

Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506

November 5, 2018

Re: FINRA request for comment on enhancements under consideration by the Securities Industry/Regulatory Council on Continuing Education.

Dear Ms. Piorko,

CFA Institute appreciates the opportunity to provide comments on Regulatory Notice 18-26 (“the Notice”) pertaining to proposed enhancements under consideration by the Securities Industry/Regulatory Council on Continuing Education (“CE”). CFA Institute represents the views of investment professionals before standard setters, regulatory authorities, and legislative bodies worldwide on issues that affect the practice of financial analysis and investment management, education and licensing requirements for investment professionals, and on issues that affect the integrity and accountability of global financial markets.

We believe this consultation is timely, relevant, and in the best interests of investors and other market participants.

CFA Institute’s position on CE Programs

CE programs perform a critical role in maintaining high proficiency standards. While investment professionals may be able to demonstrate proficiency at a point in time by passing a licensing exam, we believe it is necessary that these professionals be required to keep their knowledge current while they practice in the industry.

Hence, it is a vital that supervisory agencies promote robust CE programs that require completion of educational activities that can help achieve and maintain quality in professional services. The investment

management industry today is characterized by rapid changes, advancing technology and increasing complexity. Thus, investment professionals must be compelled to further their knowledge, skills, and abilities to ensure quality of services.

At CFA Institute, we believe that effective CE programs have the following characteristics:

- Require the completion of frequent CE (either each calendar year or in two-year cycles)
- Are flexible in nature, in terms of permitted activities, but also in terms of the content a registered representative may study.
- Require completing both an ethics/regulatory element and a knowledge of business/firm element.

CFA Institute's CE program

Our own continuing education program at CFA Institute requires our members to complete a minimum of 20 hours of continuing education activities, including a minimum of 2 hours in the content areas of Standards, Ethics, and Regulations (SER), each calendar year.

The CE program is quite flexible in terms of types of activities that qualify for CE. Our members can design their own CE program and search our library of CFA Institute resources which includes our designations, courses, webcasts, local events by our member societies, and content offered by third-party providers. Members can also earn credit for resources that are not included in our library, such as training offered by their employer or activities for other investment-related designations and regulatory bodies.

There are eligibility requirements that an activity must meet to qualify for CE: 1) learning activities should be educational in nature and geared towards increasing the knowledge, skills, and abilities of an investment professional; and (2) the educational content should relate to one or more of our lifelong learning topics derived from the Global Body of Investment Knowledge (GBIK).

Below we provide examples of approved continuing education activities:

- Self-study (i.e., reading, researching, webcasts, etc.)
- Employer-based (i.e., in-house training)
- Educational programs sponsored by CFA Institute, member societies, and third-party Approved Providers
- Educational activities offered by unaffiliated organizations/providers in any language/format
- Continuing education activities for other investment-related designations

Answers to Questions 1 through 5 on Regulatory Element

In here, we believe the proposal by the CE Council to move to an annual requirement for the Regulatory Element would seem appropriate as it would result in more frequent CE. Although there are implications, such as having to reduce content of sessions and needing to monitor increased participation, we believe the benefits to the industry will outweigh the initial costs as it would have a positive impact on the quality of professional services delivered.

As to the focus of the Regulatory Element, we would recommend this is driven by recent enforcement cases or identified areas of weakness as detected during the exams conducted by Supervisory Agencies.

As to other areas of focus, we would advise that the CE Council also considers permitting CFA Institute's Ethics courses to qualify for the Regulatory Element. At CFA Institute we believe we need to encourage ethics training in the industry. Ethical decision-making is an important skillset that all investment professionals must have. We have developed an [ethical decision framework](#) and a [course](#) to guide investment professionals to resolve ethical dilemmas in the best interests of their clients. We believe, that under the proposed modular structure, CFA Institute could offer its courses to complement the existing topics in the Regulatory Element. Permitting additional activities in this regard would recognize the educational interests of professionals.

Finally, we also counsel that registered representatives have access to the Regulatory Element of any registration category. This would mean that an individual could take courses in preparation for professional growth and development in future roles.

Answers to Questions 6 through 12 on Firm Element

With respect to questions 6 through 12, we would recommend the CE Council considers **accepting CFA Institute's continuing education program** for the purpose of meeting the Firm Element requirement. As stated earlier, we require our members complete a minimum of 20 hours of continuing education activities, including a minimum of 2 hours in the content areas of Standards, Ethics, and Regulations (SER), each calendar year.

Our CE program is flexible in terms of types of activities that qualify for CE. Our members can design their own CE program and search our library of CFA Institute resources which includes our own designations, courses on relevant topics for the industry today, webcasts, local events by our member societies, and content offered by third-party providers.

To meet the new Firm Element requirement, our members could use the following permitted activities, including:

- self-study (with an assessment),
- employee in-house training (with assessment)
- Educational programs, conferences, events (proof of participation will be required)
- Continuing education activities for other investment-related designations (proof of completion will be required).

In light of the above, we agree with the CE Council that there are opportunities for reciprocity, as the time a professional may need to dedicate to training to meet professional designation requirements should be able to address other existing regulatory requirements they have. As a result, we recommend the Council considers establishing formal reciprocity agreements.

To close, we would suggest that registered representatives have access to the Firm Element of any registration category. This would mean that an individual could take courses in preparation for professional growth and development in future roles. Finally, relating to the proposal of developing a catalogue with the courses, although it makes sense, we also understand that there may be costs and difficulties associated with keeping up to date.

Answers to Questions 13 through 18 on Qualification Status Post Termination

The proposal to allow previously registered individuals to maintain their qualification status while away from the industry is an interesting one. The CE program is definitely an appropriate way to accomplish this. We do believe that if an individual completes the Continuing Education program associated with holding his or her professional designation, while being away from the industry, it should be sufficient to retain their status. However, we have no specific guidance as to the experience requirement or appropriate duration that the proposed program should require.

Answers to Questions 19 through 20 on General Questions

In here as we stated earlier, we would reiterate our positioning as what an effective CE programs should look like:

- Require the completion of frequent CE (either each calendar year or in two-year cycles)
- Are flexible in nature, in terms of permitted activities, but also in terms of the content a registered representative may study.
- Require completing both an ethics/regulatory element and a knowledge of business element.

For additional reading we would recommend the council to take a look at IROC's recently published [guidance on continuing education programs](#)¹. We would be pleased to discuss our comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact us.

Yours sincerely,

On behalf of CFA Institute:



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¹http://www.iroc.ca/Documents/2018/9fe2a3a8-9360-4ffb-ac98-694e1d41ed51_en.pdf