

Election Notice

2017 Annual FINRA Election Cycle and Procedures Overview

Executive Summary

The purpose of this *Notice* is to inform firms of the 2017 FINRA election cycle to fill vacancies on the FINRA district committees, Small Firm Advisory Board (SFAB), National Adjudicatory Council (NAC) and the FINRA Board of Governors (Board), and encourage broad participation of firms in these FINRA elections.

Questions concerning this *Election Notice* may be directed to:

- ▶ Marcia Asquith, Senior Vice President and Corporate Secretary, at (202) 728-8949 or CorporateSecretary@finra.org;
- ▶ Jennifer Mitchell, Deputy Corporate Secretary, at (202) 728-8415 or jennifer.mitchell@finra.org; or
- ▶ Chip Jones, Senior Vice President, Member Relations and Education, at (240) 386-4797 or chip.jones@finra.org.

Background

Each year, FINRA conducts elections to fill vacancies on its 11 district committees, the SFAB, the NAC and the Board. FINRA values the unique perspectives of industry members and encourages their participation in FINRA's governance process. FINRA's ability to draw on the expertise of those who work in the industry helps FINRA implement more effective regulatory programs that promote both investor protection and vibrant capital markets. This *Notice* provides an overview of each of the FINRA elections that will take place in 2017, a description of responsibilities for the various bodies and a summary of how eligible individuals can become candidates in each election.

January 24, 2017

Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

In 2017, elections will be held to fill 42 seats, as detailed in the following table:

Board of Governors	NAC	District Committees	SFAB
1 Small Firm Governor 2 Large Firm Governors ¹	1 Small Firm NAC Member 1 Large Firm NAC Member	Districts 1-9 & 11 1 Small Firm Representative 1 Mid-Size Representative 1 Large Firm Representative District 10 2 Small Firm Representatives 1 Mid-Size Firm Representative 2 Large Firm Representatives	1 South Region Representative 1 Midwest Region Representative

FINRA firm sizes are defined as follows.

- ▶ A small firm is a firm that employs at least one and no more than 150 registered persons.²
- ▶ A mid-size firm is a firm that employs at least 151 and no more than 499 registered persons.³
- ▶ A large firm is a firm that employs 500 or more registered persons.⁴

FINRA will announce detailed election procedures in an *Election Notice* at the start of each of these elections during the year.

FINRA District Committees

The FINRA District Committee members serve an important role in the self-regulatory process by, among other things:

- ▶ serving on disciplinary panels in accordance with FINRA rules;
- ▶ alerting FINRA to industry trends that could present regulatory concerns; and
- ▶ consulting with FINRA on proposed policies and rule changes.

Serving on a District Committee allows members to interact with firms from their region, FINRA regional staff, as well as many of FINRA's senior executives. Past committee members have found the experience both rewarding in giving back to the industry by providing their practical advice and insights, and educational by learning more about the regulatory work of FINRA.

Committee members must have the experience, ability and commitment to fulfill their responsibilities, including:

- ▶ understanding the issues faced by the securities industry and possessing the ability to apply knowledge and expertise to these issues to develop solutions;
- ▶ educating firms in their district on the responsibilities of FINRA;
- ▶ regularly attending and participating in District Committee meetings; and
- ▶ remaining objective and unbiased, regardless of the interest of their firm, in the performance of District Committee matters.

Composition of FINRA's District Committees

District Committees from districts 1, 2, 3, 4, 5, 6, 7, 8, 9 and 11 comprise three small, one mid-size and three large firm representatives who are elected by firms of the same size. The District 10 committee comprises six small, two mid-size and six large firm representatives that are elected by member firms of the same size.

A list of the current District Committee members is available at www.finra.org/districtcommittees.

District Committee Member Terms

District Committee members serve three-year terms beginning the January following their election or appointment. There is no limit on the number of terms that a District Committee member may serve, except that he or she may not serve two full terms consecutively.

District Committee Election Process and Timing

The District Committee elections begin with a call for candidate nominations in September of each year, when FINRA publishes an *Election Notice* listing the coming year's vacancies on each of FINRA's 11 District Committees. This *Election Notice* details the procedures by which an individual can have his or her name added to the ballot. Generally, any eligible individual may be included on the ballot by completing a candidate profile form and submitting it to FINRA's Corporate Secretary. The profile form includes basic information about a candidate including a biography and position statement section where voters can learn more about the candidate.

