the NAC by discontinuing the Regional Nominating Committees and relying solely on the Nominating and Governance Committee.

Instead of appointing industry representatives to the NAC by region, FINRA now appoints representatives based on firm size. The five regional industry members of the 14-member NAC will be replaced with two small firm, one mid-size firm and two large firm industry representatives over the next three years. (The other members of the NAC are two at-large industry members and seven non-industry members, three of whom are public.) NAC members serve three-year tenures and their terms are staggered. The Nominating and Governance Committee now identifies candidates for all NAC seats, including the five industry member seats that are based on firm size.

## Vacancies and Terms

Two NAC seats are open, one for a Small Firm NAC member and one for a Large Firm NAC member. Both open seats will be filled for three-year terms.

## Nominees and Nomination Process

FINRA's Nominating and Governance Committee has nominated the following individuals to fill the vacant seats on the NAC:

### **Nominee for Small Firm NAC Member**

- ▶ James Stephen "Jim" Jones – President and Chief Compliance Officer, Crews & Associates, Inc., Little Rock, Arkansas

### **Nominee for Large Firm NAC Member**

- ▶ Pamela K. Cavness – Chief Compliance Officer, Edward D. Jones & Co., St. Louis, Missouri

Profiles of the FINRA nominees are included in Attachment A.

Pursuant to Article VI, Section 6.2 of the FINRA Regulation By-Laws, a person who has not been nominated may be included on a ballot for an election to fill the open NAC seats if:

- (a) Within 45 days of the date of this Election Notice, such person presents to the Secretary of FINRA, in the case of petitions solely in support of such person, petitions in support of his or her nomination duly executed by three percent of the members entitled to vote (based on firm size classification) for such nominee's election or, in the case of petitions in support of more than one person, petitions in support of the nominations of such persons duly executed by ten percent of the members entitled to vote (based on firm size classification) for such nominees' election; and
- (b) The Secretary certifies that the petitions are duly executed by the Executive Representatives of the requisite number of members entitled to vote for such nominee's/nominees' election, and the person(s) satisfies/satisfy the classification (Large Firm, Mid-Size Firm or Small Firm) of the NAC seat to be filled, based on such information provided by the person(s) as is reasonably necessary to make the certification.

Firms may only endorse a petition candidate for an open seat that corresponds to the firm's size classification. No firm may endorse more than one such candidate.

Individuals interested in petitioning to become additional candidates must complete a candidate profile form (Attachment B) and submit it to FINRA's Corporate Secretary. Upon receipt of a candidate profile form, the Corporate Secretary will forward the interested individual a list of all firms eligible to endorse a candidate for that seat (based on firm size classification).

Individuals submitting petitions must provide information sufficient for the Corporate Secretary to determine that the petitions are duly executed by the executive representatives of the requisite number of small firm or large firm members by **Thursday, January 22, 2009**.

The number of FINRA small firms as of the close of business on December 5, 2008, was 4,579, and the number of FINRA large firms as of the close of business on December 5, 2008, was 186. The requisite number of small firm endorsements required to meet the above-referenced threshold is 138, and the requisite number of large firm endorsements required to meet the above-referenced threshold is 6 for petitions in support of the nomination of a single person. Please note that, if a petition slate includes individuals from different firm size categories, the signatures of 10 percent of each respective class size are required.

## Voting Eligibility

In the case of a contested election, firms are eligible to cast one vote for an industry candidate who is running for a seat that is in the same size category as their own firm. Therefore, small firms may vote for a Small Firm NAC candidate and large firms may vote for a Large Firm NAC candidate.

The size classification of each FINRA member firm will be verified on the day the ballots are mailed. All eligible small firm and large firm members will receive a ballot containing the candidates for the vacant Small Firm or Large Firm NAC seat.

## Firm Contact Information

Firms are reminded to accurately maintain their Executive Representative's name and email address, as well as their firm's main postal address in FINRA's records. This will ensure that important mailings, such as election information, will be properly directed. A firm's failure to keep this information accurate may jeopardize the firm's ability to participate in elections.

Pursuant to NASD Rule 1160, firms must update their contact information promptly, but in any event not later than 30 days following any change in such information, as well as review and, if necessary, update the information within 17 business days after the end of each calendar year. Additionally, firms must comply with any FINRA request for such information promptly, but in any event not later than 15 days following the request, or such longer period that may be agreed to by FINRA staff.<sup>1</sup>

To update an Executive Representative's name and email address, firms may access the FINRA Contact System, located on FINRA's Web site at <http://www.finra.org/fcs>. To update postal address information, firms must file a Form BD Amendment via the Web CRD system. For assistance updating information via either of these systems, please contact the FINRA Call Center at (301) 590-6500.

