

FINRA Manual
FINRA Rules
1000. Member Application and Associated Person Registration
1200. Registration and Qualification

FINRA Manual Rule 1220

1220. Registration Categories

Effective: July 1, 2021

(a) Definition of Principal and Principal Registration Categories

(1) Definition of Principal

A "principal" is any person associated with a member, including, but not limited to, sole proprietor, officer, partner, manager of office of supervisory jurisdiction, director or other person occupying a similar status or performing similar functions, who is actively engaged in the management of the member's investment banking or securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a member for any of these functions. Such persons shall include, among other persons, a member's chief executive officer and chief financial officer (or equivalent officers).

A "principal" also includes any other person associated with a member who is performing functions or carrying out responsibilities that are required to be performed or carried out by a principal under the FINRA rules.

The term "actively engaged in the management of the member's investment banking or securities business" includes the management of, and the implementation of corporate policies related to, such business. The term also includes managerial decision-making authority with respect to the member's investment banking or securities business and management-level responsibilities for supervising any aspect of such business, such as serving as a voting member of the member's executive, management or operations committees.

(2) General Securities Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule shall be required to register with FINRA as a General Securities Principal, subject to the following exceptions:

- (i) if a principal's activities include the functions of a Compliance Officer, a Financial and Operations Principal (or an Introducing Broker-Dealer Financial and Operations Principal, as applicable), a Principal Financial Officer, a Principal Operations Officer, an Investment Banking Principal, a Research Principal, a Securities Trader Principal or a Registered Options Principal as specified in paragraphs (a)(3) through (a)(8) of this Rule, then such person shall appropriately register in one or more of those categories;

(ii) if a principal's activities are limited solely to the functions of a Government Securities Principal, an Investment Company and Variable Contracts Products Principal, a Direct Participation Programs Principal or a Private Securities Offerings Principal as specified in paragraphs (a)(9), (a)(11), (a)(12) or (a)(13) of this Rule, then such person may appropriately register in one or more of those categories in lieu of registering as a General Securities Principal;

(iii) if a principal's activities are limited solely to the functions of a General Securities Sales Supervisor as specified in paragraph (a)(10) of this Rule, then such person may appropriately register in that category in lieu of registering as a General Securities Principal, provided, however, that if such person is engaged in options sales activities, such person shall be required to register with FINRA as a Registered Options Principal as specified in paragraph (a)(8) of this Rule or as a General Securities Sales Supervisor as specified in paragraph (a)(10) of this Rule; and

(iv) if a principal's activities are limited solely to the functions of a Supervisory Analyst as specified in paragraph (a)(14) of this Rule, then such person may appropriately register in that category in lieu of registering as a General Securities Principal, provided, however, that if such person is responsible for approving the content of a member's research report on equity securities, such person shall be required to register with FINRA as a Research Principal as specified in paragraph (a)(6) of this Rule or as a Supervisory Analyst as specified in paragraph (a)(14) of this Rule.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Corporate Securities Representative and a General Securities Principal on October 1, 2018 and each person who was registered with FINRA as a Corporate Securities Representative and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as a General Securities Principal without passing any additional qualification examinations, provided that his or her supervisory responsibilities in the investment banking or securities business of a member are limited to corporate securities activities of the member.

All other individuals registering as General Securities Principals after October 1, 2018, shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and either (i) pass the General Securities Principal qualification examination or (ii) register as a General Securities Sales Supervisor and pass the General Securities Principal Sales Supervisor Module qualification examination.

(3) Compliance Officer

(A) Requirement

Subject to the exception in paragraph (a)(3)(C) of this Rule, each person designated as a Chief Compliance Officer on Schedule A of Form BD as specified in Rule 3130(a) shall be required to register with FINRA as a Compliance Officer.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a General Securities Representative and a General Securities Principal on October 1, 2018 and each person who was registered with FINRA as a General Securities Representative and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as a Compliance Officer without passing any additional qualification examinations. In addition, subject to the lapse of registration provisions in Rule 1210.08, each person registered as a Compliance Official in the CRD system on October 1, 2018 and each person who was registered as a Compliance Official in the CRD system within two years prior to October 1, 2018 shall be qualified to register as a Compliance Officer without passing any additional qualification examinations.

All other individuals registering as Compliance Officers after October 1, 2018, shall, prior to or concurrent with such registration: (i) become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Principal qualification examination; or (ii) pass the Compliance Official qualification examination.

(C) Exception

An individual designated as a Chief Compliance Officer on Schedule A of Form BD of a member that is engaged in limited investment banking or securities business may be registered in a principal category under Rule 1220(a) that corresponds to the limited scope of the member's business.

(4) Financial and Operations Principal and Introducing Broker-Dealer Financial and Operations Principal

(A) Requirement

Each member that is operating pursuant to the provisions of SEA Rules 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), shall designate a Financial and Operations Principal. Each member subject to the requirements of SEA Rule 15c3-1, other than a member operating pursuant to SEA Rules 15c3-1(a)(1)(ii), (a)(2)(i) or (a)(8), shall designate either a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal.

A Financial and Operations Principal and an Introducing Broker-Dealer Financial and Operations Principal shall be responsible for performing the following duties:

- (i) final approval and responsibility for the accuracy of financial reports submitted to any duly established securities industry regulatory body;
- (ii) final preparation of such reports;
- (iii) supervision of individuals who assist in the preparation of such reports;
- (iv) supervision of and responsibility for individuals who are involved in the actual maintenance of the member's books and records from which such reports are derived;

(v) supervision and performance of the member's responsibilities under all financial responsibility rules promulgated pursuant to the provisions of the Exchange Act;

(vi) overall supervision of and responsibility for the individuals who are involved in the administration and maintenance of the member's back office operations; and

(vii) any other matter involving the financial and operational management of the member.

