



June 30, 2020

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FINRA  
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Via email to: [pubcom@finra.org](mailto:pubcom@finra.org)

RE: Regulatory Notice 20-05  
Continuing Education Program Transformation

A bit over ten years ago, on February 5, 2010, one of the authors of today's letter, wrote a response to a FINRA comment request related to Regulatory Notice 09 – 70 regarding proposed consolidation of rules governing registration and qualification requirements. See <https://www.finra.org/sites/default/files/NoticeComment/p121059.pdf>

Five years ago, on July 20, 2015, our firm again wrote a comment response to Regulatory Notice 15–20 with regard to restructuring qualification exams. See what we wrote then by accessing [https://www.finra.org/sites/default/files/notice\\_comment\\_file\\_ref/15-20\\_IMS\\_comment.pdf](https://www.finra.org/sites/default/files/notice_comment_file_ref/15-20_IMS_comment.pdf)

Today, we write to applaud and thank FINRA for finally apparently taking our comments and suggestions (and perhaps those of others also) seriously and, in its current request for comment in Regulatory Notice 20-05, proposing to effect many of those comments and suggestions.

For those FINRA members reading our response today, we also wish to add that our firm believes that it is never a waste of time nor useless to send comment responses, or otherwise make one's voice heard with FINRA. It may take a decade or two, but eventually and encouragingly, the ability for common sense to prevail remains possible.

As encouraged as we are however, unfortunately, some of our key suggestions have not been contemplated in FINRA's current proposals, which could go further. See the "FINRA Licenses Should Be Permanent" section of our 2015 letter to FINRA.



## Background

integrated Solutions is one of the largest providers of financial accounting and compliance consulting services to the financial services industry, providing such services to about 100 FINRA members, among other types of financial services firms. We counsel clients daily on which examination their Associated Persons will need to take to engage in the business lines for which they are approved or are seeking approval. Many of the key people employed by our clients were FINRA exam qualified at one point, but for a variety of reasons their exam qualification lapsed two years after leaving a FINRA firm.

Without repeating all of the salient points raised in the two letters that we had previously written to FINRA, referenced and linked above, both in 2010, and in 2015, utilizing Continuing Education as a means to retaining exam qualifications beyond the two year time frame has long been an enduring desire for us. Additionally, as highlighted in our 2015 response, expanding FINRA's Regulatory CE Element to cover relevant topics to each registrant's proposed or current duties has also been a long-held position. Similarly, we favor FINRA providing additional resources and support related to Firm Element CE.

## Regulatory Element CE

We support FINRA's recommendation to transition Regulatory Element CE to an annual requirement to be completed by registered persons by the end of each calendar year. This would be good so long as the Regulatory Element CE is relevant and can be administered, as it is currently, on personal computers.

Furthermore, generally we agree that individuals with multiple registrations be subject to more content than individuals with a single registration, requiring the completion of Regulatory Elements specific to each registration category that they hold. This should be so for persons who have held such registrations for less than a few years. We believe that a person who has held and utilized continuously a registration for more than a decade, should be presumed to not necessarily need a refresher session in that subject matter. We have long held that the current system of two subprograms, the S101 and the S201 were far too general in terms of training modules, given the wide range of specific qualifying FINRA exams. We are pleased that FINRA has finally recognized why these were not necessarily appropriate.

One of the authors of this letter has been a CPA and is not only a financial and operations principal for about four decades but also holds many other licenses. He should be able to choose whether he needs to update his knowledge in specific areas annually. Wasting precious time solely for the purpose of an arbitrary regulatory element requirement seems a bit overdone. Perhaps, once a person holds and uses a license for more than a decade or so, the annual requirement for



updating certain licenses should be extended to be triennially. We especially welcome FINRA’s proposal to work with the CE Council to identify and publish the Regulatory Element learning topics for each coming year in advance. This would go a long way in allowing firms to appropriately plan the Firm Element that they deliver to their associated persons without duplication.

Finally, naturally and without question, we support enhancements to CRD to allow the Regulatory Element CE to be completed more efficiently online. The fact that the FinPro system would finally send automated email notifications regarding the Regulatory Element requirement directly to registered persons is a feature that we have supported vigorously for years. Especially for small firms that do not have a formal compliance department, this would be a welcome timesaver.

