



October 22, 2020

Submitted via e-mail: [cenal@michigan.gov](mailto:cenal@michigan.gov)  
[nasaacomment@nasaa.org](mailto:nasaacomment@nasaa.org)

Ms. Linda Cena, Chair  
NASAA IAR CE Committee  
750 First Street, NE, Suite 1140  
Washington, DC 20002

**RE: Request for Comments Regarding Proposed Amendment to Investment Adviser Representative Continuing Education Program and Model Rule Under the Uniform Securities Acts of 1956 and 2002**

Dear Chair Cena:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> is a national trade association which brings together the shared interests of more than 350 large, medium and small broker-dealers, investment banks and asset managers comprising more than 75% of market share and 50% of assets under management (“AUM”). Our members serve millions of retail and institutional clients in every state. Virtually all of our members serving retail clients do so both as a broker-dealer (“BD”) under the Securities Exchange Act of 1934 and as an investment adviser (“IA”) under the Investment Advisers Act of 1940.

SIFMA and its member firms recognize the importance of continuing education (“CE”) programs and are committed to providing robust training opportunities to our professionals. We appreciated the chance to provide feedback to your February 13, 2020 model rule proposal on an investment adviser representative (“IAR”) CE program. We likewise appreciate the opportunity to provide input on your October 7, 2020 proposed amendment addressing unregistered IARs.

Currently, as you well know, securities professionals whose registrations have lapsed or been terminated for two or more years are required to requalify by examination or obtain a waiver of the examination requirement to re-register. Yet life events - such as COVID-19, advanced education, career changes, and familial or healthcare considerations - can interrupt an individual’s career pursuit, often for extended periods of time.

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<sup>1</sup> SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

We are strongly supportive of language in FINRA Regulatory Notices 20-05 and 18-26 which would allow securities professionals to maintain their qualification status for up to seven (7) years provided they keep their CE current. This additional flexibility will help BDs and IAs attract and retain a talented and diverse workforce while keeping individuals informed and trained on important industry developments. Such language is also consistent with the approach taken by other professions, such as law and accounting, where individuals are permitted to maintain their professional licenses while not practicing by participating in CE programs.

We are hopeful that the FINRA proposal will be finalized in the coming months and implemented by 2022. We therefore would strongly suggest either waiting for FINRA to finalize its program to ensure harmonization or including a provision that would automatically incorporate the FINRA concepts once operational. An inconsistent and ambiguous approach to CE requirements in general and to unregistered professionals in particular will create confusion, make compliance more burdensome, and place additional obstacles on industry professionals who experience job interruption due to the pandemic or other extenuating circumstances.

We would also like to take this opportunity to reiterate some key points from our April 9, 2020 letter. The October amended model rule does not appear to incorporate any other changes to the February draft. We are hopeful that such changes are forthcoming as we believe our recommendations would improve both the operation of the model rule and its effectiveness. We particularly want to highlight the following:

- Coordination and harmonization with FINRA are of critical importance. Conflicting requirements will create significant challenges in developing training and systems to track completion. Lack of harmonization will also undermine the efficacy of the program.
- We remain concerned that the proposed rule does not properly recognize the CE requirements already completed by dual registrants. A typical dual registrant averages roughly 30 hours of CE per year, including tailored investment advisory training. Additional general training is unnecessary and burdensome. For comparison's sake, attorneys licensed in New York State, which is one of the more CE intensive jurisdictions, are required to complete 24 credit hours over a 2-year period.
- Ethics is a mandatory piece of FINRA's Regulatory Element training and would be duplicative for dual registrants. An additional ethics requirement is burdensome and unnecessary. Completion of the Regulatory Element should satisfy the proposed ethics requirement.
- Any accreditation process should be streamlined. The submission of training modules for approval would be burdensome for both regulators and the industry. Moreover, many training materials include proprietary information. A submission of the FINRA "Needs Analysis Training Plan" could be deemed sufficient. The Needs Analysis Plan can serve as a roadmap detailing how member firms intend to meet the requirements of the rule. This will also expedite the content approval process.
- The proposed model rule requires IARs to "demonstrate proficiency" as part of the training. Firms currently have flexibility to determine how best to implement quality controls related to training based on the specific business needs of the firm and best practices for information

retention. This is particularly important for broad-based training covering a range of topics, as it does not lend itself readily to effective testing. This flexibility should remain.

- Credit hours may not be the best measure. Adult learning principles promote the use of more streamlined training on specific topics. A variety of ten (10) to forty (40) minute trainings on specific topics reportedly foster greater attention and retention of concepts than twelve one-hour trainings.

Finally, we respectfully suggest that NASAA and individual states consider the extraordinary times we are currently in and adopt a timetable that takes this into consideration.

We appreciate your willingness to consider our concerns and suggestions. If you have any questions, please contact me at [kchamberlain@sifma.org](mailto:kchamberlain@sifma.org) or 202-962-7411.

Sincerely,

A handwritten signature in cursive script that reads "Kim Chamberlain".

Kim Chamberlain  
Managing Director & Associate General Counsel  
SIFMA