The requirements of paragraph (a)(4)(A) of this Rule shall not apply to a member that is exempt from the requirement to designate a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal.

(B) Designation of Principal Financial Officer and Principal Operations Officer

Each member shall designate a:

(i) Principal Financial Officer with primary responsibility for financial filings and those books and records related to such filings; and

(ii) Principal Operations Officer with primary responsibility for the day-to-day operations of the member's business, including overseeing the receipt and delivery of securities and funds, safeguarding customer and member assets, calculation and collection of margin from customers and processing dividend receivables and payables and reorganization redemptions and those books and records related to such activities.

Each member that self-clears, or that clears for other members, shall be required to designate separate persons to function as Principal Financial Officer and Principal Operations Officer. Such persons may also carry out the other responsibilities of a Financial and Operations Principal and an Introducing Broker-Dealer Financial and Operations Principal as specified in paragraph (a)(4)(A) of this Rule. If such member is limited in size and resources, it may, pursuant to the Rule 9600 Series, request a waiver of the requirement to designate separate persons to function as Principal Financial Officer and Principal Operations Officer.

Each member that is an introducing member may designate the same person to function as Financial and Operations Principal (or Introducing Broker-Dealer Financial and Operations Principal), Principal Financial Officer and Principal Operations Officer.

Each person designated as a Principal Financial Officer or Principal Operations Officer, other than a person associated with a member that is exempt from the requirement to designate a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal, shall be required to register as a Financial and Operations Principal or an Introducing Broker-Dealer Financial and Operations Principal pursuant to paragraph (a)(4)(A) of this Rule.

(C) Qualifications

Each person seeking to register as a Financial and Operations Principal shall, prior to or concurrent with such registration, pass the Financial and Operations Principal qualification examination. Each person seeking to register as an Introducing Broker-Dealer Financial and Operations Principal shall, prior to or concurrent with such registration,

pass the Financial and Operations Principal qualification examination or the Introducing Broker-Dealer Financial and Operations Principal qualification examination.

(5) Investment Banking Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising the investment banking activities specified in paragraph (b)(5) of this Rule shall be required to register with FINRA as an Investment Banking Principal.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as an Investment Banking Representative and a General Securities Principal on October 1, 2018 and each person who was registered with FINRA as an Investment Banking Representative and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as an Investment Banking Principal without passing any additional qualification examinations.

All other individuals registering as Investment Banking Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(5) of this Rule as an Investment Banking Representative and pass the General Securities Principal qualification examination.

(6) Research Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule who is responsible for approving the content of a member's research reports on equity securities, or who, with respect to equity research, is responsible for supervising the overall conduct of a Research Analyst registered pursuant to paragraph (b)(6) of this Rule or a Supervisory Analyst registered pursuant to paragraph (a)(14) of this Rule shall be required to register with FINRA as a Research Principal, subject to the following exceptions:

(i) if a principal's activities are limited solely to approving the content of a member's research reports on equity securities, then such person may register as a Supervisory Analyst pursuant to paragraph (a)(14) of this Rule in lieu of registering as a Research Principal;

(ii) if a principal's activities are limited solely to reviewing a member's research reports on equity securities only for compliance with the disclosure provisions of Rule 2241, then such person may register as a General Securities Principal pursuant to paragraph (a)(2) of this Rule in lieu of registering as a Research Principal; and

(iii) if a principal's activities are limited solely to approving the content of a member's research reports on debt securities or the content of third-party research reports, then such person may register as a General Securities

Principal pursuant to paragraph (a)(2) of this Rule or as a Supervisory Analyst pursuant to paragraph (a)(14) of this Rule in lieu of registering as a Research Principal.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Research Principal on October 1, 2018 and each person who was registered with FINRA as a Research Principal within two years prior to October 1, 2018 shall be qualified to register as a Research Principal without passing any additional qualification examinations.

All other individuals registering as Research Principals after October 1, 2018 shall, prior to or concurrent with such registration: (i) become registered pursuant to paragraph (b)(6) of this Rule as a Research Analyst and pass the General Securities Principal qualification examination; or (ii) become registered pursuant to paragraph (a)(14) of this Rule as a Supervisory Analyst and pass the General Securities Principal qualification examination.

(7) Securities Trader Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising the securities trading activities specified in paragraph (b)(4) of this Rule shall be required to register with FINRA as a Securities Trader Principal.

(B) Qualifications

Each person seeking to register as a Securities Trader Principal shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(4) of this Rule as a Securities Trader and pass the General Securities Principal qualification examination.

(8) Registered Options Principal

(A) Requirement

Each member that is engaged in transactions in options with the public shall have at least one Registered Options Principal.

In addition, each principal as defined in paragraph (a)(1) of this Rule who is responsible for supervising a member's options sales practices with the public, including a person designated pursuant to Rule 3110(a)(2), shall be required to register with FINRA as a Registered Options Principal, subject to the following exception. If a principal's options activities are limited solely to those activities that may be supervised by a General Securities Sales Supervisor as specified in Rule 2360, then such person may register as a General Securities Sales Supervisor pursuant to paragraph (a)(10) of this Rule in lieu of registering as a Registered Options Principal.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Registered Options Principal on October 1, 2018 and each person who was registered with FINRA as a Registered Options Principal within two years prior to October 1, 2018 shall be qualified to register as a Registered Options Principal without passing any additional qualification examinations.

All other individuals registering as Registered Options Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the Registered Options Principal qualification examination.

