

Special Notice

2018 Involvement and Election Process Overview

Summary

FINRA360 is an effort through which FINRA is conducting a comprehensive self-evaluation and organizational improvement initiative to ensure that FINRA is operating as the most effective self-regulatory organization (SRO) it can be, working to protect investors and promote market integrity in a manner that supports strong and vibrant capital markets. In March 2017, as part of the FINRA360 initiative, FINRA issued a [Special Notice](#) requesting feedback on certain of its engagement programs (Engagement Notice). Since that time, FINRA has been processing the feedback received on the Engagement Notice, making changes to its programs and implementing various recommendations in response to that feedback, where appropriate. These changes include issuing this *Special Notice*, FINRA's first annual Involvement Notice.

FINRA has multiple committees that facilitate effective engagement with its member firms and representatives of the public regarding regulatory and policy initiatives related to FINRA's mission of promoting market integrity and investor protection in a manner that facilitates vibrant capital markets. The purpose of this *Notice* is to (i) encourage member firms and other interested parties to become involved, (ii) provide information regarding the process for filling vacancies on various FINRA advisory and *ad hoc* committees, as well as the National Adjudicatory Council (NAC), the FINRA Board of Governors (FINRA Board) and the FINRA Investor Education Foundation Board of Directors (Foundation Board) and (iii) announce a new [online portal](#) to make it easier for interested individuals to get involved.

The *Notice* also provides information on a proposed reorganization of our District Committees, which is also responsive to feedback received on the 2017 Engagement Notice and feedback received during President & CEO Robert Cook's listening tour.

February 1, 2018

Suggested Routing

- Executive Representatives
- Senior Management

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

- ▶ Jennifer Mitchell, Vice President and Deputy Corporate Secretary, at (202) 728-8949 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

As a self-regulatory organization (SRO) for the broker-dealer industry, FINRA is dedicated to investor protection and market integrity through effective and efficient regulation that facilitates vibrant capital markets. The benefits this model offers, including providing FINRA unique access to information and expertise that facilitates efficient regulation of a highly complex industry, cannot be fully achieved if FINRA is not effectively engaged with its member firms, as well as other stakeholders.

FINRA's many stakeholders—firms, retail investors, consumer groups, institutional investors, other regulators, federal and state agencies and policy makers—are understandably interested in how FINRA pursues its mission. Effective engagement with these stakeholders is vital to FINRA for several reasons. Continuous engagement with its stakeholders helps FINRA better understand the various business models of its member firms, the complex and rapidly evolving securities markets in which they operate and the wide range of retail and institutional investors those firms serve. FINRA uses what it learns from this engagement to enrich its regulatory programs and identify practical and effective ways to protect investors and promote market integrity in a manner that facilitates vibrant capital markets. In addition, stakeholders provide constructive feedback to FINRA regarding its regulatory and policy initiatives and potential rule or policy changes that would better serve investors and promote strong capital markets.

FINRA encourages engagement with its stakeholders through its advisory and *ad hoc* committees, as well as the NAC, District Committees, the FINRA Board and the Foundation Board. Specifically, FINRA has 15 advisory committees that provide feedback on rule proposals, regulatory initiatives and industry issues. FINRA also consults with 16 *ad hoc* committees that address specific subject-matter issues. The FINRA Board includes both industry and public members who offer their unique perspectives in their oversight of management in the administration of FINRA's affairs and the promotion of FINRA's goals and objectives. In addition, the Foundation Board directs the FINRA Foundation, a non-profit foundation furthering FINRA's investor protection goals by helping empower underserved Americans with the knowledge, skills and tools to make sound financial decisions throughout life.

FINRA conducts annual elections to fill member firm positions on the FINRA Board, NAC, District Committees and the regional representative seats on the Small Firm Advisory Committee (SFAC). The FINRA Board appoints the remainder of the advisory committee members and FINRA staff selects *ad hoc* committee members. In addition, the Foundation Board members are appointed by FINRA.

This *Notice* provides (i) an overview of the vacancies to be filled in 2018 either by election or appointment; (ii) a description of responsibilities for the various bodies; and (iii) a summary of how eligible individuals can become candidates for appointment or election.