Each individual who meets the eligibility requirements is included on the ballot mailed in October to the firms eligible to vote in that election. The District Elections conclude in November.

Candidate Eligibility and Nomination

All candidates who submit their names and meet the qualifications set forth in the FINRA Regulation By-Laws are included on their district's ballot. Eligible District Committee members must:

1. be associated with a FINRA member firm eligible to vote in the district for that District Committee election;
2. be registered in the capacity of either a branch manager, principal or denoted as a corporate officer of the FINRA member firm; and
3. work primarily from such FINRA member firm's principal office or a branch office that is located within the district where the member would serve on the District Committee.⁵

District Committee Vacancies to Fill in 2017

Committee members are staggered so that every year FINRA holds an election to fill small and large firm vacancies in each district. Elections to fill mid-size firm representative vacancies take place every three years. If a member resigns before his or her term is complete, FINRA will hold an election to fill that partial term vacancy as well. There are 35 district committee seats up for election this year:

Districts 1-9 & 11 (Terms 2018 – 2020)

- ▶ 1 Small Firm Representative
- ▶ 1 Mid-Size Firm Representative
- ▶ 1 Large Firm Representative

District 10 (Terms 2018 – 2020)

- ▶ 2 Small Firm Representatives
- ▶ 1 Mid-Size Firm Representative
- ▶ 2 Large Firm Representatives

Small Firm Advisory Board

The SFAB provides guidance to FINRA staff, particularly regarding the potential effects of proposed regulatory initiatives on FINRA's small firms. The SFAB meets five times a year—primarily in Washington, DC—prior to each FINRA Board of Governors meeting. SFAB members are expected to attend SFAB meetings in person.

Composition of the SFAB

The SFAB comprises 10 members—five regional members elected by small firms in the five FINRA regions (one from each region) and five at-large members appointed by FINRA. Additionally, the FINRA Board of Governors' Small Firm Governor representatives serve as *ex-officio* members of the SFAB.

The five elected regional members represent the following geographic regions:

- ▶ Midwest Region: Districts 4 and 8
- ▶ New York Region: District 10
- ▶ North Region: Districts 9 and 11
- ▶ South Region: Districts 5, 6 and 7
- ▶ West Region: Districts 1, 2 and 3

A current list of SFAB Members is available at www.finra.org/sfab.

SFAB Member Terms

SFAB members serve a three-year term beginning the January following their election or appointment. Once an individual has completed a full three-year elected term on the SFAB, he or she is ineligible to run for re-election to the SFAB for another three years.

SFAB Election Process and Timing

SFAB elections begin in early September when FINRA publishes an *Election Notice* announcing vacancies on the SFAB and soliciting candidate nominations. This *Election Notice* sets forth the procedures for an individual to have his or her name added to the ballot. Eligible candidates self-nominate by completing a candidate profile form and submitting it to FINRA's Corporate Secretary. The profile form includes basic information about a candidate, including a biography and position statement section to help firms learn more about the candidate. Only one candidate from a firm may submit his or her name for a particular seat.

Any individual who meets the eligibility requirements will be certified as a candidate and included on the ballot. Ballots are mailed in October to the executive representatives of firms eligible to vote in the election, with the voting period concluding in November.

Candidate Eligibility and Nomination

Any senior member of a small firm is eligible to run for the regional seat for which they have their primary place of business and whose firm has its main office in that region (as indicated in FINRA records). Senior members of firms include owners, chief executive officers, presidents, chief compliance officers, chief operating officers, the firm's FINOP or individuals of comparable status. There may be only one candidate per firm on each ballot.

Elected SFAB Member Vacancies to Fill in 2017

- ▶ Midwest Region Representative (Term 2018 – 2020)
- ▶ South Region Representative (Term 2018 – 2020)

National Adjudicatory Council

The NAC is an adjudicatory body that reviews 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, considers appeals of membership proceedings, exercises exemptive authority and acts in other proceedings as set forth in the Code of Procedure. In addition, the NAC is consulted on rule proposals related to the disciplinary process, and recommends changes to the Sanction Guidelines, which address disciplinary fines and sanctions.