(9) Government Securities Principal

(A) Requirement

Each principal as defined in paragraph (a)(1) of this Rule shall be required to register with FINRA as a Government Securities Principal if his or her activities include:

- (i) the management or supervision of the member's government securities business, including:
 - a. underwriting, trading or sales of government securities;
 - b. financial advisory or consultant services for issuers in connection with the issuance of government securities;
 - c. research or investment advice, other than general economic information or advice, with respect to government securities in connection with the activities described in subparagraphs a. and b. above;
 - d. activities other than those specifically described above that involve communication, directly or indirectly, with public investors in government securities in connection with the activities described in subparagraphs a. and b. above; or
- (ii) the supervision of:
 - a. the processing and clearance activities with respect to government securities; or
 - b. the maintenance of records involving any of the activities described in paragraph (a)(9)(A)(i) of this Rule.

If a principal's functions include the activities specified in paragraph (a)(9)(A) of this Rule, then such person may register as a General Securities Principal pursuant to paragraph (a)(2) of this Rule in lieu of registering as a Government Securities Principal.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Government Securities Principal on October 1, 2018 and each person who was registered with FINRA as a Government Securities

Principal within two years prior to October 1, 2018 shall be qualified to register as a Government Securities Principal without passing any additional qualification examinations.

All other individuals registering as Government Securities Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative.

(10) General Securities Sales Supervisor

(A) Principals Engaged in Limited Activities

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as a General Securities Sales Supervisor if his or her supervisory responsibilities in the investment banking or securities business of a member are limited to the securities sales activities of the member, including the approval of customer accounts, training of sales and sales supervisory personnel and the maintenance of records of original entry or ledger accounts of the member required to be maintained in branch offices by Exchange Act record-keeping rules.

A person registered solely as a General Securities Sales Supervisor shall not be qualified to perform any of the following activities:

- (i) supervision of the origination and structuring of underwritings;
- (ii) supervision of market making commitments;
- (iii) supervision of the custody of broker-dealer or customer funds or securities for purposes of SEA Rule 15c3-3;
or
- (iv) supervision of overall compliance with financial responsibility rules for broker-dealers promulgated pursuant to the provisions of the Exchange Act.

(B) Qualifications

Each person seeking to register as a General Securities Sales Supervisor shall, prior to or concurrent with such registration become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the General Securities Sales Supervisor qualification examinations.

(11) Investment Company and Variable Contracts Products Principal

(A) Principals Engaged in Limited Activities

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as an Investment Company and Variable Contracts Products Principal if his or her activities in the investment banking or securities business of a member are limited to the activities specified in paragraph (b)(7) of this Rule.

(B) Qualifications

Each person seeking to register as an Investment Company and Variable Contracts Products Principal shall, prior to or concurrent with such registration: (i) become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the Investment Company and Variable Contracts Products Principal qualification examination; or (ii) become registered pursuant to paragraph (b)(7) of this Rule as an Investment Company and Variable Contracts Products Representative and pass the Investment Company and Variable Contracts Products Principal qualification examination.

(12) Direct Participation Programs Principal**(A) Principals Engaged in Limited Activities**

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as a Direct Participation Program Principal if his or her activities in the investment banking or securities business of a member are limited to the activities specified in paragraph (b)(8) of this Rule.

(B) Qualifications

Each person seeking to register as a Direct Participation Program Principal shall, prior to or concurrent with such registration: (i) become registered pursuant to paragraph (b)(2) of this Rule as a General Securities Representative and pass the Direct Participation Program Principal qualification examination; or (ii) become registered pursuant to paragraph (b)(8) of this Rule as a Direct Participation Programs Representative and pass the Direct Participation Program Principal qualification examination.

(13) Private Securities Offerings Principal**(A) Principals Engaged in Limited Activities**

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as a Private Securities Offerings Principal if his or her activities in the investment banking or securities business of a member are limited to the activities specified in paragraph (b)(9) of this Rule.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Private Securities Offerings Representative and a General Securities Principal on October 1, 2018 and each person who was registered with FINRA as a Private Securities Offerings Representative and a General Securities Principal within two years prior to October 1, 2018 shall be qualified to register as a Private Securities Offerings Principal without passing any additional qualification examinations.

All other individuals registering as Private Securities Offerings Principals after October 1, 2018 shall, prior to or concurrent with such registration, become registered pursuant to paragraph (b)(9) of this Rule as a Private Securities Offerings Representative and pass the General Securities Principal qualification examination.

(14) Supervisory Analyst

(A) Principals Engaged in Limited Activities

Each principal as defined in paragraph (a)(1) of this Rule may register with FINRA as a Supervisory Analyst if his or her activities are limited to approving the following: (i) the content of a member's research reports on equity securities; (ii) the content of a member's research reports on debt securities; (iii) the content of third-party research reports; (iv) retail communications as described in Rule 2241(a)(11)(A); or (v) other research communications that do not meet the definition of "research report" under Rule 2241, provided that the Supervisory Analyst has technical expertise in the particular product area.

The activities of a Supervisory Analyst engaged in equity research shall be supervised by a Research Principal registered pursuant to paragraph (a)(6) of this Rule.

(B) Qualifications

Each person seeking to register as a Supervisory Analyst shall, prior to or concurrent with such registration pass the Supervisory Analyst qualification examination.

Upon written request pursuant to the Rule 9600 Series, FINRA shall grant a waiver from the securities analysis portion (Part II) of the Supervisory Analyst qualification examination upon verification that the applicant has passed Level I of the Chartered Financial Analyst ("CFA") Examination.

(b) Definition of Representative and Representative Registration Categories

(1) Definition of Representative

A "representative" is any person associated with a member, including assistant officers other than principals, who is engaged in the member's investment banking or securities business, such as supervision, solicitation, conduct of business in securities or the training of persons associated with a member for any of these functions.