## Endnotes

- 1 See NASD Rule 1160 and *FINRA Regulatory Notice 07-42* (September 2007).

## Attachment A

### Profiles of FINRA's Nominees to the NAC

**James Stephen (Jim) Jones** is one of the original founders of Crews & Associates, Inc., the Arkansas-based broker-dealer specializing in fixed income securities. Mr. Jones currently serves as Crews' president, chief compliance officer, and member of the Board of Directors. Mr. Jones began his career as a retail and institutional broker. During his tenure at Crews, he has headed the general market underwriting department and currently participates in all aspects of the company which includes sales, trading, public finance, compliance/legal, and management. Mr. Jones has been active on various NASD/FINRA committees, serving as chairperson of the District 5 Committee and Advisory Council in 2000. He has participated on the Small Firm Advisory Board (SFAB), FINRA Fixed Income Committee, and the recently completed New Account Form Task Force. He has served as an arbitrator for over 10 years. Mr. Jones received a Bachelor of Arts in Communications from the University of Arkansas (Fayetteville) in 1976, a Master of Arts in Communications from the University of Oklahoma in 1978, and his Certified Regulatory and Compliance Professional (CRCP) designation from the FINRA Institute-Wharton Certificate Program in 2005.

### FINRA Nominee for Large Firm NAC Member Seat

**Pamela K. Cavness** has been registered with Edward D. Jones & Co., in St. Louis, Missouri since 1989, and has served as the chief compliance officer since 1997. Ms. Cavness serves as a member of the firm's Management Committee, Preferred Fund Family Committee, Preferred Insurance Vendor Committee, Best Execution Oversight Committee, U.K. Advisory Board Regulatory Subcommittee and co-chairs the Compliance Advisory Committee, a group of key leaders within Edward Jones and prominent industry securities law experts who provide guidance to the firm. Ms. Cavness serves on the FINRA Compliance Advisory Group, the FINRA Investment Company Securities Committee, and the SIFMA Compliance and Legal Division Executive Committee. In addition, Ms. Cavness has served as a member of the Securities Industry Association's Self-Regulation and Supervisory Practices Committee and has chaired its Ad Hoc Committee on the Regulatory Impact of Demutualization. Ms. Cavness earned a bachelor's degree in economics from the University of Illinois in 1985. In 1994, Ms. Cavness obtained an MBA from the University of Missouri–St. Louis.

# ATTACHMENT B - NAC Election Candidate Profile Form

Indicate the position for which you wish to be considered:

Small Firm NAC Member **OR**  Large Firm NAC Member

### Current Registration

Name: \_\_\_\_\_ CRD #: \_\_\_\_\_

Firm Name: \_\_\_\_\_ Firm #: \_\_\_\_\_

Title/Primary Responsibility: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Email: \_\_\_\_\_

**Prior Registration** (List the most recent first. Feel free to include extra pages if necessary.)

Firm: \_\_\_\_\_

Title/Primary Responsibility: \_\_\_\_\_

Firm: \_\_\_\_\_

Title/Primary Responsibility: \_\_\_\_\_

### General Areas of Expertise

(please check all that apply)

- Compliance/Legal
- Corporate Finance
- Financial/Operational
- Institutional Sales
- Investment Advisory
- Retail Sales
- Trading/Market Making
- Other

### Product Expertise

(please check all that apply)

- Corporate Bonds
- Direct Participation Programs
- Equity Securities
- Investment Company
- Municipal/Government Securities
- Options
- Variable Contracts Securities
- Other

### Memberships/Positions in Trade or Business Organizations

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### Past NASD or FINRA Experience and Dates of Service (please check all that apply)

Committee Member (Identify committee): \_\_\_\_\_ Approx. Dates: \_\_\_\_\_

Arbitrator \_\_\_\_\_ Approx. Dates: \_\_\_\_\_

Mediator \_\_\_\_\_ Approx. Dates: \_\_\_\_\_

Expert Witness (arbitrations; disciplinary proceedings) \_\_\_\_\_ Approx. Dates: \_\_\_\_\_

Other: \_\_\_\_\_ Approx. Dates: \_\_\_\_\_

### Educational Background

School: \_\_\_\_\_ Degree: \_\_\_\_\_

School: \_\_\_\_\_ Degree: \_\_\_\_\_

Return the completed candidate profile form to Marcia Asquith via fax at (202) 728-8075 or email at [CorporateSecretary@finra.org](mailto:CorporateSecretary@finra.org).