

**REQUEST FOR PUBLIC COMMENT ON PROPOSED AMENDMENTS TO THE
NASAA MODEL RULE: EXAMINATION REQUIREMENTS FOR INVESTMENT
ADVISER REPRESENTATIVES**

March 7, 2024

Deadline for Comments: April 8, 2024

The NASAA Exams Advisory Committee (“Committee”) of the North American Securities Administrators Association, Inc. (“NASAA”) is seeking public comment on proposed amendments to the *NASAA Model Rule: Examination Requirements for Investment Adviser Representatives* (“Model Rule”).¹ The proposed amendments are intended to (i) update the Model Rule in light of current certification standards used in the financial services industry, (ii) clarify that the Committee does not have authority on its own to determine what certifications or credentials shall qualify to exempt an individual from taking a NASAA examination, and (iii) make other minor clarifications to the Model Rule. A copy of the Model Rule as it would be amended (plus a redline showing the proposed changes to the current text) is attached to this request for comment.

Comments on this proposal are due on or before the deadline stated above. We are only accepting comments by email. Please email your comments to NASAA Comments (nasaacomment@nasaa.org), cc: Elizabeth Bowling (elizabeth.bowling@tn.gov), Chair of the Committee. All comments received in response to this request will be posted to NASAA’s website (www.nasaa.org) without edit or redaction after the close of the comment period, though inappropriate comments will not be posted. Accordingly, please do not include any information in your comment that you do not wish to become publicly available. After the close of the comment period, the Committee will review all comments and consider whether to present the proposal, in its current or revised form, to the NASAA Board of Directors for potential adoption by vote of the NASAA membership.

I. Background on the Model Rule

The Model Rule sets standards for NASAA members to use when evaluating the competency of an individual to be registered or licensed as an investment adviser representative. The Model Rule was first adopted in 1987,² substantially revised 2008,³ and then amended and

¹ The current text of the Model Rule is available at <https://www.nasaa.org/wp-content/uploads/2022/09/NASAA-Model-Rule-Examination-Requirements-for-Investment-Adviser-Representatives-9-18-2022.pdf>.

² The 1987 version of the Model Rule is available at <https://www.nasaa.org/wp-content/uploads/2011/07/23-IA204b61ExamReqadopt9387.pdf>.

³ The 2008 version of the Model Rule is available at https://www.nasaa.org/wp-content/uploads/2011/07/2-IA_Revised_Exam_Rule_Under_1956_Act_091708.pdf.

renamed to its current form in 2022.⁴ Broadly speaking, the Model Rule requires an individual seeking registration or licensure as an investment adviser representative to have passed either (a) the NASAA Uniform Investment Adviser Law Examination (Series 65), or (b) the NASAA Uniform Combined State Law Examination (Series 66), the FINRA General Securities Representative Examination (Series 7), and the FINRA Securities Industry Essential Examination (SIE). However, the Model Rule exempts an individual from these requirements in certain circumstances, most notably if the individual has earned and maintained any one of several professional certifications set forth in section 2.

II. Proposed Amendments to the Model Rule

(A) Updates to Eligible Professional Certifications

The most important proposed amendments to the Model Rule are in section 2 related to the professional certifications that can deem a person exempt from being required to pass the examination standards set forth in section 1 of the Model Rule. Currently, five professional certifications will qualify for waiver of the section 1 examination requirements: Certified Financial Planner (“CFP”), Chartered Financial Consultant (“ChFC”), Personal Financial Specialist (“PFS”), Chartered Financial Analyst (“CFA”) and Chartered Investment Counselor (“CIC”).

The Committee has learned that the CIC designation is no longer accepting new applications and the program will be completely discontinued in 2025. Separately, the Investment Wealth Institute (“IWI”) has requested that their professional designation, the Certified Investment Management Analyst (“CIMA”), be added to the list of eligible certifications under the Model Rule. Members of the Committee have reviewed the CIMA certification program and met with IWI representatives. The Committee’s due diligence on the CIMA certification has led the Committee to conclude that it would be appropriate and consistent with the interests of investor protection for holders of the CIMA certification to qualify for a testing exemption under the Model Rule. In light of the impending discontinuation of the CIC program, the Committee recommends revising subsection 2.e of the Model Rule to replace the existing CIC certification with the CIMA certification as an eligible professional designation.

In addition, the Committee proposes to delete the Masters of Science and Financial Services (“MSFS”) degree from the Model Rule (see subsection 2.b). The MSFS is one of several degree programs offered by The American College of Financial Services, which also maintains the ChFC certification.⁵ Earning an MSFS degree was included as an eligible exemption in the 2008

⁴ See *supra* note 1.

⁵ The degree program is currently called the Master of Science in Financial Planning (“MSFP”), not the MSFS, but this request refers to it as the MSFS throughout for simplicity. See <https://www.theamericancollege.edu/learn/masters-degrees-graduate-programs/msfp-master-of-science-in-financial-planning>.

rewriting of the Model Rule.⁶ However, the Committee does not believe this degree program should be retained as an eligible exemption for several reasons. First, the MSFS is just one of many advanced degree programs in finance offered by colleges and universities in the United States. The Committee does not believe it is warranted to single out this particular degree program for eligibility in the Model Rule to the exclusion of all others. Second, the MSFS, as a professional degree but not a professional certification, has no ongoing “good standing” component as otherwise required by section 2. Finally, unlike the other professional certifications in the Model Rule, the MSFS degree is not listed as a professional designation on the Form U4.⁷ There is thus no efficient way for NASAA members to track who may have earned this degree.