(2) General Securities Representative

(A) Requirement

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with FINRA as a General Securities Representative, subject to the following exceptions:

(i) if a representative's activities include the functions of an Operations Professional, a Securities Trader, an Investment Banking Representative or a Research Analyst as specified in paragraphs (b)(3) through (b)(6) of this Rule, then such person shall appropriately register in one or more of those categories; and

(ii) if a representative's activities are limited solely to the functions of an Investment Company and Variable Contracts Products Representative, a Direct Participation Programs Representative or a Private Securities Offerings Representative as specified in paragraphs (b)(7) through (b)(9) of this Rule, then such person may appropriately register in one or more of those categories in lieu of registering as a General Securities Representative.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a General Securities Representative on October 1, 2018 and each person who was registered with FINRA as a General Securities Representative within two years prior to October 1, 2018 shall be qualified to register as a General Securities Representative without passing any additional qualification examinations.

All other individuals registering as General Securities Representatives after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the General Securities Representative qualification examination.

(3) Operations Professional

(A) Requirement

(i) Covered Persons

Each of the following persons shall be required to register with FINRA as an Operations Professional:

- a. senior management with direct responsibility over the covered functions specified in paragraph (b)(3)(A)(ii) of this Rule;
- b. any person designated by senior management specified in paragraph (b)(3)(A)(i)a. of this Rule as a supervisor, manager or other person responsible for approving or authorizing work, including work of other persons, in direct furtherance of each of the covered functions specified in paragraph (b)(3)(A)(ii) of this Rule, as applicable, provided that there is sufficient designation of such persons by senior management to address each of the applicable covered functions; and
- c. persons with the authority or discretion materially to commit a member's capital in direct furtherance of the covered functions specified in paragraph (b)(3)(A)(ii) of this Rule or to commit a member to any material contract or agreement (written or oral) in direct furtherance of the covered functions specified in paragraph (b)(3)(A)(ii) of this Rule.

(ii) Covered Functions

For purposes of paragraph (b)(3) of this Rule, the following are the covered functions:

- a. client on-boarding (customer account data and document maintenance);
- b. collection, maintenance, re-investment (*i.e.*, sweeps) and disbursement of funds
- c. receipt and delivery of securities and funds, account transfers;
- d. bank, custody, depository and firm account management and reconciliation;
- e. settlement, fail control, buy ins, segregation, possession and control;
- f. trade confirmation and account statements;
- g. margin;
- h. stock loan or securities lending;
- i. prime brokerage (services to other broker-dealers and financial institutions);
- i. approval of pricing models used for valuations;
- k. financial control, including general ledger and treasury;
- l. financial control, including general ledger and treasury;
- m. defining and approving business requirements for sales and trading systems and any other systems related to the covered functions, and validation that these systems meet such business requirements;
- n. defining and approving business security requirements and policies for information technology, including, but not limited to, systems and data, in connection with the covered functions;
- o. defining and approving information entitlement policies in connection with the covered functions; and
- p. posting entries to a member's books and records in connection with the covered functions to ensure integrity and compliance with the federal securities laws and regulations and FINRA rules.

(B) Requirements

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as an Investment Company Products and Variable Contracts Representative, a General Securities Representative, a United Kingdom Securities Representative, a Canada Securities Representative, an Operations Professional, a Registered Options Principal, a General Securities Sales Supervisor, a Supervisory Analyst, a General Securities Principal, an Investment Company Products and Variable Products Principal, a Financial and Operations Principal, an Introducing Broker-Dealer Financial and Operations Principal, a Municipal Fund Securities Limited Principal or a Municipal Securities Principal on October 1, 2018 and each person who was registered with FINRA in such registration categories within two years prior to October 1, 2018 shall be qualified to register as an Operations Professional without passing any additional qualification examinations.

Each person who registers with FINRA as an Investment Company Products and Variable Contracts Representative, a General Securities Representative, a Registered Options Principal, a General Securities Sales Supervisor, a Supervisory Analyst, a General Securities Principal, an Investment Company Products and Variable Products Principal, a Financial and Operations Principal, an Introducing Broker-Dealer Financial and Operations Principal, a Municipal Fund Securities Limited Principal or a Municipal Securities Principal after October 1, 2018 shall also be qualified to register as an Operations Professional without passing any additional qualification examinations.

All other individuals registering as Operations Professionals after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Operations Professional qualification examination.

FINRA may accept as an alternative to the qualification examination requirement in paragraph (b)(3)(B) of this Rule any domestic or foreign qualification if it determines that acceptance of such alternative qualification is consistent with the purposes of paragraph (b)(3) of this Rule, the protection of investors, and the public interest.

A person registering as an Operations Professional shall be allowed a period of 120 days beginning on the date such person requests Operations Professional registration to pass any applicable qualification examination, during which time such person may function as an Operations Professional.

(4) Securities Trader

(A) Requirement

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with FINRA as a Securities Trader if, with respect to transactions in equity, preferred or convertible debt securities effected otherwise than on a securities exchange, such person is engaged in proprietary trading, the execution of transactions on an agency basis, or the direct supervision of such activities, other than any person associated with a member whose trading activities are conducted principally on behalf of an investment company that is registered with the SEC pursuant to the Investment Company Act and that controls, is controlled by or is under common control, with the member.

In addition, each person associated with a member who is

- (i) primarily responsible for the design, development or significant modification of an algorithmic trading strategy relating to equity, preferred or convertible debt securities; or
- (ii) responsible for the day-to-day supervision or direction of such activities shall be required to register with FINRA as a Securities Trader.

For purposes of paragraph (b)(4) of this Rule, an "algorithmic trading strategy" is an automated system that generates or routes orders (or order-related messages) but shall not include an automated system that solely routes orders received in their entirety to a market center.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Securities Trader on October 1, 2018 and each person who was registered with FINRA as a Securities Trader within two years

prior to October 1, 2018 shall be qualified to register as a Securities Trader without passing any additional qualification examinations.

