



November 5, 2018

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Jennifer Piorko Mitchell  
The 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:

The Security Traders Association (“STA”)<sup>1</sup> appreciates the opportunity to offer comments on FINRA Regulatory Notice 18-26 (“Notice”) which seeks industry input on, “...enhancements to the Securities Industry Continuing Education Program (CE Program) under consideration by the Securities Industry/Regulatory Council on Continuing Education (CE Council).”

STA is comprised of twenty (20) affiliate organizations in the U.S. and four (4) in Canada, with membership comprised of individuals employed in the financial services industry. STA membership does not represent any specific business model, but rather encompasses a broad range of industry participants. It is from this broad based membership, including covered registered persons and previously registered persons within and outside the industry, which STA seeks to provide perspectives on the Notice. In addition to member insights, STA relies on Advisory Committees for input on its comment letters. For this particular comment letter, STA incorporated feedback from its Women in Finance Committee (“STA WIF”)<sup>2</sup> and Canadian STA (“CSTA”)<sup>3</sup> affiliates

<sup>1</sup> STA is a trade organization founded in 1934 for individual professionals in the securities industry. STA is comprised of 24 Affiliate organizations with 4,200 individual professionals, most of who are engaged in the buying, selling and trading of securities. STA is committed to promoting goodwill and fostering high standards of integrity in accord with the Association’s founding principle, Dictum Meum Pactum – “My Word is My Bond.” <https://securitytraders.org/>

<sup>2</sup> STA WIF is a committee that operates under the Security Traders Association, (“STA”). The STA WIF Committee is comprised of members who serve at the national level of STA WIF and representatives from those STA affiliates who maintain a Women in Finance Initiative. Given STA’s long history and unique makeup of industry practitioners, STA WIF is well positioned to gather women of all seniority to assist in fulfilling its Mission Statement and Core Actions. <https://securitytraders.org/women-in-finance/>

<sup>3</sup> The Canadian Security Traders Association, Inc. (“CSTA”) is a professional trade organization that works to improve the ethics, business standards and working environment for members who are engaged in the buying, selling and trading of securities (mainly equities). The CSTA represents over 850 members nationwide and is led by volunteer Governors from each of four distinct regions (Toronto, Montreal,



comprised of individuals subject to Investment Industry Regulatory Organization of Canada (“IIROC”) Continuing Education requirements<sup>4</sup>.

STA supports the CE Council in its efforts towards educating and training more than 600,000 securities professionals, thus ensuring they have the knowledge and skills necessary to help investors and promote the integrity of the U.S. capital markets.<sup>5</sup> STA believes many of the enhancements being considered to the CE Program are consistent with the CE Council’s Mission Statement that includes, among other things that it, “Promote effective implementation of meaningful continuing education to the securities industry.”

As described in the Notice, enhancements to the CE Program for the Regulatory and Firm Elements under consideration broadly include:

1. Communicate regulatory developments in a timely manner via Regulatory Element.
2. Improve coordination between firm and regulatory training programs.
3. Incorporate diverse instructional formats to facilitate learning.
4. Identify and reduce redundancy in training programs.
5. Ensure all registered persons receive adequate training.
6. Enable previously registered individuals to maintain their qualifications while out of the industry.
7. Consider more defined minimum standards of CE for the industry.

## **Regulatory Element**

***STA sees benefits in changing the frequency of completing the Regulatory Element to annually however; we have serious concerns on the costs it will impose on the industry. Therefore, the CE Council needs to find additional means to make such a change cost effective.***

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Vancouver and the Prairies). The organization was founded in 2000 to serve as a national voice for our affiliate organizations. The CSTA is also affiliated with the Security Traders Association (STA) in the United States of America, which has approximately 4,200 members globally, making it the largest organization of its kind in the world. <https://canadiansta.org/about.php>

<sup>4</sup> <http://www.iiroc.ca/industry/continuingeducationmember/Pages/default.aspx>

<sup>5</sup> Letter from Catherine Makstenieks, Chair, Securities Industry/Regulatory Council on Continuing Education. <http://cecouncil.com/council/activities-new-initiatives/>



One of the enhancements under consideration is changing the current requirement for registered persons to complete the Regulatory Element from every three years following the second anniversary of their initial registration to annually. To address the costs associated with this change in frequency, the CE Council has suggested to prorate the fees on exams and to make improvements to the CRD system and Professional Gateway (FinPro) that would enable communication directly to registered persons, thus providing administrative relief to firms. STA sees benefits in changing the frequency of completing the Regulatory Element to annually and agrees with FINRA that doing so will better ensure “that registered persons receive timely education on the securities business.” We appreciate the offers by the CE Council to make this change cost neutral; however, we are very concerned this will not achieve the intended goal.