For the positions listed in this *Notice*, FINRA will announce detailed nomination and election procedures in an *Election Notice* at the start of the various elections throughout the year. In addition, the FINRA Board annually reviews and approves the membership of the advisory committees in May. There are also periodically mid-year vacancies that must be filled.¹

Engagement Portal

If you are interested in being considered for nomination or appointment to positions on the *ad hoc* committees, advisory committees, NAC, FINRA Board or Foundation Board, you may submit an indication of interest through FINRA's new online [Engagement Portal](#) being launched in tandem with this *Notice*. The online portal provides a convenient method through which individuals may indicate their interest in being considered for future vacancies. The link provided above allows individuals to use an online form to submit basic contact and background information, indicate which committees or bodies they are interested in serving on, and provide a brief biographical summary and a statement on why they are interested in serving.

The information submitted through the Engagement Portal will be routed to the appropriate staff or department at FINRA. While submitting a form is no guarantee of a future committee, NAC, FINRA Board or Foundation Board seat, FINRA staff will be able to search the submissions as vacancies arise and will consider qualified candidates for vacancies.

Advisory Committees

FINRA currently has 15 advisory committees that provide feedback on rule proposals, regulatory initiatives and industry issues.² Four committees routinely provide comment on rule proposals and regulatory initiatives that are brought to the FINRA Board—the SFAC, Membership Committee, Large Firm Advisory Committee and the Investor Issues Committee. The remaining 11 advisory committees provide feedback on issues related to specific subject matters and provide comment on regulatory initiatives and rule proposals being brought to the FINRA Board that are related to their expertise.

The advisory committees comprise mainly industry members with non-industry members primarily serving on committees such as the Economic Advisory Committee, Investor Issues Committee, Market Regulation Committee and National Arbitration and Mediation Committee. The advisory committees meet in-person or via teleconference typically between two and five times per year.

Advisory Committee Member Selection and Terms

FINRA's advisory committee membership is reviewed annually by both management and the FINRA Board who consider the relevant expertise of each committee member, in addition to the overall geographic, size and business model diversity of the committees to ensure appropriate composition and representation. Except for the SFAC, there are generally no term limits for advisory committees. Each SFAC member serves one three-year term after which he or she is not eligible for re-election or re-appointment to the SFAC for another three years.

The current advisory committees are listed below. For a more detailed description of each committee, including composition and a list of current committee members, see <http://www.finra.org/about/committees>.

Committee	Description
Capital Acquisition and Placement Broker Committee	Established in December 2017 on a two-year trial basis to advise FINRA on regulatory and public policy issues arising from the activities of member firms that have elected or are considering electing to be capital acquisition brokers (CABs), as well as member firms that have not elected CAB status but have similar business models.
Clearing Firm Advisory Committee (CFAC)	Established in December 2017 as a forum for clearing and introducing firms to advise and make recommendations on issues arising from member firm activities relating to the clearance, carrying and settlement of securities, including issues, practices and activities affecting or relating to small member firms, such as their access to clearing services.
Corporate Financing Committee	Advises on regulatory and public policy issues arising from firms' capital-raising activities.
Economic Advisory Committee	Provides input regarding the effects of current and proposed rules and regulations, market trends and activities that may deserve FINRA's attention and the methods to measure and assess the associated impacts.