All other individuals registering as Securities Traders after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Securities Trader qualification examination.

(5) Investment Banking Representative

(A) Requirement

Each representative as defined in paragraph (b)(1) of this Rule shall be required to register with FINRA as an Investment Banking Representative if his or her activities in the investment banking or securities business of a member involve:

- (i) advising on or facilitating debt or equity securities offerings through a private placement or a public offering, including but not limited to origination, underwriting, marketing, structuring, syndication, and pricing of such securities and managing the allocation and stabilization activities of such offerings, or
- (ii) advising on or facilitating mergers and acquisitions, tender offers, financial restructurings, asset sales, divestitures or other corporate reorganizations or business combination transactions, including but not limited to rendering a fairness, solvency or similar opinion.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as an Investment Banking Representative on October 1, 2018 and each person who was registered with FINRA as an Investment Banking Representative within two years prior to October 1, 2018 shall be qualified to register as an Investment Banking Representative without passing any additional qualification examinations.

All other individuals registering as Investment Banking Representatives after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Investment Banking Representative qualification examination.

(C) Exceptions

(i) Associated Persons Participating in New Employee Training Program

An associated person who participates in a new employee training program conducted by a member shall not be required to register as an Investment Banking Representative for a period of up to six months from the time the associated person first engages within the program in activities described in paragraph (b)(5) of this Rule, but in no event more than two years after commencing participation in the training program. This exception is conditioned upon the member maintaining records that:

- a. evidence the existence and details of the training program, including but not limited to its scope, length, eligible participants and administrator; and

- b. identify those participants whose activities otherwise would require registration as an Investment Banking Representative and the date on which each participant commenced such activities.

(ii) Associated Persons Engaged in Limited Activities

An associated person shall not be required to register as an Investment Banking Representative if his or her activities in the investment banking or securities business of a member are limited solely to:

- a. advising on or facilitating the placement of direct participation program securities as defined in paragraph (b)(8)(A) of this Rule;
- b. effecting private securities offerings as specified in paragraph (b)(9) of this Rule; or c. retail or institutional sales and trading activities.
- c. retail or institutional sales and trading activities..

(6) Research Analyst

(A) Requirement

Each person associated with a member who is to function as a research analyst shall be required to register with FINRA as a Research Analyst.

For purposes of paragraph (b)(6) of this Rule, "research analyst" shall mean an associated person whose primary job function is to provide investment research and who is primarily responsible for the preparation of the substance of an equity research report or whose name appears on an equity research report, and "research report" shall have the same meaning as in Rule 2241.

The requirements of paragraph (b)(6) of this Rule shall not apply to an associated person who:

- (i) is an employee of a non-member foreign affiliate of a member ("foreign research analyst");
- (ii) resides outside the United States; and
- (iii) contributes, partially or entirely, to the preparation of globally branded or foreign affiliate research reports but does not contribute to the preparation of a member's research, including a mixed-team report, that is not globally branded.

Provided that the following conditions are satisfied:

- a. a member that publishes or otherwise distributes globally branded research reports partially or entirely prepared by a foreign research analyst must subject such research to pre-use review and approval by a Research Principal registered pursuant to paragraph (a)(6) of this Rule or a Supervisory Analyst registered

pursuant to paragraph (a)(14) of this Rule. In addition, the member must ensure that such research reports comply with Rule 2241, as applicable;

b. in publishing or otherwise distributing globally branded research reports partially or entirely prepared by a foreign research analyst, a member must prominently disclose:

1. each affiliate contributing to the research report;
2. the names of the foreign research analysts employed by each contributing affiliate;
3. that such research analysts are not registered as Research Analysts with FINRA; and
4. that such research analysts may not be associated persons of the member and therefore may not be subject to Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account;

c. the disclosures required by paragraph (b)(6)(A)(iii)b. of this Rule shall be presented on the front page of the research report or the front page shall refer to the page on which the disclosures can be found. In electronic research reports, a member may hyperlink to the disclosures. References and disclosures shall be clear, comprehensive and prominent;

d. members shall establish and maintain records that identify those individuals who have availed themselves of this exemption, the basis for such exemption, and evidence of compliance with the conditions of the exemption. Failure to establish and maintain such records shall create an inference of a violation of paragraph (b)(6) of this Rule. Members shall also establish and maintain records that evidence compliance with the applicable content, disclosure and supervision provisions of Rule 2241. Members shall maintain these records in accordance with the supervisory requirements of Rule 3110, and in addition to such requirement, the failure to establish and maintain such records shall create an inference of a violation of the applicable content, disclosure and supervision provisions of Rule 2241;

e. nothing in paragraph (b)(6) of this Rule shall affect the obligation of any person or broker-dealer, including a foreign broker-dealer, to comply with the applicable provisions of the federal securities laws, rules and regulations and any self-regulatory organization rules;

f. the fact that a foreign research analyst avails himself or herself of the exemption in paragraph (b)(6) of this Rule shall not be probative of whether that individual is an associated person of the member for other purposes, including whether the foreign research analyst is subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account;

g. a member that distributes non-member foreign affiliate research reports that are clearly and prominently labeled as such must comply with the third-party research report requirements in Rule 2241; and

h. for purposes of the exemption in paragraph (b)(6) of this Rule, the terms "affiliate," "globally branded research report" and "mixed-team research report" shall have the following meanings:

1. "affiliate" shall mean a person that directly or indirectly controls, is controlled by, or is under common control with, a member;

2. "globally branded research report" refers to the use of a single marketing identity that encompasses the member and one or more of its affiliates; and
3. "mixed-team research report" refers to any member research report that is not globally branded and includes a contribution by a research analyst who is not an associated person of the member.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Research Analyst on October 1, 2018 and each person who was registered with FINRA as a Research Analyst within two years prior to October 1, 2018 shall be qualified to register as a Research Analyst without passing any additional qualification examinations.