Under the current three year/two year cycle with employees staggered throughout the cycle, the costs associated with communicating to employees, tracking statuses and following up to ensure completion are meaningful. Compressing this function to all employees on the same one year cycle would increase this burden and cost significantly. Even though representatives would receive notifications directly from FinPro, firms still need to ensure that employees complete the Regulatory Element in a timely matter to avoid becoming CE Inactive. Once an employee is CE inactive, all of the burden falls on the firm to demonstrate that the individual did not act in a registered capacity.

### **Firm Element**

The Notice seeks input on the CE Council’s consideration for creating a centralized content catalog to serve as an additional source of Firm Element content.

As stated in the Notice:

Firms have a variety of options for sourcing Firm Element content. Some firms develop materials internally. Others rely on third-party training providers.

Furthermore:

“When using outside vendors or externally-developed training materials, make certain the firm retains the overall responsibility to ensure that the content, delivery, and documentation are appropriate for its Firm Element needs. Please note that SROs do not approve any vendors or training material.”

***STA supports the CE Council’s consideration for creating a centralized content catalog to serve as an additional source of Firm Element content and working together with third-party training providers.***



STA believes benefits can accrue to firms and individual investors when regulators, with industry input, define industry standards in appropriate areas. Having defined regulatory industry standards ensures information is accurate and uniformly available. In addition, such standards foster private market solutions which transcend to lower costs.

In Canada, the Investment Industry Regulatory Organization of Canada, (“IIROC”) engages the Continuing Education Course Accreditation Process (CECAP) to review and recommend courses that are suitable for IIROC CE credit.<sup>6</sup> Feedback has been positive from STA Canadian members on this mechanism for approving third-party training providers and having a centralized catalog. The regime provides for a wide range of subject matter content that meets regulatory standards on costs which are reasonable. STA believes that creating a similar regime will produce similar benefits in the U.S. in particular for those firms with unique business models and are challenged to find content resources.

***STA recommends that forum discussions organized by third parties with the content and delivery responsibilities bore by FINRA, or an SRO representative, be eligible for meeting CE Firm Requirements. To be clear, the documentation obligation would remain with firms.***

Additionally, STA recommends that the CE Council consider another policy employed in Canada which categorizes the participation in panel discussions as “alternate activities”<sup>7</sup> that may qualify for CE credit under IIROC CE Rules. STA recommends that forum discussions organized by third parties, but whereby the content and delivery were the responsibility of FINRA or an SRO representative, be eligible for meeting CE Firm Requirements. To be clear, the documentation obligation and the determination as to whether the content is applicable for Firm CE credits would remain with member firms.

STA has witnessed such forums in Canada and we believe that instituting such a policy would provide a unique format for learning. Additionally, these events would provide for meaningful interaction with FINRA or other SRO representatives and the industry it oversees.

***STA recommends that the CE Council create a new category to its Firm Element Advisory (FEA)<sup>8</sup> and provide relevant resources under the title “Ethics.”***

STA believes that ethics matter and that the CE Council and FINRA are uniquely positioned to lead industry-wide efforts on educating firms on the benefits and risks of ethical and unethical

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<sup>6</sup> IIROC Notice dated January 26, 2018, page 18 [http://www.iiroc.ca/Documents/2018/9fe2a3a8-9360-4ffb-ac98-694e1d41ed51\\_en.pdf](http://www.iiroc.ca/Documents/2018/9fe2a3a8-9360-4ffb-ac98-694e1d41ed51_en.pdf)

<sup>7</sup> Ibid, appendix D page 17

<sup>8</sup> <http://www.cecouncil.com/firm-element/>



behavior. The financial services industry is built on trust, and unethical behavior, even if it occurs on rare occasions, does great harm. Ethical behavior can bring significant long-term benefits to a financial services company and the investors we serve. Since the 2008 financial crisis, regulators have applied tremendous amounts of resources towards rule making. STA believes that regulation alone cannot prevent every case of poor behavior by market participants which does harm to investors. There is a need for education in this area and we recommend that the CE Council create a new category title “Ethics” to its Firm Element Advisory (FEA) and provide relevant resources. Ancillary benefits for creating an ethics category to the Firm Element exist as well. Business ethics applies to a wide range, perhaps all, firms and this universal applicability makes it a viable content equivalent to the Firm Element for individuals who leave the industry.