Composition of the NAC

The NAC comprises 15 members—seven industry members and eight non-industry members. The seven industry members of the NAC include two small firm, one mid-size firm, two large firm and two at-large industry members. Of the eight non-industry NAC members, at least three are public members.

The Board appoints the NAC and its members. The Board appoints non-industry members and at-large industry members from candidates recommended by FINRA's Nominating Committee. The Board also appoints small firm, mid-size firm, and large firm NAC members, either from candidates recommended by the Nominating Committee, or in the event of a contested election for a small firm, mid-size firm, or large firm NAC member vacancy, the candidate who is elected by member firms of the same size.

A current list of NAC Members is available at <http://www.finra.org/industry/nac-committee-members>.

NAC Member Terms

NAC members serve single three-year or four-year terms beginning the January following their election or appointment.⁶ If a NAC member is elected to fill a vacancy for a term of less than one year, the NAC member may serve a subsequent single four-year term after the expiration of the initial partial term.

The two seats being filled in the 2017 election are for three-year terms.

NAC Election Process and Timing

The NAC election cycle begins in July when FINRA publishes an Election Notice announcing the candidates nominated by FINRA's Nominating Committee for a small firm, mid-size firm or large firm NAC member vacancy. This initial *Election Notice* begins a 45-day petition period during which eligible individuals who were not nominated can petition to have their name included on the ballot listing candidates for the election.

At the close of the petition period, the Corporate Secretary reviews all submitted petitions and certifies candidates who obtain the required number of petitions in support of their candidacy. Petition candidates are included on the ballot, along with the Nominating Committee's candidates, which is mailed to firms in September. The voting period concludes in November.

Candidate Eligibility and Nomination

FINRA's Nominating Committee considers candidates for all NAC seats, including the five elected industry member seats that are based on firm size. If you are interested in being considered for nomination by the Nominating Committee as a FINRA candidate, please email the Corporate Secretary with a copy of your resume or CV and a short biographical profile.

As noted above, eligible individuals who were not nominated may petition to have their name included on a ballot for election by obtaining petitions in support of their candidacy. Any eligible candidate who submits the requisite number of valid petitions to the Corporate Secretary within the 45-day petition period will be included as a candidate on the appropriate ballot.⁷

Elected NAC Member Vacancies to Fill in 2017

- ▶ 1 Small Firm NAC Member (Term 2018 – 2020)
- ▶ 1 Large Firm NAC Member (Term 2018 – 2020)

FINRA Board of Governors

The FINRA Board of Governors is the governing body of the corporation and is responsible for overseeing management in the administration of FINRA's affairs and the promotion of FINRA's welfare, objectives and purposes.

Composition of the Board

The FINRA Board consists of 23 members, including:

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

The Nominating Committee nominates candidates to run for election to fill seven seats on the Board designated by firm-size category—three small firm governors, one mid-size firm governor and three large firm governors. Individuals may also petition to become candidates for these seven elected governor seats. Candidates for these seats are elected by the firms eligible to vote for that category of governorship.

The remaining governors are appointed by the Board from candidates nominated by the Nominating Committee.

A current list of FINRA Board members is available at <http://www.finra.org/about/finra-board-governors>.

Board Member Terms

Governors are appointed or elected for three-year terms and 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 after the expiration of the governor's initial term.

Board Election Process and Timing

The Board election begins in May of each year, at which time FINRA issues an *Election Notice* announcing the upcoming small firm, mid-size firm, or large firm governor vacancies on the Board and announcing the candidates nominated by the Nominating Committee. This initial *Election Notice* begins a 45-day petition period during which eligible individuals who were not nominated may gather petitions to qualify as a candidate.

At the close of the petition period, the Corporate Secretary reviews all submitted petitions and certifies candidates who obtain the requisite number of petitions in support of their candidacy. Petition candidates are included on the proxy, along with any FINRA-nominated candidates, and the proxy is mailed to executive representatives in June or July. The voting period generally concludes in August at FINRA's annual meeting.

At times, elections are held to fill partial term vacancies outside of the normal election cycle. These elections follow the same process as described above and conclude at a special meeting of members eligible to vote for that governorship.

Newly elected governors begin their terms immediately upon election.

Candidate Eligibility and Nomination

To be eligible to serve as an Elected Governor, 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.