All other individuals registering as Research Analysts after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Research Analyst qualification examinations.

Upon written request pursuant to the Rule 9600 Series, FINRA shall grant a waiver from the analytical portion of the Research Analyst qualification examinations (Series 86) upon verification that the applicant has passed:

- (i) Levels I and II of the CFA Examination; or
- (ii) if the applicant functions as a research analyst who prepares only technical research reports as defined in paragraph (b)(6) of this Rule, Levels I and II of the Chartered Market Technician ("CMT") Examination; and
- (iii) has either functioned as a research analyst continuously since having passed the Level II CFA or CMT Examination or applied for registration as a Research Analyst within two years of having passed the Level II CFA or CMT Examination.

For purposes of paragraph (b)(6) of this Rule, a "technical research report" shall mean a research report, as that term is defined in Rule 2241, that is based solely on stock price movement and trading volume and not on the subject company's financial information, business prospects, contact with subject company's management, or the valuation of a subject company's securities.

An applicant who has been granted an exemption pursuant to paragraph (b)(6)(B) of this Rule still must pass the regulatory portion of the Research Analyst qualification examinations (Series 87) before that applicant can be registered as a Research Analyst.

(7) Investment Company and Variable Contracts Products Representative

(A) Representatives Engaged in Limited Activities

Each representative as defined in paragraph (b)(1) of this Rule may register with FINRA as an Investment Company and Variable Contracts Products Representative if his or her activities in the investment banking or securities business of a member are limited to the solicitation, purchase or sale of:

- (i) redeemable securities of companies registered pursuant to the Investment Company Act;
- (ii) securities of closed-end companies registered pursuant to the Investment Company Act during the period of original distribution only;
- (iii) variable contracts and insurance premium funding programs and other contracts issued by an insurance company except contracts that are exempt securities pursuant to Section 3(a)(8) of the Securities Act; or
- (iv) municipal fund securities as defined under MSRB Rule D-12.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as an Investment Company and Variable Contracts Products Representative on October 1, 2018 and each person who was registered with FINRA as an Investment Company and Variable Contracts Products Representative within two years prior to October 1, 2018 shall be qualified to register as an Investment Company and Variable Contracts Products Representative without passing any additional qualification examinations.

All other individuals registering as Investment Company and Variable Contracts Products Representatives after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Investment Company and Variable Contracts Products Representative qualification examination.

(8) Direct Participation Programs Representative

(A) Representatives Engaged in Limited Activities

Each representative as defined in paragraph (b)(1) of this Rule may register with FINRA as a Direct Participation Programs Representative if his or her activities in the investment banking or securities business of a member are limited to the solicitation, purchase or sale of equity interests in or the debt of direct participation programs as defined in paragraph (b)(8)(A) of this Rule.

"Direct participation programs" shall mean programs that provide for flow-through tax consequences regardless of the structure of the legal entity or vehicle for distribution including, but not limited to, oil and gas programs, cattle programs, condominium securities, Subchapter S corporate offerings and all other programs of a similar nature, regardless of the industry represented by the program, or any combination thereof. Excluded from this definition are real estate investment trusts, tax qualified pension and profit sharing plans pursuant to Sections 401 and 403(a) of the Internal Revenue Code ("Code") and individual retirement plans under Section 408 of the Code, tax sheltered annuities pursuant to the provisions of Section 403(b) of the Code and any company including separate accounts registered pursuant to the Investment Company Act. Also excluded from this definition is any program that is listed on a national securities exchange or any program for which an application for listing on a national securities exchange has been made.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Direct Participation Programs Representative on October 1, 2018 and each person who was registered with FINRA as a Direct Participation Programs Representative within two years prior to October 1, 2018 shall be qualified to register as a Direct Participation Programs Representative without passing any additional qualification examinations.

All other individuals registering as Direct Participation Programs Representatives after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Direct Participation Programs Representative qualification examination.

(9) Private Securities Offerings Representative

(A) Representatives Engaged in Limited Activities

Each representative as defined in paragraph (b)(1) of this Rule may register with FINRA as a Private Securities Offerings Representative if his or her activities in the investment banking or securities business of a member are limited to effecting sales as part of a primary offering of securities not involving a public offering, pursuant to Sections 3(b), 4(2) or 4(6) of the Securities Act and the Securities Act rules and regulations, provided, however, that such person shall not effect sales of municipal or government securities, or equity interests in or the debt of direct participation programs as defined in paragraph (b)(8)(A) of this Rule.

(B) Qualifications

Subject to the lapse of registration provisions in Rule 1210.08, each person registered with FINRA as a Private Securities Offerings Representative on October 1, 2018 and each person who was registered with FINRA as a Private Securities Offerings Representative within two years prior to October 1, 2018 shall be qualified to register as a Private Securities Offerings Representative without passing any additional qualification examinations.

All other individuals registering as Private Securities Offerings Representatives after October 1, 2018 shall, prior to or concurrent with such registration, pass the SIE and the Private Securities Offerings Representative qualification examination. However, FINRA shall, upon such evidence as it determines to be appropriate, deem any person who while employed by a bank, engaged in effecting sales of private securities offerings as described in paragraph (b)(9) of this Rule, during the period from May 12, 1999 to November 12, 1999, as qualified to register as a Private Securities Offerings Representative without the need to pass the SIE and the Private Securities Offerings Representative qualification examination.

••• Supplementary Material: -----

.01 Foreign Registrations. Persons who are in good standing as a representative with the Financial Conduct Authority in the United Kingdom or with a Canadian stock exchange or securities regulator shall be exempt from the requirement to pass the SIE.