Committee	Description
Financial Responsibility Committee	Advises primarily on rules related to financial responsibility (e.g., Securities Exchange Act of 1934 (SEA) Rules 15c3-1 and 15c3-3) and the clearance and settlement of securities transactions, and how these rules affect the financial and operational activities of firms.
Fixed Income Committee	Advises on regulatory initiatives, rules and policies involving debt securities, including municipal securities.
Investor Issues Committee	Advises on policy initiatives that significantly affect individual and institutional investors. The committee also routinely provides comment from an investor protection perspective on rule proposals and regulatory initiatives that are brought to the FINRA Board.
Large Firm Advisory Committee	Advises and assists FINRA in identifying and promoting best practices regarding broker-dealer compliance activities. The committee also routinely provides comment from a large firm ³ perspective on rule proposals and regulatory initiatives that are brought to the FINRA Board.
Market Regulation Committee	Advises on market regulation and trading issues and the administration of various FINRA market regulation and trade reporting systems, such as the Trade Reporting Facilities, the Order Audit Trail System (OATS) and the Alternative Display Facility.
Membership Committee	Advises on a wide range of matters of interest and concern to firms including, but not limited to, providing insight on industry trends, issues and needs regarding regulatory compliance. The committee also routinely provides comment from the perspective of mid-size member firms ⁴ and member firms that are independent dealers or are affiliated with insurance companies on rule proposals and regulatory initiatives that are brought to the FINRA Board.
National Arbitration and Mediation Committee	Advises and makes recommendations to FINRA regarding recruitment, qualification, training and evaluation of arbitrators and mediators, as well as recommendations on rules, regulations and procedures that govern the conduct of arbitration, mediation and other dispute resolution matters before FINRA.

Committee	Description
Operations Advisory Committee	Advises on securities industry operational trends and their potential impact on controls and regulation, as well as global clearance, settlement, data standards and other back-office issues that impact firms and the securities industry.
Public Communications Committee	Advises on matters regarding proposed changes and interpretations to FINRA rules governing member communications with the public, as well as the administration of such rules, and advises FINRA staff regarding emerging communications technologies.
Small Firm Advisory Committee (SFAC)	Established to ensure that issues of particular interest and concern to small firms ⁵ are effectively communicated to and considered by FINRA. The committee also routinely provides comment from a small firm perspective on rule proposals and regulatory initiatives that are brought to the FINRA Board.
Uniform Practice Code (UPC) Committee	Advises on issues relating to the UPC and over-the counter (OTC) market trading, processing and operations.

If you are interested in being considered for appointment to any future vacancies on one of FINRA's advisory committees, you may submit an indication of interest through FINRA's online [Engagement Portal](#).

Ad Hoc Committees

FINRA currently has 16 *ad hoc* committees that FINRA staff consults as needed on various issues. *Ad hoc* committee members are generally selected based on their experience with or expertise on a particular topic. Generally, there are no term limits for *ad hoc* committee members. Meeting frequency depends upon FINRA's consultation needs.⁶

The current active *ad hoc* committees are listed below. For more detailed descriptions including the composition of each committee, see <http://www.finra.org/about/ad-hoc-committees>.

Committee	Description
Complaints Initiatives Committee (CIC)	Advises FINRA's Office of Fraud Detection and Market Integrity regarding issues and trends relating to Rule 4530's requirement to report quarterly statistical and summary information regarding written customer complaints. FINRA staff consults with the CIC on changes to Rule 4530, related technology application issues, and <i>Regulatory Notices</i> and frequently asked questions (FAQs) that are published regarding Rule 4530.
FinTech Industry Committee	Provides FINRA, member firms and others with a platform for ongoing dialogue and analysis of FinTech developments, including with respect to their potential impact on FINRA's investor protection and market integrity objectives. The committee also advises on challenges to the adoption of FinTech-based products or services. In addition, the committee offers opportunities to improve interactions between FinTech firms and FINRA to support innovation that is consistent with FINRA's investor protection and market integrity objectives and to identify possible FINRA FinTech initiatives.
Firm Element Training Committee	Advises FINRA's E-Learning Program, which maintains a suite of training courses on a range of compliance topics, regarding the development of e-learning courses and their content.
Licensing and Registration Council (LRC)	Advises FINRA's Registration and Disclosure Department regarding broad issues relating to the licensing and registration of financial services firms and their associated persons. Provides a forum for the open discussion of issues relating to Web CRD® and the Investment Adviser Registration Depository (IARD™), and provides recommendations for enhancements of these systems. The LRC also addresses issues regarding FINRA qualification examinations and maintains a Registration and Qualification Sub-Committee to make policy and system recommendations to the larger committee.
Market Surveillance Advisory Group	Provides input to help FINRA evaluate the current level of sophistication of its market surveillance program and to explore innovations in modern financial analysis, quantitative data analysis, data mining, artificial intelligence and machine learning that can be used to enhance FINRA's surveillance capabilities.