### **Maintaining Qualification Status Post-Termination**

*STA supports the CE Council in pursuing a recommendation to allow previously registered individuals to maintain their qualification status while away from the industry.*

STA believes that an unreasonable barrier to re-enter the financial services industry exists for individuals with a prolonged absence. This unreasonable barrier to entry exists due to a combination of two factors: (i) an individual’s license to practice automatically expires after a two-year lapse in association with a member firm, and (ii) previously registered individuals are not permitted to take continuing education while away from the industry. These combined factors – lapses in licenses and continuing education – need to be addressed in unison in order eliminate what STA believes is a flawed policy that impacts qualified individuals, in particular those who are primary childcare providers. In our letter<sup>9</sup> to FINRA dated June 19, 2017, STA wrote:

...we (STA) believe that FINRA should institute a new reinstatement policy and process that has the following characteristics: the ability for individuals in a lapse state to take continuing education classes; requires individuals to apply and upon approval have their license(s) reinstated and guidelines which would allow employers to reasonably expect that a potential hire will have their license(s) reinstated upon employment. Reinstatement policies and processes exist in other industries such as the practice of law; therefore there are examples to compare.

STA notes that FINRA has already taken meaningful steps to begin to address making it easier to recruit and retain talent in the securities industry. Specifically, effective October 8, 2018, FINRA

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<sup>9</sup> STA letter to Jennifer Piorko Mitchell, The Office of the Corporate Secretary, FINRA, Re: Special Notice: Engagement Initiative, June 19, 2017. [http://www.finra.org/sites/default/files/notice\\_comment\\_file\\_ref/SN-32117\\_STA\\_comment.pdf](http://www.finra.org/sites/default/files/notice_comment_file_ref/SN-32117_STA_comment.pdf)



instituted the Securities Industry Essential (“SIE”) Exam. The SIE carries attributes which address some of the concerns expressed in our June 19, 2017 letter. Individuals do not require a sponsoring firm in order to take the SIE, and a passing grade is valid for four (4) years as opposed to the two (2) year term for a Series 7 license. While individuals are still required to satisfy all other conditions of registration to practice, having passed an SIE exam provides employers with a reasonable expectation that the potential hire will obtain the additional conditions of registration and be able to practice.

STA believes that the next contributing factor to the unreasonable barrier to re-entry which needs to be addressed is continuing education requirements for individuals away from the industry for a prolonged period of time. Many STA members know someone who made a positive impact on our industry and the investors we serve, who then left for an extended period of time. When this individual seeks to re-enter our industry they face an unreasonable barrier, in part, because they are uninformed on current practices. Consequently, many of these individuals seek employment elsewhere resulting in a loss of talent for our industry. Retaining talented people is critical for success in any industry but especially in financial services. STA believes that investors would be better served if the financial services industry had a reinstatement policy and procedure which permitted individuals to satisfy continuing education during a lapsed state. Under such a policy, employers would then have a reasonable expectation that a potential hire would be a candidate eligible for immediate registration.

### **Conclusion**

The STA appreciates the opportunity to comment on the Continuing Education Program and we look forward to working with the CE Council and FINRA on enhancements. We also wish to acknowledge and thank FINRA and CE Council staff responsible for drafting the Notice.

A handwritten signature in black ink that reads "Mike Rask".

**Mike Rask**  
**Chairman of the Board**

A handwritten signature in black ink that reads "James Toes".

**James Toes**  
**President & CEO**



## Appendix A

### Maintaining Qualification Status Post Termination

Q #13. Does a CE program seem like an appropriate way to accomplish this?

A #13. Yes, given FINRA's unique role in licenses and registrations, and the level of responsibility they have in the day-to-day operations of the CE Program, it is appropriate for the CE Program to be the mechanism for any enhancements in this area.

Q #14. If the CE Council recommended introducing a CE program that allowed individuals to maintain their qualification status while outside the industry, how much CE would be sufficient?

A #14. STA believes the amount of CE should be consistent for individuals within and outside the industry. Requiring fewer CE courses to those outside the industry impedes their ability to be properly skilled when re-entering. Requiring additional CE to those outside the industry seems unreasonable, burdensome and unfair.

Q #15. If the CE Council recommended introducing such a program, should it impose an experience requirement for individuals to be eligible? If the CE Council recommended establishing a minimum duration of prior registration, what would be a reasonable requirement?

A #15. STA does not necessarily believe that years of experience should be a requirement. Obtaining the proper license demonstrates an understanding of the subject matter. Furthermore, we are not aware of experience requirements existing in other industries like law and accounting.

Q #16. Should there be a limit to how long a previously registered individual could maintain their qualification status via the CE program under consideration? If so, what duration is appropriate?

A #16. STA has no comment on what would be defined as too long or too short a period of time. We recommend that the CE Council harmonize time periods of eligibility for the CE Program with FINRA's Securities Industry Essentials (SIE) Exam. STA believes that harmonizing these time periods is common sense given how interconnected they are with regard towards requirements needed to obtain and maintain employment in the financial services industry. Any future changes pertaining to length of eligibility for the SIE Exam should correspond with similar time period adjustments for the CE Program.