.02 Additional Qualification Requirements for Persons Engaged in Security Futures Activities. Each person who is registered with FINRA as a General Securities Representative, United Kingdom Securities Representative, Canada Securities Representative, Options Representative, Registered Options Principal or General Securities Sales Supervisor shall be eligible

to engage in security futures activities as a representative or principal, as applicable, provided that such individual completes a Firm Element program as set forth in Rule 1240 that addresses security futures products before such person engages in security futures activities.

.03 Members With One Registered Options Principal. A member that has one Registered Options Principal shall promptly notify FINRA in the event such person is terminated, resigns, becomes incapacitated or is otherwise unable to perform the duties of a Registered Options Principal.

Following receipt of such notification, FINRA shall require the member to agree, in writing, to refrain from engaging in any options-related activities that would necessitate the prior or subsequent approval of a Registered Options Principal until such time as a new Registered Options Principal has been qualified.

Members failing to qualify a new Registered Options Principal within two weeks following the loss of their sole Registered Options Principal, or by the earliest available date for administration of the Registered Options Principal examination, whichever is longer, shall be required to cease doing an options business; provided, however, they may effect closing transactions in options to reduce or eliminate existing open options positions in their own account as well as the accounts of their customers.

.04 Scope of General Securities Sales Supervisor Registration Category. The General Securities Sales Supervisor category is an alternate category of registration designed to lessen the qualification burdens on principals of general securities firms who supervise sales. Without this category of limited registration, such principals would be required to separately qualify pursuant to the rules of FINRA, the MSRB, the NYSE and the options exchanges. While persons may continue to separately qualify with all relevant self-regulatory organizations, the General Securities Sales Supervisor examinations permit qualification as a supervisor of sales of all securities through one registration category. Persons registered as General Securities Sales Supervisors may also qualify in any other category of principal registration. Persons who are already qualified in one or more categories of principal registration may supervise sales activities of all securities by also qualifying as General Securities Sales Supervisors.

Any person required to be registered as a principal who supervises sales activities in corporate, municipal and option securities, investment company products, variable contracts, direct participation program securities as defined in paragraph (b)(8)(A) of this Rule, and security futures (subject to the requirements of Supplementary Material .02 of this Rule) may be registered solely as a General Securities Sales Supervisor. In addition to branch office managers, other persons such as regional and national sales managers may also be registered solely as General Securities Sales Supervisors as long as they supervise only sales activities.

.05 Scope of Operations Professional Requirement. Any person whose activities are limited to performing a function ancillary to a covered function specified in paragraph (b)(3)(A)(ii) of this Rule, or whose function is to serve a role that can be viewed as supportive of or advisory to the performance of a covered function specified in paragraph (b)(3)(A)(ii) of this Rule (*e.g.*, internal audit, legal or compliance personnel who review but do not have primary responsibility for any covered function), or who engages solely in clerical or ministerial activities in a covered function specified in paragraph (b)(3)(A)(ii) of this Rule shall not be required to register as an Operations Professional For the purpose of paragraph (b)(3)(A)(i)c. of this Rule, the determination as to what constitutes “materially” or “material” is based on a member's pre-established spending guidelines and risk management policies.

An employee of a foreign broker-dealer whose activities, relating to a transaction in foreign securities on behalf of a customer of a member, are limited to facilitating the clearance and settlement of the transaction shall not be required to register as an Operations Professional ... where:

(a) the member sending the order for a transaction in foreign securities on behalf of the customer to the foreign broker-dealer is not a direct participant of the applicable foreign clearing system; and

(b) in executing such order in the foreign market, the foreign broker-dealer accepts the member's customer's instructions to settle the transaction in foreign securities on a DVP/RVP basis through the foreign clearing system and settle directly with a custodian for the customer.

.06 Eliminated Registration Categories. Subject to the lapse of registration provisions in Rule 1210.08, each person who is registered with FINRA as an Order Processing Assistant Representative, a United Kingdom Securities Representative, a Canada Securities Representative, an Options Representative, a Corporate Securities Representative or a Government Securities Representative on October 1, 2018 and each person who was registered with FINRA in such categories within two years prior to October 1, 2018 shall be eligible to maintain such registrations with FINRA. However, if persons registered in such categories subsequently terminate such registration(s) with FINRA and the registration remains terminated for two or more years, they shall not be eligible to reregister in such categories. In addition, each person who is registered with FINRA as a Foreign Associate on October 1, 2018 shall be eligible to maintain such registration with FINRA. However, if persons registered as Foreign Associates subsequently terminate such registrations with FINRA, they shall not be eligible to re-register as Foreign Associates.

(a) Persons registered as Order Processing Assistant Representatives shall be subject to the following conditions:

(1) Order Processing Assistant Representatives may not solicit transactions or new accounts on behalf of a member, render investment advice, make recommendations to customers regarding the appropriateness of securities transactions, effect transactions in securities markets on behalf of a member or accept customer orders for municipal securities and direct participation program securities as defined in paragraph (b)(8)(A) of this Rule;

(2) members may only compensate Order Processing Assistant Representatives on an hourly wage or salaried basis and may not in any way, directly or indirectly, relate their compensation to the number or size of transactions effected for customers, provided that Order Processing Assistant Representatives are not prohibited from receiving bonuses or other compensation based on a member's profit sharing plan or similar arrangement;

(3) the activities of Order Processing Assistant Representatives may only be conducted at a business location of a member that is under the direct supervision of an appropriately registered principal of the member; and

(4) an Order Processing Assistant Representative shall not be precluded from registering as a General Securities Representative or in another registration category appropriate to his or her functions; however, upon registration in such other category, such person's registration as an Order Processing Assistant Representative shall be terminated.