Committee	Description
Qualification Examination Content Committees (10 Committees)	Advise FINRA's Testing and Continuing Education Department regarding the content of all qualifications examinations. ⁷ Larger committees meet in smaller groups based on content expertise needed at a meeting.
Rule 4210 Committee	Advises FINRA's Risk Oversight and Operational Regulation Department with respect to the industry's margin and credit practices and issues relating to Rule 4210 (Margin Requirements).

If you are interested in being considered for appointment to any future vacancies on one of FINRA's *ad hoc* committees, you may submit an indication of interest through FINRA's online [Engagement Portal](#).

Proposed FINRA Regional Committees

On December 14, 2017, the FINRA Board approved changes to the FINRA Regulation, Inc. By-Laws (FINRA Regulation By-Laws)⁸ to reorganize its District Committees into Regional Committees that mirror the regions in which FINRA's 11 Districts are administratively grouped. The reorganization responds generally to feedback from the Engagement Notice questioning the usefulness of District Committees and the membership's general lack of interest in District Committee service. FINRA intends to submit a rule filing to the SEC proposing the reorganization described below.⁹

FINRA's Regional Committee members will 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 Regional Committee will allow members to interact with firms from their region, FINRA regional staff, as well as many of FINRA's senior leaders. In addition, Regional Committee members will be responsible for helping plan the agenda and speakers for the annual Regional Networking Seminars. The Regional Networking Seminars are half-day events designed to provide financial professionals associated with FINRA member firms in different regions the opportunity to engage in key discussions with FINRA senior and regional staff and connect with industry leaders and peers. In addition, the seminars generally will include discussions on regulatory initiatives and emerging trends relevant to the financial services industry.

The Regional Committees will each meet in person twice per year, and FINRA will host the Regional Networking Seminars in conjunction with one of those bi-annual meetings. FINRA will publish the date and location of each Regional Networking Seminar on its [Conferences and Events](#) web page.

The information below further describes the proposed Regional Committee structure and election procedures that FINRA intends to file with the SEC.

Proposed Regional Committee Composition

FINRA will have five Regional Committees representing the following geographic regions:

- ▶ **West** (Districts 1 (San Francisco), 2 (Los Angeles) and 3 (Denver));
- ▶ **Midwest** (Districts 4 (Kansas City) and 8 (Chicago));
- ▶ **South** (Districts 5 (New Orleans), 6 (Dallas) and 7 (Atlanta and Boca Raton));
- ▶ **North** (Districts 9 (Philadelphia and Woodbridge) and 11 (Boston)); and
- ▶ **New York** (District 10 (Long Island and New York)).

Each Regional Committee will have six elected members from each district within that committee's region. Regional Committees representing three districts (*i.e.*, the South and West) have 18 members, and Regional Committees representing two districts (*i.e.*, Midwest, North and New York) will have 12 members.

Proposed Regional Committee Member Terms

Regional Committee members will serve three-year terms beginning in January of each year. There is no limit on the number of terms that a Regional Committee member may serve, except that he or she may serve no more than two full terms consecutively.

Proposed Regional Committee Election Process and Timing

The district-level Regional Committee elections will begin with a call for candidate nominations in September of each year, when FINRA publishes an *Election Notice* listing the coming year's vacancies for each of FINRA's five Regional Committees. This *Election Notice* will detail procedures for adding an individual's name 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 will include basic information about a candidate, including a biography and position statement section where voters can learn more about the candidate.

Proposed Regional Committee Candidate Eligibility and Nomination

All candidates who submit their names and meet the qualifications that will be set forth in the FINRA Regulation By-Laws will be included on their district's ballot. Eligible Regional Committee candidates will be required to:

1. be associated with a FINRA member firm eligible to vote in the FINRA district-level elections for the Regional Committees;
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 for a FINRA member firm headquartered within the district the member will be representing on the Regional Committee.

Proposed Regional Committee Member Vacancies to Fill in 2018

Once the rules changes are effective, FINRA will issue a detailed *Notice* providing additional information about the new Regional Committees, explaining how current District Committee members will be staggered into terms on the new Regional Committees and the process for filling future positions.

Small Firm Advisory Committee

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

SFAC Composition

The SFAC 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's Small Firm Governor representatives serve as *ex-officio* members of the SFAC.