#### Firm Element CE

The irony of the Firm Element CE is that although, from the FINRA perspective, it is meant to apply only to certain “covered registered persons” (those with direct customer contact in the conduct of a firm’s specific activities – FINRA Rule 1240(b)(1)), in practice, it is typically delivered during the Annual Compliance Meeting and therefore conveyed to the full roster of attendees anyway.

Therefore, we support FINRA’s proposal to amend Rule 1240(b) to extend Firm Element training to all registered persons, as well as inherently recognizing other training requirements such as AML training, as fulfilling the Firm Element requirement.

Additionally, we welcome the ready availability of a FINRA content catalog for this purpose.

#### Maintaining Qualification

In short, although we are grateful that FINRA has finally moved away from the two-year termination concept<sup>1</sup> and moved towards a proposal to uphold a registered person’s qualification for as long as seven years, we believe that much like CPAs and attorneys, a qualification should be for life, and can be supported via annual CE.

In this letter we have abstained from quoting from the prior two letters that we had written to FINRA, but in this particular case, the “FINRA Licenses Should Be Permanent” section of our letter dated July 27, 2015, so aptly describes our stance on this, that we have included some salient paragraphs, in italics, below:

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<sup>1</sup> We have traditionally called it Use it or Lose it

*“FINRA should treat the license earned for any series as permanent. That should be so no matter whether a license was earned by examination, waiver or grandfathering. No broker-dealer affiliation should ever be required to maintain a license. No license should ever lapse due to an artificial, mechanical time limit. Examinations should be available to anyone (even someone who has no involvement in the financial services industry)<sup>2</sup>. Continuing education should be available to anyone to ensure continued expertise.”*

*“Permanent licenses would make FINRA’s licensing rules comparable to those of other professional licenses that currently do not expire, such as CPAs, lawyers, doctors, engineers, etc. All of these other professional licenses are currently maintained by mandated CE requirements, without impairing professional competence and/or standards.”*

*“This would also eliminate the extant hypocrisy under current FINRA rules. FINRA tolls license expirations for various individuals. For example, members of the United States Armed Forces on active duty are not required to take CE. Maintenance of military proficiency is obviously more important when serving in the armed forces than maintaining financial services proficiency; this reinforces our conclusion that not being active as an Associated Person or the mere lapse of time does not diminish someone’s substantive knowledge. Another telling example is of individuals who associate with foreign securities affiliates or subsidiaries. Yet another is individuals who remain nominally as licensed Associated Persons of a broker-dealer even though they hardly ever use the substantive knowledge their licenses indicate when providing services to their employers, such as legal, compliance, internal audit, back-office operations, [which are not necessarily covered by the licenses they hold], etc.”*

*“Permanent licenses would have an additional benefit to the industry. New and Continuing Member Applications will not be stymied by the wait for individuals to attain required licenses while employed currently at a different member or not employed by any member. Our experience indicates this is a major cause of bottlenecks in the application process.”*

And from the same letter, from our section entitled “Permanent Licenses for Regulators and Others”:

*“All persons who regulate FINRA members on a daily basis should be required to take and pass industry examinations, no later than within a short period of time of hire. Licenses previously acquired by examination whether while at a FINRA member or otherwise should never expire. In fact, we believe this requirement should apply to all regulators and auditors in contact with FINRA members, including those from FINRA, the SEC, NFA and senior outside auditor staff. Holding industry licenses would certainly enhance their credibility when conducting examinations and audits.”*

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<sup>2</sup> This has since been somewhat remedied by the offering of the SIE exam



We now have some experience with the reorganization of FINRA staff and their interface with the members. In our opinion, we see that a preponderance of the staff persons would benefit greatly were they compelled to be examination qualified for much of the same subjects that they review. The collateral benefit to FINRA and its members would be significant.

In closing

We thank FINRA for the progress that it has made regarding its positions on Continuing Education as well as the maintenance of industry Qualifications.

Thank you as well for the opportunity to comment on RN20-05. Please feel free to contact us via email at [hspindel@integrated.solutions](mailto:hspindel@integrated.solutions) or [rconnell@integrated.solutions](mailto:rconnell@integrated.solutions) or by calling Howard Spindel at 212-897-1688 or Rosemarie Connell at 212-897-1691.

Very truly yours,

A handwritten signature in black ink, appearing to be 'H Spindel', with a stylized 'H' and a horizontal line extending to the right.

Howard Spindel  
Senior Managing Director

A handwritten signature in blue ink, appearing to be 'R Connell', with a stylized 'R' and a horizontal line extending to the right.

Rosemarie Connell  
Managing Director