If you are interested in being considered for nomination by the Nominating Committee as a FINRA candidate, please email the Corporate Secretary with a copy of your resume or CV and a short biographical profile.

Elected Governor Vacancies to Fill in 2017:

- ▶ 1 Large Firm Governor Vacancy (Partial Term 2017 – 2019)
- ▶ 1 Large Firm Governor Vacancy (Term 2017 – 2020)
- ▶ 1 Small Firm Governor Vacancy (Term 2017 – 2020)

Appointed Positions

If you meet the qualifications for and are interested in being considered for appointment to the Board or one of the committees referenced in this *Notice*, you may email an indication of interest along with your resume or CV and a short biographical profile to CorporateSecretary@finra.org.

Endnotes

1. One of the two large firm elections will fill a seat on the board vacated by a large firm governor whose term on the Board ended at the September 2016 annual meeting.
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.
5. Article VIII, Section 8.2 of the FINRA Regulation By-Laws.
6. FINRA Regulation By-Law changes approved by the SEC on June 17, 2016, lengthened the terms of all new NAC members, after a three-year transitional period beginning in January 2017 and ending in December 2019, to four years.
7. Article VI, Section 6.2 of the FINRA Regulation By-Laws.

FINRA Elections Comparison Chart

	Board of Governors	National Adjudicatory Council	District Committees	Small Firm Advisory Board
Term Length	3-year terms	4-year terms (NAC is phasing in all 4-year terms)	3-year terms	3-year terms
Elected Positions	<ul style="list-style-type: none"> • 3 Small Firm • 1 Mid-Size Firm • 3 Large Firm 	<ul style="list-style-type: none"> • 2 Small Firm • 1 Mid-Size Firm • 2 Large Firm 	Districts 1-9 & 11 <ul style="list-style-type: none"> • 3 Small Firm • 1 Mid-Size Firm • 3 Large Firm District 10 <ul style="list-style-type: none"> • 6 Small Firm • 2 Mid-Size Firm • 6 Large Firm 	<ul style="list-style-type: none"> • North Region Representative • South Region Representative • Midwest Region Representative • New York Region Representative • West Region Representative
How to become a candidate for an elected seat	<p>Nomination by the FINRA Nominating Committee</p> <p>Or</p> <p>Submit the requisite number of valid petitions in support of his or her nomination by the petition due date.</p>	<p>Nomination by the FINRA Nominating Committee</p> <p>Or</p> <p>Submit the requisite number of valid petitions in support of his or her nomination by the petition due date.</p>	<p>Every individual who submits a Candidate Profile Form and meets the eligibility requirements will be included on the ballot.</p>	<p>Every individual who submits a Candidate Profile Form and meets the eligibility requirements will be included on the ballot.</p>
Candidate Eligibility	<p>Registered with a Small, Mid-Size or Large Firm to run for a corresponding seat.</p>	<p>Registered with a Small, Mid-Size or Large Firm to run for a corresponding seat.</p>	<p>Registered as a Branch Manager, Principal or Corporate Officer.</p>	<p>Senior member of a small firm whose primary place of business and whose firm has its main office in the appropriate region.</p>
Firm voting eligibility	<p>Firms are eligible to vote for one of the candidates running for a seat in the same size category as their own firm.</p>	<p>Firms are eligible to vote for one of the candidates running for a seat in the same size category as their own firm.</p>	<p>Firms are eligible to vote for candidates running for the seat corresponding to their firm size in the district in which:</p> <p>(1) it has its principal office; and</p> <p>(2) in any district in which it has one or more registered branch offices.</p>	<p>FINRA small firms are eligible to vote for candidates running for the SFAB seat representing the region corresponding to the district to which they are assigned in CRD.</p>

FINRA Annual Election Cycle

	May	June	July	August	September	October	November	December	January
Board	Nominating Committee Nominates Candidate Petition Period Begins	45-day Petition Period Concludes	Proxies Mailed and Voting Begins	Election Concludes at FINRA's Annual Meeting & Terms Begin					
NAC			Nominating Committee Nominates Candidate Petition Period Begins	Petition Period Continues	45-day Petition Period Concludes	Ballots Mailed	Election Concludes		Terms Begin
SFAB					Call for Nominations	Ballots Mailed	Election Concludes		Terms Begin
District Committees					Call for Nominations	Ballots Mailed	Election Concludes		Terms Begin