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 SFAC members is available at www.finra.org/SFAC.

SFAC Member Terms

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

SFAC Candidate Eligibility and Nomination

Any senior member of a small firm whose primary place of business is in the relevant region and whose firm has its main office in the relevant region (in each case, as indicated in FINRA records) is eligible to run for that regional seat. 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.

Eligible candidates self-nominate by submitting a completed candidate profile form 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. There may be only one candidate per firm on each ballot.

SFAC Election Process and Timing

SFAC elections begin in early September when FINRA publishes an *Election Notice* announcing vacancies on the SFAC and soliciting candidate nominations. This *Election Notice* sets forth the procedures for an individual to have his or her name added to the ballot. 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.

SFAC Member Vacancies to Fill in 2018

- ▶ 1 Elected North Region Representative (Term Jan. 2019 – Dec. 2021)
- ▶ 1 Elected West Region Representative (Term Jan. 2019 – Dec. 2021)
- ▶ 2 Appointed At-Large Members (Term Jan. 2019 – Dec. 2021)

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, considers appeals of requests for exemptions and acts in other proceedings as set forth in the Code of Procedure. In addition, FINRA consults the NAC on rule proposals related to the disciplinary process and recommended changes to the Sanction Guidelines, which address disciplinary fines and sanctions.

NAC Composition

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 FINRA Board appoints non-industry members and at-large industry members from candidates recommended by FINRA's Nominating & Governance Committee (Nominating Committee). The FINRA Board also appoints the small firm, mid-size firm and large firm NAC members who are 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, four-year terms beginning the January following their election or appointment.¹⁰ 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.

NAC Member 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. Nominees must provide to the Corporate Secretary such information as is reasonably necessary to determine the nominee's qualifications to serve as an industry or non-industry member of the NAC.¹¹ Industry members are generally associated with a broker-dealer as an employee, officer, director or controlling person.¹² In addition, individuals who own more than five percent of the equity securities of a broker-dealer, or provide professional services to a broker-dealer SRO, may also only be eligible for an industry member seat.¹³ Non-industry members include any public member and other individual who would not qualify as an industry member of the NAC.¹⁴

If you are interested in being considered for nomination by the Nominating Committee as a FINRA candidate, you may submit an indication of interest through FINRA's online [Engagement Portal](#).

Eligible individuals who were not nominated for an elected industry vacancy may petition to have their names 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.¹⁵

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.

NAC Member Vacancies to Fill in 2018

- ▶ 1 Elected Small Firm NAC Member (Term Jan. 2019 – Dec. 2022)
- ▶ 3 Appointed Non-Industry NAC Members (Term Jan. 2019 – Dec. 2022)

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.

FINRA Board Composition

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.¹⁶

The Nominating Committee may nominate candidates to run for election to fill seven seats on the FINRA 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 FINRA 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>.

FINRA 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.

FINRA Board Member Candidate Eligibility and Nomination

FINRA's Nominating Committee considers candidates for all FINRA Board seats, including the seven elected industry member seats that are based on firm size. Nominees must provide to the Corporate Secretary such information as is reasonably necessary to determine the nominee's qualifications to serve as an industry or public governor.¹⁷

Industry governors are generally associated with a broker-dealer as an employee, officer, director or controlling person.¹⁸ Individuals who provide professional services to an SRO, may also only be eligible for an industry member seat.¹⁹ Specifically, 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.²⁰ The Floor Member Governor must be associated with a member that is a specialist or floor broker on the New York Stock Exchange trading floor.²¹ The Independent Dealer/Insurance Affiliate Governor must be associated with a member that is an independent contractor financial planning member firm or an insurance company, or an affiliate of such a member.²² The Investment Company Affiliate Governor must be associated with a member that is an Investment Company or an affiliate of such a member.²³ Public governors must not be associated or have a material business relationship with a broker-dealer or a SRO registered under the SEA, other than serving as a public director of such SRO.²⁴

If you meet the eligibility requirements and are interested in being considered for nomination by the Nominating Committee as a FINRA candidate, you may submit an indication of interest through FINRA's online [Engagement Portal](#).

