

# Election Notice

## Board Election

### Upcoming FINRA Board of Governors Election of a Small Firm and Large Firm Governor

#### Executive Summary

The annual meeting of FINRA firms will take place on or about Wednesday, August 3, 2011, to elect one Small Firm Governor and one Large Firm Governor on the FINRA Board of Governors (FINRA Board).

A formal notice of the meeting, including the precise date, time and location, will be mailed to executive representatives on or about June 29, 2011.

Eligible individuals who were not nominated for election to the FINRA Board by the Nominating Committee for the Large Firm seat—and eligible individuals for the Small Firm seat—may be included on the ballot for the election of governors by following the petition procedures set forth in the By-Laws and as further described in this *Election Notice*.

**Note: FINRA distributed this *Notice* electronically to the executive representative of each FINRA firm and it is posted online at [www.finra.org/Notices/Election/050311](http://www.finra.org/Notices/Election/050311). 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, at (202) 728-8949; or
- ▶ T. Grant Callery, Executive Vice President and General Counsel, at (202) 728-8285.

May 3, 2011

#### Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

## Composition of the Board

The FINRA Board consists of 22 members,<sup>1</sup> including:

- ▶ the Chief Executive Officer of FINRA;
- ▶ eleven 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.

Of the 22 Board members, the Public, Floor Member, Independent Dealer/Insurance Affiliate and Investment Company Affiliate Governors are appointed by the FINRA Board from candidates recommended by the Nominating Committee (the “Appointed Governors”).

The Nominating Committee also may nominate individuals to run for election for the seven elected governor seats that comprise the three Small Firm Governors, one Mid-Size Firm Governor and three Large Firm Governors (the “Elected Governors”).

To be eligible to serve, Large Firm Governors must be registered with Large Firms, Small Firm Governors must be registered with Small Firms and the Mid-Size Firm Governor must be registered with a Mid-Size Firm. In order for the Board to maintain compliance with the compositional requirements of the FINRA Board set forth in the FINRA By-Laws, the seven Elected Governors have a continuing obligation to satisfy the firm-size classification throughout the entire term for which the governor is elected. Pursuant to Article I of FINRA’s By-Laws, firm sizes are defined as follows:

- ▶ a Large Firm is defined as a firm that employs 500 or more registered persons;<sup>2</sup>
- ▶ a Mid-Size Firm is defined as a firm that employs at least 151 and no more than 499 registered persons;<sup>3</sup> and
- ▶ a Small Firm is defined as a firm that employs at least one and no more than 150 registered persons.<sup>4</sup>

## Terms and Term Limits

As of the 2010 annual meeting, the Appointed Governors and the Elected Governors were staggered into three classes,<sup>5</sup> with the first class of governors (Appointed or Elected) holding office until the first succeeding annual meeting of FINRA firms, the second class of governors holding office until the second succeeding annual meeting and the third class of governors holding office until the third succeeding annual meeting, or until a successor is duly appointed or elected (as the case may be) and qualified, or until death, resignation, disqualification or removal.

At each subsequent annual meeting, governors will be appointed or elected for a term of three years to replace those whose terms expire. Governors may not serve more than two consecutive terms. If a governor is elected or appointed to fill a vacancy of such a governor position for a term of less than one year, the governor may serve up to two consecutive terms following the expiration of the governor's initial term.

The By-Laws expressly provide that the term of office of a governor shall terminate immediately upon a determination by the Board, by a majority vote of the remaining governors, that the governor no longer satisfies the classification for which the governor was elected. Individuals seeking nomination for election as a Large Firm, Small Firm or Mid-Size Firm Governor also have an obligation to satisfy the firm-size classification on the date the petition is circulated, the date the petition is certified by the Corporate Secretary and date of the annual meeting. Individuals who fail to meet this requirement will be disqualified from election.

## FINRA Nominating Committee Nominees

Pursuant to Article VII, Section 9 of the FINRA By-Laws, the FINRA Nominating Committee has nominated Sallie L. Krawcheck, Bank of America, as its Large Firm Governor nominee (see attached profile).

With respect to the Small Firm Governor seat, the Nominating Committee determined it would not nominate a candidate for election in 2011. Instead, any eligible candidates who obtain the requisite number of petitions will be included on the ballot.

