

## **REQUEST FOR PUBLIC COMMENT**

### **PROPOSED NASAA MODEL RULES TO EXTEND THE VALIDITY PERIODS OF CERTAIN EXAMINATIONS**

**June 22, 2022**

**Deadline for Public Comments: July 22, 2022**

The CRD/IARD Steering Committee of the North American Securities Administrators Association, Inc. (“NASAA”) seeks public comment on proposed model rules to extend the validity periods of certain examinations to align with recent changes to FINRA Rule 1240 (Continuing Education Requirements) that implement FINRA’s Maintaining Qualifications Program (“MQP”).

Comments are due on or before July 21, 2022. Please email comments to NASAA Comments ([nasaacomment@nasaa.org](mailto:nasaacomment@nasaa.org)) with a copy to Andrew Hartnett, CRD/IARD Steering Committee Chair ([andrew.hartnett@iid.iowa.gov](mailto:andrew.hartnett@iid.iowa.gov)). All comments received in response to this request will be posted to NASAA’s website ([www.nasaa.org](http://www.nasaa.org)) without edit or redaction, though inappropriate comments will not be posted. Please do not include any information in your comment letter that you do not wish to be made public. Any questions should be directed to Natasha Hurt, Senior Manager, Regulatory Services, at [nhurt@nasaa.org](mailto:nhurt@nasaa.org) or (202) 737-0900.

#### **I. Background**

On February 18, 2020, FINRA issued [Regulatory Notice 20-05: Continuing Education Program Transformation](#), which sought input regarding whether to implement certain recommendations of the Securities Industry/Regulatory Council on Continuing Education to FINRA’s continuing education (“CE”) program for registered persons of broker-dealers. The most notable proposed change would have allowed such persons to maintain their qualifications following termination from registration for up to seven years, provided that they met annual CE requirements.

Under the examinations framework at that time, an individual’s qualifications remained valid for two years following termination from registration, which allowed the individual to reenter the industry without having to retake any previously passed relevant licensing examinations. NASAA members commonly apply that same two-year qualification rule for state licensing and registration of broker-dealer agents and investment adviser representatives.

On June 30, 2020, NASAA submitted a [comment letter](#) in response to Regulatory Notice 20-05. With respect to the proposal to extend qualifications through CE, NASAA noted that the current two-year examinations validity period was almost uniformly adopted across the states, and therefore FINRA’s proposal “should be revised in a way that preserves the efficiency and coordination that already exists in licensing and registration.”

However, NASAA recognized that this portion of the recommendation stemmed from a desire to alleviate burdens on individuals having to requalify after leaving the industry because of life events, career changes or business reorganizations. NASAA agreed that the desire to structure a CE program that can help accommodate life's challenges is a laudable goal worthy of consideration. Accordingly, the comment letter concluded by stating that "NASAA is therefore committed to working with our membership to determine whether a consensus exists or can be reached among the states for an appropriate timeframe for requalification without examination for applicants who meet certain CE requirements."

FINRA submitted [SR-FINRA-2021-015, Notice of Filing of a Proposed Rule Change to Amend FINRA Rules 1210 \(Registration Requirements\) and 1240 \(Continuing Education Requirements\)](#), to the Securities and Exchange Commission ("SEC") on June 3, 2021. Primarily, the proposal sought to amend the Regulatory Element of CE to require completion of the requirements annually rather than every three years, and to allow individuals who terminate their registrations to maintain their qualifications by completing CE. Instead of the seven-year maintenance period proposed in Regulatory Notice 20-05, SR-FINRA-2021-015 proposed to allow individuals to have up to five years to reregister after termination of registration, upon meeting certain conditions. NASAA submitted a [comment letter](#) in response to the proposed rule change on July 14, 2021, in which NASAA stated that it could support the five-year maintenance period and indicated that it would work with members to facilitate changes to state licensing and registration procedures where needed. However, NASAA also requested that FINRA introduce corresponding enhancements into the CRD framework to support the efficient handling of state registrations during the transition of regulations and for those states that may not adopt the expanded five-year period. The SEC approved FINRA's proposal on September 21, 2021.

## **II. FINRA's Continuing Education Rule and Maintaining Qualifications Program**

On November 18, 2021, FINRA issued [Regulatory Notice 21-41](#), regarding amendments to FINRA Rules 1210 (Registration Requirements) and 1240 (Continuing Education Requirements), including the launch of the MQP as well as certain other changes from Regulatory Notice 20-05, such as adoption of an annual Regulatory Element requirement and modifications to the Firm Element requirement. The changes to Rules 1210 and 1240 allow eligible individuals who terminate their registrations the option to maintain their qualifications by completing annual CE through FINRA's MQP, as well as require registered persons to complete the Regulatory Element of CE annually for each registration category they hold.

As of March 15, 2022, eligible individuals have the option to maintain their qualifications beyond the current two-year qualification period by completing annual CE through the MQP. Participation in the MQP allows individuals to maintain their qualifications for a maximum of five years following termination of registration. FINRA's Regulatory Notice 21-41 describes the conditions for eligibility and participation in the MQP.

### **III. NASAA's Proposed Exam Validity Framework**

The proposed model rules – entitled “*Examination Requirements for Broker-Dealer Agents*” and “*Examination Requirements for Investment Adviser Representatives*” – are attached.