Eligible individuals who were not nominated for an elected vacancy 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.²⁵

FINRA Board Election Process and Timing

The FINRA 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 FINRA 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 there are partial-term vacancies that need to be filled outside of the annual election cycle described above. Elections to fill partial-term vacancies outside of the normal election cycle generally follow the same process as described above and conclude at a special meeting of members eligible to vote for that governorship. Newly elected and appointed governors filling partial-term vacancies begin their terms immediately upon election or appointment.

Governor Vacancies to Fill in 2018

- ▶ 1 Elected Large Firm Governor (Term Aug. 2018 - Aug. 2021)
- ▶ 1 Elected Mid-Size Firm Governor (Term Aug. 2018 - Aug. 2021)
- ▶ 1 Elected Small Firm Governor (Term Aug. 2018 - Aug. 2021)
- ▶ 1 Appointed Independent Dealer/Insurance Affiliate Governor (Term Aug. 2018 - Aug. 2021)
- ▶ 3 Appointed Public Governors (Term Aug. 2018 - Aug. 2021)

FINRA Investor Education Foundation Board of Directors

Established in 2003, the FINRA Investor Education Foundation (FINRA Foundation) is a non-profit organization that is a wholly owned subsidiary of FINRA. The FINRA Foundation's mission is to empower underserved U.S. adults with the knowledge, skills and tools to make sound financial decisions throughout life. The FINRA Foundation accomplishes this mission through educational programs and research that help consumers achieve their financial goals and that protect them in a complex and dynamic world.

The FINRA Foundation helps people build financial stability, invest for life goals and guard against fraud. The FINRA Foundation's programs address the needs of investors, military service members, lower-income workers and families. Much of this work is accomplished in partnership with organizations that share a deep commitment to the FINRA Foundation's mission. In that regard, the FINRA Foundation empowers its partners by building capacity and nurturing supportive networks that stand ready and well equipped to guide people through life's financial decisions and challenges.

In addition, the FINRA Foundation serves as a repository for data describing the financial capability of U.S. households. It interprets this data and enables research to help decision-makers and practitioners advance financial well-being in communities nationwide. The FINRA Foundation also has an active research agenda focusing on financial fraud in America, and it sponsors a variety of studies to help us understand what works when it comes to financial education and protection.

For additional information on the FINRA Foundation's initiatives, see www.finrafoundation.org.

The FINRA Foundation is governed by the Foundation Board, a Board of Directors that is responsible for the overall management and administration of the FINRA Foundation.

Foundation Board Composition

The Foundation Board must consist of a minimum of three directors, including at least two "public" members as defined by the By-Laws (*i.e.*, not employed by a securities regulator and having no material business relationship with the securities industry). The Chairman of the Foundation Board is the CEO of FINRA.

The Foundation Board currently comprises eight members:

- ▶ 4 Non-Public Directors, including FINRA's CEO
- ▶ 4 Public Directors

FINRA may increase the number of directors if deemed desirable. A list of the current Foundation Board members is available at www.finrafoundation.org/about/board/index.html.

Foundation Board Member Terms

Directors of the Foundation Board hold office for a three-year term or until their respective successors are duly elected and qualified. A director, other than the FINRA CEO serving as chairman, generally may not serve more than two consecutive terms on the Foundation Board.

Foundation Board Member Candidate Eligibility and Selection Process

Candidates for vacancies on the Foundation Board are often recommended by FINRA management, current and former Foundation directors, FINRA Foundation partners and grantees, and other interested parties.

Candidates must meet the eligibility requirement set forth in the FINRA Foundation's By-Laws for the various seats on the Foundation Board. For example, a Public Director must not be a governor of FINRA and may otherwise have no material business relationship with FINRA, a broker or dealer, or an SRO registered under the SEA (other than serving as a public director of the SRO).

If you meet the eligibility requirements and are interested in being considered for a future vacancy on the Foundation Board, you may submit an indication of interest through FINRA's online [Engagement Portal](#).