For the reasons outlined above, the Committee therefore proposes to amend section 2 by (i) replacing the CIC certification with the CIMA certification and (ii) deleting the MSFS degree as eligible professional designations under the Model Rule.

(B) Clarify the Committee’s Authority

The Committee also proposes to delete subsection 2.f of the Model Rule. This subsection provides ostensible authority for the Committee to deem other professional certifications or credentials as eligible for an exemption from the section 1 testing requirements as a matter of state law. This subsection was added as part of the 2022 rewriting and readoption of the Model Rule to provide a simple way for the Model Rule to be updated over time.⁸ However, this has not proven workable. What is more, questions have been raised as to whether any such exercise of this authority by the Committee would violate state laws.

First, the Committee has found subsection 2.f to be unworkable. The Committee does not have the resources to evaluate literally every professional certification in existence and determine which certifications should—or should not—be eligible for inclusion in the Model Rule. Second, questions have arisen as to whether the Committee has legal authority to exercise the ostensible rights conferred on it by subsection 2.f. No other NASAA model rule provides such authority to a NASAA committee, and the Committee’s activities and decisions are not subject to the notice and comment process otherwise required for NASAA rulemakings. Therefore, the Committee believes it is appropriate as part of this proposal to delete subsection 2.f and require that any further revisions to the Model Rule proceed (like this proposal) through NASAA’s customary rulemaking process.

⁶ See *supra* note 3.

⁷ See Form U4, page 7, available at <https://www.finra.org/sites/default/files/form-u4.pdf>.

⁸ See *supra* note 1.

(C) Other Clarifications

Last, the enclosed proposed revisions to the Model Rule would make other minor clarifications and edits to the text of the rule. Specifically, the numbering in section 1 would be revised to be clearer that it contains two binary options: subsection (a) and subsection (b). In addition, certain text in sections 2 and 4 would be updated or edited for clarity.

III. Conclusion

The Committee encourages all interested parties to review this proposal and submit comments. In particular, the Committee seeks input on:

- Is the proposed replacement of the CIC certification with the CIMA certification appropriate?
- Is the proposed deletion of the MSFS degree appropriate?
- Is the proposed deletion of subsection 2.f appropriate?

Thank you for your consideration and comments.

Attachments

- Proposed *NASAA Model Rule: Examination Requirements for Investment Adviser Representatives* As Amended (Clean)
- Proposed *NASAA Model Rule: Examination Requirements for Investment Adviser Representatives* As Amended (Redline)

NASAA Model Rule:
Examination Requirements for Investment Adviser Representatives

(Adopted September 18, 2022; Amended _____)

1. Every applicant for registration as an investment adviser representative shall, unless covered by section 2, section 3, or otherwise waived by the [Administrator], have passed:
 - a. the NASAA Uniform Investment Adviser Law Examination (Series 65) within two years of the date of application; or
 - b. (i) the NASAA Uniform Combined State Law Examination (Series 66) and the FINRA General Securities Representative Examination (Series 7) within two years of the date of application, and

(ii) the FINRA Securities Industry Essentials Examination (SIE) 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 Planner Board of Standards, Inc.;
 - b. Chartered Financial Consultant (“ChFC”) awarded by The American College of Financial Services;
 - c. Chartered Financial Analyst (“CFA”) awarded by the CFA Institute;
 - d. Personal Financial Specialist (“PFS”) awarded by the American Institute of Certified Public Accountants; or
 - e. Certified Investment Management Analyst (“CIMA”) awarded by the Investment & Wealth Institute.
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 for more than two years but fewer than 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

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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 or the Series 66/Uniform Combined State Law Examination for purposes of investment adviser representative registration.

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NASAA Model Rule:
Examination Requirements for Investment Adviser Representatives

(Adopted September 18, 2022; Amended _____)

1. Every applicant for registration as an investment adviser representative shall, unless covered by section 2, ~~or section 3,~~ or otherwise waived by the [Administrator], have passed:
 - a. the ~~Series 65/NASAA~~ Uniform Investment Adviser Law Examination (“Series 65 Examination”) within two years of the date of application; or
 - ~~b. (i) the Series 66/NASAA~~ Uniform Combined State Law Examination (“Series 66 Examination”) and the FINRA ~~Series 7/~~General Securities Representative Examination (Series 7) within two years of the date of application, and
 - ~~e. (ii) the FINRA~~ Securities Industry Essentials Examination (SIE) 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, Inc.;
 - b. Chartered Financial Consultant (“ChFC”) awarded by The American College of Financial Services; ~~or Masters of Science and Financial Services (“MSFS”) awarded by the American College, Bryn Mawr, Pennsylvania;~~
 - c. Chartered Financial Analyst (“CFA”) awarded by the CFA Institute ~~Institute of Chartered Financial Analysts;~~
 - d. Personal Financial Specialist (“PFS”) awarded by the American Institute of Certified Public Accountants; or
 - e. ~~Chartered Investment Counselor (“CIC”) awarded by the Investment Adviser Association;~~ or Certified Investment Management Analyst (“CIMA”) awarded by the Investment & Wealth Institute.
 - ~~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.~~

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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 for more than two years but ~~less~~ fewer than 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.