Each begins with the general rule that an applicant to become a broker-dealer agent (“BDA”) or an investment adviser representative (“IAR”) must pass certain examinations within two years of the date of application for registration unless one of two exceptions applies.

In the *Examination Requirements for Broker-Dealer Agents* model rule, exceptions would be made for BDA applicants who either (i) were registered within two years of the date of application, or (ii) have not been registered in any state for more than two years, but less than five years, if such applicants have complied with the requirements of the MQP, and have opted into NASAA’s Exam Validity Extension Program (“EVEP”), which would be created in conjunction with membership approval of the model rule for state adoption.

Because the MQP pertains only to BDA registrations, each model rule would explain the limits of MQP compliance on state license registrations. The BDA model rule would state that successful participation “shall not extend the Series 66/ Uniform Combined State Law Examination for purposes of investment adviser representative registration,” and the IAR model rule – *Examination Requirements for Investment Adviser Representatives* – would state that “shall not extend the Series 65/ Uniform Investment Adviser Law Examination ... or the Series 66/ Uniform Combined State Law Examination for purposes of investment adviser representative registration.” For clarity, although participation in the MQP and NASAA’s EVEP does not extend the Series 66 for investment adviser representative registration, it would extend the validity of the Series 66 for BDA registration.

We note that any state IAR exam validity extensions would need to be the subject of a separate model rule effort, which is currently under consideration.

**PROPOSED NASAA MODEL RULES TO EXTEND THE  
VALIDITY PERIOD OF CERTAIN EXAMINATIONS**

**Examination Requirements for Broker-Dealer Agents**

1. Every applicant for registration as an agent of a broker-dealer shall, unless covered by section 2 or 3[ or otherwise waived by the Administrator], have passed, within two years of the date of application:
  - a. the Series 63/Uniform Securities Agent State Law Examination (“Series 63 Examination”) or the Series 66/Uniform Combined State Law Examination (“Series 66 Examination”); and
  - b. all relevant examinations required by the Financial Industry Regulatory Authority and accepted by [Jurisdiction].
2. Any individual who has been registered as an agent in any state within two years from the date of filing an application for registration shall not be required to retake the examinations in Section 1 to be eligible for registration.
3. Any individual who is not registered as an agent in any state for a period of between two and five years, who has elected to participate in the FINRA Maintaining Qualifications Program pursuant to FINRA Rule 1240(c), and whose appropriate FINRA qualifying examinations remain valid pursuant to effective participation in the MQP program shall be deemed in compliance with the examination requirements of Section 1(a) as long as the individual elects to participate in the NASAA Examination Validity Extension Program within two years of agent registration termination.
4. Any individual who has not been registered as an agent in any state for a period of between two and five years, who has elected to participate in the FINRA Maintaining Qualifications Program pursuant to FINRA Rule 1240(c), and whose appropriate FINRA qualifying examinations remain valid pursuant to effective participation in the FINRA Maintaining Qualifications Program shall be deemed in compliance with the examination requirements of Section 1(b).
5. Successful participation in the FINRA Maintaining Qualifications Program shall not extend the Series 66/Uniform Combined State Law Examination for purposes of investment adviser representative registration.

## **Examination Requirements for Investment Adviser Representatives**

1. Every applicant for registration as an investment adviser representative shall, unless covered by section 2 or 3[ or otherwise waived by the Administrator], have passed:
  - a. the Series 65/Uniform Investment Adviser Law Examination (“Series 65 Examination”) within two years of the date of application; or
  - b. the Series 66/Uniform Combined State Law Examination (“Series 66 Examination”) and the FINRA Series 7/General Securities Representative Examination within two years of the date of application; and
  - c. the Securities Industry Essential Examination within four years of the date of application.
2. Compliance with Section 1 is waived if the applicant has been awarded any of the following designations and at the time of filing an application is current and in good standing:
  - a. Certified Financial Planner (“CFP”) awarded by the Certified Financial Planners Board of Standards;
  - b. Chartered Financial Consultant (“ChFC”) or Masters of Science and Financial Services (“MSFS”) awarded by the American College, Bryn Mawr, Pennsylvania;
  - c. Chartered Financial Analyst (“CFA”) awarded by the Institute of Chartered Financial Analysts;
  - d. Personal Financial Specialist (“PFS”) awarded by the American Institute of Certified Public Accountants;
  - e. Chartered Investment Counselor (“CIC”) awarded by the Investment Adviser Association; or
  - f. [Any further certificates or credentials that are placed on the NASAA 65 Equivalency List, as maintained and updated by NASAA and the NASAA Exams Advisory Committee.]
3. Any individual who has been registered as an investment adviser representative in any state within two years from the date of filing an application for registration shall not be required to retake the examinations in Section 1 to be eligible for registration.
4. Any individual who is not registered as an investment adviser representative in any state a period of between two and five years, who has elected to participate in the FINRA Maintaining Qualifications Program pursuant to FINRA Rule 1240(c), and whose appropriate FINRA qualifying examinations remain valid pursuant to effective

participation in the FINRA Maintaining Qualifications Program shall not have to retake the appropriate FINRA qualifying examinations to comply with the examination requirements of Section 1; provided, however, that successful participation in the FINRA Maintaining Qualifications Program shall not extend the Series 65/Uniform Investment Adviser Law Examination (“Series 65 Examination”) or the Series 66/Uniform Combined State Law Examination for purposes of investment adviser representative registration.