Director Vacancies to Fill in 2018

- ▶ 2 Public Directors (Term Jan. 2019 – Dec. 2021)

Attachments

- ▶ Summary of Positions Filled by Appointment
- ▶ Summary of Elected Positions and Procedures
- ▶ Timing of Annual FINRA Elections

Endnotes

- 1 www.finra.org/EngagementPortal.
- 2 In December 2017, the FINRA Board approved a number of changes to the advisory committee structure, including renaming the Compliance Advisory Committee and the Small Firm Advisory Board as the Large Firm Advisory Committee and Small Firm Advisory Committee, respectively. The FINRA Board also disbanded the Regulatory Advisory Committee and merged the Independent Dealer/Insurance Affiliate Committee into the Membership Committee. In addition, the FINRA Board authorized two new advisory committees—the Capital Acquisition and Placement Broker Committee and the Clearing Firm Advisory Committee.
- 3 A large firm employs 500 or more registered persons. See FINRA By-Laws, Article I(y).
- 4 A mid-size firm employs at least 151 and no more than 499 registered persons. See FINRA By-Laws, Article I(cc).
- 5 A small firm employs at least one and no more than 150 registered persons. See FINRA By-Laws, Article I(ww).
- 6 For example, in 2014, FINRA staff formed the Dispute Resolution Task Force (Task Force), which included both industry and non-industry members. The Task Force was established to suggest strategies to enhance the transparency, impartiality and efficiency of FINRA's securities dispute resolution forum for all participants. The Task Force and its subcommittees met 57 times over a period of 14 months to discuss these issues. The Task Force issued a report on its findings in December 2015, after which it was disbanded.
- 7 The 10 committees comprise the Series 14 – Compliance Officer Committee; Series 16/86/87 – Research & Supervisory Analyst Committee; Series 23/24/26/39 – Principal Examinations Committee; Series 27/28 – FinOp Principal Committee; Series 4/9/10 – Sales Supervisor/Options Principal Committee; Series 57 – Securities Trader Committee; Series 6/7/22/82 – Sales Representative Committee; Series 79 – Investment Banking Committee; Series 99 – Operations Professional Committee; and the SIE – Securities Industry Essentials Committee.
- 8 FINRA Regulation, Inc. ("FINRA Regulation") is a subsidiary of FINRA that operates according to the Plan of Allocation and Delegation of Functions by FINRA to Subsidiaries.
- 9 Certain elements of the proposed reorganization described below may be modified in connection with the SEC filing process. FINRA will publish a *Notice* that summarizes the final details of the reorganization once it is effective.
- 10 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 ending in December 2019, to four years.
- 11 See FINRA Regulation By-Laws, Article V, Section 5.4.
- 12 See FINRA Regulation By-Laws, Article I(x).
- 13 *Id.*
- 14 See FINRA Regulation By-Laws, Article I(ee). A public member of the NAC is a non-industry member who has no material business relationship with a broker-dealer or a SRO. See FINRA Regulation By-Laws, Article I(hh).

- 15 FINRA Regulation By-Laws, Article VI, Section 6.2.
- 16 One Large Firm Governor seat is currently vacant
due to a recent resignation.
- 17 See FINRA By-Laws, Article VII, Section 9(d).
- 18 See FINRA By-Laws, Article I(t).
- 19 *Id.*
- 20 See FINRA By-Laws, Article I(z), (dd) and (xx).
- 21 FINRA By-Laws, Article I(n).
- 22 FINRA By-Laws, Article I(r).
- 23 FINRA By-Laws, Article I(w.)
- 24 FINRA By-Laws, Article I(tt).
- 25 FINRA By-Laws, Article VII, Section 10.

Summary of Elected Positions and Procedures

	FINRA Board	NAC	SFAC	Proposed Regional Committees Subject to change in connection with the SEC filing process
Term Length	3-year terms	4-year terms	3-year terms	3-year terms
Elected Positions	3 Small Firm Governors 1 Mid-Size Firm Governor 3 Large Firm Governors	2 Small Firm Members 1 Mid-Size Firm Member 2 Large Firm Members	North Region Representative South Region Representative Midwest Region Representative New York Region Representative West Region Representative	South Regional Committee— 18 members West Regional Committee— 18 members Midwest Regional Committee— 12 members North Regional Committee— 12 members New York Regional Committee— 12 members
How to become a candidate for an elected seat	Nomination by the FINRA Nominating Committee. or Submit the requisite number of valid petitions in support of his or her nomination by the petition due date.	Nomination by the FINRA Nominating Committee. or Submit the requisite number of valid petitions in support of his or her nomination by the petition due date.	Every individual who submits a Candidate Profile Form and meets the eligibility requirements will be included on the ballot.	Every individual who submits a Candidate Profile Form and meets the eligibility requirements will be included on the ballot.

