

# Election Notice

## Upcoming FINRA Board of Governors Election

Petitions for Candidacy Due: June 20, 2014

### Executive Summary

The annual meeting of FINRA firms will take place on or about Wednesday, August 6, 2014, to elect one Small Firm Governor and one Large Firm Governor to 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 July 7, 2014.

Eligible individuals who have not been nominated for election to the FINRA Board by the Nominating Committee 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/050614](http://www.finra.org/Notices/Election/050614). 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
- ▶ Jennifer Piorko Mitchell, Deputy Corporate Secretary, at (202) 728-8415.

**May 6, 2014**

### Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

## Composition of the Board

The FINRA Board consists of 24 members,<sup>1</sup> 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.

Of the 24 Board members, Public Governors, the Floor Member Governor, the Independent Dealer/Insurance Affiliate Governor and the Investment Company Affiliate Governor (Appointed Governors) are appointed by the FINRA Board from candidates recommended by the Nominating Committee.

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 (Elected Governors).

To be eligible to serve, 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. 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 small firm is defined as a firm that employs at least one and no more than 150 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 large firm is defined as a firm that employs 500 or more registered persons.<sup>4</sup>

## Terms and Term Limits

Governors are appointed or elected for three-year terms 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 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 Small Firm Governor, a Mid-Size Firm Governor or a Large 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 FINRA's corporate secretary and the 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 Gregory Fleming, Morgan Stanley Smith Barney for the Large Firm Governor seat. A profile of the nominee is attached.

With respect to the Small Firm Governor seat, the Nominating Committee determined it would not nominate a candidate for election in 2014. Instead, any eligible candidates who obtain the requisite number of valid 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 5, 2014, the number of FINRA small firms was 3,781 and the number of large firms was 174.

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

The petition must identify the seat for which the petitioner 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 20, 2014.**

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, mid-size 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 Eighth, paragraph (b) of the Restated Certificate of Incorporation of FINRA; Article VII, Section 4 of the FINRA By-Laws.
2. See Article I (ww) of the FINRA By-Laws.
3. See Article I (cc) of the FINRA By-Laws.
4. See Article I (y) of the FINRA By-Laws.

### Profile of Large Firm Governor Nominee

**GREGORY J. FLEMING** is the president of Morgan Stanley Wealth Management and president of Morgan Stanley Investment Management. He also serves as a member of the Morgan Stanley Operating Committee.

Mr. Fleming joined Morgan Stanley in February 2010 as president of Morgan Stanley Investment Management and assumed the additional role leading Wealth Management in January 2011.

Prior to joining the firm, Mr. Fleming served as president and chief operating officer of Merrill Lynch from June 2007 to early 2009. Previously Mr. Fleming ran Merrill Lynch's Global Investment Banking business and joined Merrill Lynch as an investment banker in 1992. He also has been a principal at Booz Allen Hamilton. After leaving Merrill Lynch in January of 2009 after 17 years, Mr. Fleming was a senior research scholar and Distinguished Visiting Fellow of the Center for the Study of Corporate Law at Yale Law School.

Mr. Fleming is a governor of the Financial Industry Regulatory Authority (FINRA), a director of Colgate University, a member of the Board of Advisors for the Yale Law School Center for the Study of Corporate Law, the Council on Foreign Relations, the Economic Club of New York, a Director on Turn 2 Foundation Board and a trustee for the Rippowam-Cisqua School in Bedford, NY. He is a Phi Beta Kappa, summa cum laude graduate in economics from Colgate University and received his J.D. from Yale Law School.