

Election Notice

NAC Election

Notice of Contested Election and Ballot for Small Firm National Adjudicatory Council Member Seat

Executive Summary

The purpose of this *Election Notice* is to notify small firms of a contested election for the open National Adjudicatory Council (NAC) Small Firm seat and to distribute to eligible FINRA small firms the ballots to vote for a Small Firm NAC member. The vacant Large Firm NAC member seat was not contested.

Small firms are urged to vote in the election of a Small Firm NAC member. In order for a ballot to be considered valid, the executive representative of a small firm eligible to vote in the election must sign it. Ballots must be postmarked on or before March 9, 2009.

Small firms that are FINRA members as of the close of business on February 4, 2009, will be eligible to vote.

Note: FINRA distributed this *Notice* electronically to the executive representative of each FINRA firm and posted it on FINRA's Web site at www.finra.org/Notices/Election/020509.

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.

February 5, 2009

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.

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.¹ Instead of appointing industry representatives to the NAC by region, FINRA now appoints representatives based on firm size.² The Nominating and Governance Committee of the FINRA Board of Governors now identifies candidates for all NAC seats, including the five industry seats that are based on firm size.

Candidates for Small Firm NAC Member

In December 2008, the Nominating and Governance Committee nominated the FINRA candidate for the open Small Firm NAC member.³

FINRA Nominee for Small Firm NAC Member

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

In January 2009, one candidate successfully petitioned to have his name added to the ballot.⁴

Petition Candidate for Small Firm NAC Member

- ▶ **Alan L. Davidson** – CEO, Zeus Securities Inc., Hauppauge, New York

Profiles of each of the Small Firm NAC candidates are included in Attachment A.

Uncontested Nominee for Large Firm NAC Member

The Nominating and Governance Committee also nominated Pamela K. Cavness, Chief Compliance Officer of Edward D. Jones & Co. in St. Louis, Missouri as FINRA's nominee for the vacant Large Firm NAC member seat. The Large Firm seat was not contested, and Ms. Cavness will begin her term upon appointment by the FINRA Board.⁵

Ms. Cavness' profile is included in Attachment B.

Term of Office

In general, each NAC member holds office for a term of three years. Terms of office commence and expire on a staggered, annual basis. The three-year terms of office for the open Small Firm and Large Firm NAC member seats will expire in December 2011.

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, only small firms may vote in this election for a Small Firm NAC member candidate.

The size classification of each FINRA firm will be verified on the day the ballots are mailed. All eligible small firms will receive a ballot containing the candidates for the vacant Small Firm NAC member 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 ensures that important mailings, such as election information, are 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.⁶

To update an executive representative's name and email address, firms may access the FINRA Contact System at 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.

Voting Methods

Small firms will be able to submit ballots by U.S. mail. The ballot sent to eligible small firms contains detailed instructions on the submission procedures.

As mentioned above, it is important that all eligible firms vote.

Endnotes

- 1 *See FINRA Election Notice 12/8/08.*
- 2 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 during 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).
- 3 *See FINRA Election Notice 12/8/08.*
- 4 Pursuant to Section 6.2 of the FINRA Regulation By-Laws, a person who has not been nominated by the Nominating and Governance Committee may be included on a ballot if he or she is eligible to hold an open seat, and obtains the requisite number of petitions in support of his or her nomination from members entitled to vote (based on firm size classification) for such nominee's election.
- 5 Pursuant to Sec. 6.4 of the FINRA Regulation By-Laws, if the Nominating and Governance Committee proposes a candidate for nomination and no additional candidate successfully petitions pursuant to Section 6.2, the Nominating and Governance Committee shall nominate its candidate to the FINRA Board for appointment.
- 6 *See NASD Rule 1160 and FINRA Regulatory Notice 07-42 (Sept. 2007).*

Attachment A – Profiles of Candidates for Small Firm NAC Member Seat

Petition Candidate for Small Firm NAC Member

Alan L. Davidson is President and founder, Zeus Securities, Inc., Hauppauge, NY, a small business NASD member since 1988. He has been in the securities industry since 1964.

Mr. Davidson is also founder and President of the Independent Broker-Dealer Association, Inc. with 250 investment firm members across the United States.

A former elected member of the NASD District 10 Business Conduct Committee, he originated the District 10 News, a publication informing and alerting NASD members to potential compliance problems.

Mr. Davidson testified before the Securities and Exchange Commission and the NASD's Rudman Commission for constructive reforms. The Rudman Commission and NASD adopted his suggestion to create an NASD Ombudsman.

He was elected to the NASD Board of Governors in December 1998.

Mr. Davidson is a graduate of C.W. Post College where he served as President of the Alumni Association.

FINRA Nominee for Small Firm NAC Member

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.

Attachment B - 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 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 Committee, 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.