	FINRA Board	NAC	SFAC	Proposed Regional Committees Subject to change in connection with the SEC filing process
Candidate Eligibility	Registered with a Small, Mid-Size or Large Firm to run for a corresponding seat.	Registered with a Small, Mid-Size or Large Firm to run for a corresponding seat.	Small firm senior member whose primary place of business is in the relevant region and whose firm has its main office in the relevant region (in each case, as indicated in FINRA records).	Eligible Regional Committee candidates must: <ul style="list-style-type: none"> • be associated with a member firm eligible to vote in the district-level elections for a Regional Committee; • be registered in the capacity of either a branch manager, principal or denoted as a corporate officer of the member firm; and • work primarily for a member firm headquartered within the district the member will be representing on the Regional Committee.
Firm voting eligibility	Firms are eligible to vote for one of the candidates running for a seat in the same size category as their own firm.	Firms are eligible to vote for one of the candidates running for a seat in the same size category as their own firm.	FINRA small firms are eligible to vote for candidates running for the SFAC seat representing the region corresponding to the district to which they are assigned in CRD.	Firms headquartered in the districts are eligible to cast one vote for each candidate running for the seats representing their respective districts on the regional committees. A FINRA member that is headquartered in the district shall be eligible to cast one vote through the FINRA member's Executive Representative for each position to be filled in the election representing that district on the Regional Committee.

Summary of Positions Filled by Appointment

	Ad Hoc Committees	Advisory Committees	NAC	FINRA Board	Foundation Board
Term Length	Membership refreshed as needed. No term limits.	Membership reviewed annually and refreshed as needed. No term limits except for the SFAC.	4-year terms	3-year terms 2 consecutive term limit	3-year terms 2 consecutive term limit
Appointed Positions	All ad hoc committee members are selected by management.	Except for the SFAC's 5 elected representatives, all advisory committee members are appointed.	8 Non-Industry NAC Members, including 3 Public NAC Members 2 At-Large Industry NAC Members	12 Public Governors 1 Floor Member Governor 1 Independent Dealer/Insurance Affiliate Governor 1 Investment Company Affiliate Governor	All Foundation Directors are appointed.
Candidate Eligibility	For the specific requirements for the various committees, see FINRA's governance page at www.finra.org/about/governance .		See the specific requirements set forth above for the various positions.		
How to seek appointment	If you are interested in being nominated or considered for any of the appointed positions on the ad hoc committees, advisory committees, NAC, FINRA Board or Foundation Board, you may submit an indication of interest through FINRA's online Engagement Portal .				
Timing	Positions are filled as new committees are established and as needed.	Advisory committee membership is reviewed annually by management and the Board in May.	The Nominating Committee considers candidates for appointed positions on the NAC in July.	The Nominating Committee generally nominates candidates for appointed Governor seats to the Board in July for Appointment to terms beginning at FINRA's Annual Meeting in July.	Candidates generally appointed in December to terms beginning in January of the following year.

Timing of Annual FINRA Elections

	FINRA Board	NAC	SFAC	Proposed Regional Committees Subject to change in connection with the SEC filing process
May	Nominating Committee Nominates Candidate Petition Period Begins			
June	45–day Petition Period Concludes			
July	Proxies Mailed and Voting Begins	Nominating Committee Nominates Candidate		
August	Election Concludes at FINRA’s Annual Meeting & Terms Begin	Petition Period Continues		
September		45–day Petition Period Concludes	Call for Nominations	Call for Nominations
October		Ballots Mailed	Ballots Mailed	Ballots Mailed
November		Election Concludes	Election Concludes	Election Concludes
December				
January		Terms Begin	Terms Begin	Terms Begin