



Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW Washington, DC 20006-1506

RE: FINRA Regulatory Notice 18-26 Continuing Education Program

Dear Ms. Mitchell:

Commonwealth Financial Network[®] (“Commonwealth”) welcomes and appreciates the opportunity to comment on enhancements to the Securities Industry/Regulatory Council on Continuing Education Program (CE Program) under consideration by the Securities Industry/Regulatory Council on Continuing Education (CE Council). Although Commonwealth fully supports a robust continuing education requirement for financial professionals, there are several concerns with the proposal that we would like to bring to the CE Council’s attention.

Commonwealth is an independent broker/dealer and an SEC-registered investment adviser with home office locations in Waltham, Massachusetts, and San Diego, California. Commonwealth has approximately 1,800 producing registered representatives who are independent contractors conducting business in all 50 states.

Regulatory Element

One of the enhancements under consideration is changing the current requirement for Associated Persons (“APs”) to complete the Regulatory Element from every three years following the second anniversary of their initial registration to annually. The release states that “*administering the new program would not result in increased costs for firms or participants.*” While Commonwealth applauds the CE Council for looking to make the cost of change neutral, there would, in fact, be significant increased costs to firms to administer, track, and otherwise oversee an annual requirement. For our firm, these would include the cost to upgrade systems, increased accounting costs to bill our independent financial advisors for their CE sessions, and increased cost for the salaries of the employees who track and follow up with APs. The latter would be the most significant, representing a two-fold increase to our current costs for this process.

Commonwealth further believes that any potential improvements to the CRD system and Financial Professional Gateway (FinPro) would have minimal impact on mitigating our increased expenses. Although our representatives would receive notification directly from FinPro, our firm would still need to dedicate resources to ensure that APs completed the Regulatory Element in a timely manner, to avoid becoming CE Inactive. As you are aware, when an AP goes CE Inactive, this not only affects his or her ability to generate revenue for the firm but also increases our expenses to ensure that registered activity does not occur during the inactive period. As such, firms such as Commonwealth must take a proactive approach toward ensuring that APs complete the requirement and cannot solely rely on the reminders from internal or FINRA systems.

We believe that the current cadence for Regulatory Element meets the needs of registered individuals and should remain unchanged. We believe that the costs to implement an annual Regulatory Element requirement would outweigh the benefits. We appreciate the need to provide registered individuals with timely information regarding new or updated regulations, but we believe that firms are in the best position to deliver that training either through Firm Element or other firm trainings. In addition to providing information about the regulation itself, firms also need to provide registered individuals with information surrounding their specific policies and procedures that will govern the APs' actions. A generic training has very limited applicability to most APs without that additional context.

Should the CE Council move forward with the recommendation to implement an annual Regulatory Element requirement, we believe it would be prudent for FINRA to eliminate the requirement for an annual compliance meeting (ACM), as outlined in FINRA Rule 3110(a)(7), of which the effectiveness and efficiency was raised in FINRA Regulatory Notice 18-14.

Commonwealth fully supports the idea of publishing the Regulatory Element topics in advance of introducing such topics. Currently, there is a lack of transparency whereby firms do not have much, if any, information regarding the topics that are covered in the Regulatory Element. If this information were available, Commonwealth would factor it into its annual Firm Element Needs Analysis.

Firm Element

Commonwealth supports the current Firm Element training requirement(s), as we believe it is imperative for firms to provide customized training to their APs regarding the specific policies, products, and services of the firm. Given the broad spectrum of firms and unique business models that exist in the financial services industry, we believe it would be a challenge for the CE Council to provide Firm Element standards and content that would apply to all firms. We believe that the current Needs Analysis is a reasonable approach, allowing firms to tailor their Firm Element program to their specific needs, based on firm size, organizational structure, and products/services offered.

Maintaining Qualification Status Post-Termination

Commonwealth supports the CE Council's efforts to pursue a recommendation to allow previously registered individuals to maintain their qualification status while away from the industry. We do not believe that eligibility for the program should mirror the same requirements as the Financial Services Affiliate Waiver Program (FSAWP). Requiring an individual to be registered as a representative for five years within the previous ten-year period would exclude many individuals from qualifying.

Given the desire to make the industry accessible to a diverse workforce, Commonwealth supports a plan whereby any previously registered AP can maintain his or her qualifications by completing the Regulatory Element in its current cycle and completing an annual training requirement to be determined by the CE Council that is specific to previously registered APs. Such training should include topics such as new or updated regulations, ethics, money laundering, diminished capacity, and general suitability. Provided the previously registered AP pays for and completes the annual

requirement and completes the Regulatory Element every three years, he or she should be able to reaffiliate with a member firm without retesting.

Upon reaffiliation, whether an individual has not been registered for the previous five, ten, or twenty years, it would be a firm's responsibility to provide the individual requisite training and ensure that he or she has the skills and knowledge to be successful as an AP through the Firm Element program or other training program(s). Firms should be allowed, however, to require that the AP retest, at their discretion. This model is similar to the training requirements for attorneys and accountants—two professions that share a similar client relationship model.

If you have any questions or would like to discuss this further, please do not hesitate to contact me.

Respectfully,
Commonwealth Financial Network

A handwritten signature in black ink, appearing to read "John Hagberg". The signature is fluid and cursive, with the first name "John" and last name "Hagberg" clearly distinguishable.

John Hagberg
SVP, Compliance