## Petition Process for Additional Candidates

Pursuant to Article VII, Section 10 of FINRA's By-Laws, a person who has not been nominated for election to the FINRA Board by the Nominating Committee may be included on the ballot for the election of governors if:

- (a) within 45 days after the date of this Election Notice, such person presents to the Secretary of FINRA petitions in support of such nomination, duly executed by at least three percent of FINRA member firms entitled to vote for such nominee's election. If, however, a candidate's name appears on a petition in support of more than one nominee, the petition must be endorsed by 10 percent of FINRA member firms entitled to vote for such nominees' election; and
- (b) the Secretary certifies that such petitions have been duly executed by the executive representatives of the requisite number of FINRA member firms entitled to vote for such person's election, and the person being nominated satisfies the classification of the governorship to be filled based on the information provided by the person as is reasonably necessary for the Secretary to make the certification.

As of close of business on Monday, May 2, 2011, the number of FINRA Small Firms was 4,189 and the number of Large Firms was 173.

Firms may only endorse one petitioner for the same firm size seat as their own.

The petition must identify the seat for which he or she is seeking to be nominated. The petitioner must submit sufficient information to determine the person's status with respect to the category for which he or she is petitioning to be nominated. The petitioner must also provide information sufficient for the Corporate Secretary to determine that the petitions are duly executed by the executive representatives of the requisite number of applicable size firm members. In addition, to assist in the process of verifying petitions, FINRA requests that all petitions submitted be dated by their signatory. **Petitions must be submitted no later than Friday, June 17, 2011.**

The names of persons obtaining the requisite number of valid petitions will be included on the appropriate proxy mailed to eligible firms in advance of the annual meeting.

## Voting Eligibility

A proxy will be mailed, along with the notice of the annual meeting, to the executive representative on record at each eligible FINRA firm prior to the annual meeting.

Firms are eligible to vote for the nominees who are running for seats that are in the same size category as their own firm. Therefore, Small Firms and Large Firms may vote only for the candidates running for the seats reserved for their firm size.

FINRA will verify the size of each firm on the day the proxies are mailed. Each firm eligible to vote will receive a proxy containing the nominees for their voting class.

## Endnotes

- 1 See Article Eight, paragraph (b) of the Restated Certificate of Incorporation of FINRA; Article VII, Section 4 of the FINRA By-Laws.
- 2 See Article I (y) of the FINRA By-Laws.
- 3 See Article I (cc) of the FINRA By-Laws.
- 4 See Article I (ww) of the FINRA By-Laws.
- 5 The By-Laws specified that, with respect to the Elected Governors, the first class of governors includes one Large Firm Governor and one Small Firm Governor; the second class includes one Large Firm Governor, one Mid-Size Firm Governor and one Small Firm Governor; and the third class includes one Large Firm Governor and one Small Firm Governor. See Article VII, Sec. 5 of FINRA's By-Laws.

## Attachment A

### Profile of Nominating Committee Nominee for Elected Large Firm Governor Seat

**Sallie L. Krawcheck** is president of Global Wealth & Investment Management for Bank of America. Global Wealth & Investment Management provides comprehensive wealth management to high net worth clients around the world. It also provides retirement and benefit plan services, philanthropic management and asset management to individuals and institutions. Prior to joining Bank of America, Ms. Krawcheck was chief executive officer and chairman for Citi Global Wealth Management, responsible for the Citi Private Bank, Citi Smith Barney and Citi Investment Research. During her time at Citi, she was also a member of the senior leadership committee and executive committee. Ms. Krawcheck joined Citi in October 2002 as chairman and chief executive officer of Smith Barney, where she oversaw the global management of the Smith Barney and Citi Investment Research businesses. In 2004, she was appointed chief financial officer and head of strategy for Citigroup Inc. Prior to joining Citi, Ms. Krawcheck was chairman and chief executive officer of Sanford C. Bernstein & Company. Among other honors, Ms. Krawcheck has been listed eight times as one of *Fortune's* "Most Powerful Women" in business, and *U.S. Banker* ranked her first on its list of "25 Women to Watch" in 2009 and fourth on its "25 Most Powerful Women in Banking" list in 2010. And she has been recognized as one of *TIME* magazine's "Global Business Influentials." Ms. Krawcheck attended the University of North Carolina at Chapel Hill on the Morehead Scholarship and graduated in 1987 with academic honors and a Bachelor of Arts. In 1992, she received an MBA from Columbia University. She is a member of the Bretton Woods Committee and on the board of directors at The University of North Carolina at Chapel Hill Foundations, Inc. and Carnegie Hall. She also is on the board of overseers of Columbia University Business School and the board of trustees for The Economic Club of New York.