(b) Persons registered as Foreign Associates shall be subject to the following conditions:

(1) They shall not be citizens, nationals, or residents of the United States or any of its territories or possessions;

(2) They shall not engage in any securities activities with or for any citizen, national or resident of the United States; and

(3) They shall conduct all of their securities activities in areas outside the jurisdiction of the United States.

Credits

Amended by SR-FINRA-2021-005 eff. Mar. 31, 2021. Amended by SR-FINRA-2020-043 eff. Dec. 4, 2020. Amended by SR-FINRA-2020-026 eff. Aug. 28, 2020. Amended by SR-FINRA-2018-031 eff. Oct. 1, 2018. Amended by SR-FINRA-2017-007 eff. Oct. 1, 2018. Amended by SR-FINRA-2011-060 eff. Oct. 17, 2011. Amended by SR-FINRA-2011-040 eff. Oct. 17, 2011. Adopted by SR-FINRA-2011-013 eff. Oct. 17, 2011.

Selected Notice:11-33, 17-30.

© FINRA. All rights reserved.

1220, FINRA Manual Rule 1220

End of Document

© 2024 Thomson Reuters. No claim to original U.S. Government Works.

FINRA Manual
FINRA Rules
1000. Member Application and Associated Person Registration
1200. Registration and Qualification

FINRA Manual Rule 1240

1240. Continuing Education Requirements

Effective: March 14, 2023

This Rule prescribes requirements regarding the continuing education of registered persons. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below. This Rule also sets forth continuing education programs through which specified persons may maintain their qualification in a representative or principal registration category following the termination of that registration category.

(a) Regulatory Element

(1) Requirements

All covered persons shall comply with the requirement to complete the Regulatory Element.

Each covered person registered with FINRA in a representative or principal registration category immediately preceding January 1, 2023 shall complete the Regulatory Element for the registration category annually by December 31 of 2023 and by December 31 of every year thereafter in which the person remains registered, or as otherwise prescribed by FINRA. Each covered person registering with FINRA in a representative or principal registration category for the first time on or after January 1, 2023 shall complete the Regulatory Element for the registration category annually by December 31 of the subsequent calendar year following the calendar year in which the person becomes registered and by December 31 of every year thereafter in which the person remains registered, or as otherwise prescribed by FINRA. Nothing in this paragraph (a)(1) shall prohibit a member from requiring its covered persons to complete their Regulatory Element for their registration categories at any time during the calendar year. The content of the Regulatory Element shall be appropriate to each representative or principal registration category. A covered person shall complete Regulatory Element content for each registration category that he or she holds. The content of the Regulatory Element for a covered person designated as eligible for a waiver pursuant to Rule 1210.09 shall be determined based on the person's most recent registration(s), and the Regulatory Element shall be completed based on the same annual cycle had the person remained registered.

(2) Failure to Complete

Unless otherwise determined by FINRA, as provided in this paragraph (a)(2), any covered person, other than a covered person designated as eligible for a waiver pursuant to Rule 1210.09, who has not completed the Regulatory Element within the prescribed calendar year in which the Regulatory Element is due will have his or her registration(s) deemed inactive until such time as he or she completes all required Regulatory Element, including any Regulatory Element that becomes due while his or her registration(s) is deemed inactive. Any covered person, other than a covered person designated as eligible for a waiver pursuant to Rule 1210.09, whose registration(s) has been deemed inactive under this paragraph (a)(2) shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity

requiring registration. Further, such covered person may not accept or solicit business or receive any compensation for the purchase or sale of securities. However, such covered person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the member with which such covered person is associated has a policy prohibiting such trail or residual commissions. A registration that remains inactive for a period of two consecutive years will be administratively terminated by FINRA. A person whose registration(s) is so terminated or who otherwise fails to complete required Regulatory Element for two consecutive years may reactivate the registration(s) only by reapplying for registration and meeting the qualification requirements of the applicable provisions of Rules 1210 and 1220. The two-year period under this paragraph (a)(2) is calculated from the date a person's registration(s) is deemed inactive. If a covered person designated as eligible for a waiver pursuant to Rule 1210.09 fails to complete the Regulatory Element within the prescribed time frames, the person shall no longer be eligible for such a waiver. FINRA may, upon written application, with supporting documentation, and a showing of good cause, allow for additional time for a covered person to satisfy the Regulatory Element requirements.

(3) Disciplinary Actions

A covered person, other than a covered person designated as eligible for a waiver pursuant to Rule 1210.09 may be required to complete assigned continuing education as prescribed by FINRA, in the event such person:

(A) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Exchange Act;

(B) is subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to complete continuing education by any securities governmental agency or self-regulatory organization.

Such covered person must complete any continuing education required under this paragraph (a)(3) within 120 days of the covered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) and (C) above.

(4) Reregistration

Any covered person who reregisters with FINRA in a representative or principal registration category shall complete the Regulatory Element content for the registration category annually by December 31 of the subsequent calendar year following the calendar year in which the person becomes reregistered and by December 31 of every year thereafter in which the person remains registered, or as otherwise prescribed by FINRA, provided that he or she has already completed Regulatory Element content for that registration category for the calendar year in which he or she is reregistering, he or she is reregistering by having passed an examination for that registration category or he or she is reregistering by having obtained an unconditional examination waiver for that registration category.

Any covered person who is reregistering with FINRA in a representative or principal registration category without having completed any Regulatory Element content for that registration category for the calendar year in which he or she is reregistering or without having passed an examination for that registration category or without having obtained an unconditional examination waiver for that registration category shall complete the Regulatory Element content for that

registration category annually by December 31 of the calendar year in which he or she reregisters and by December 31 of every year thereafter in which he or she remains registered, or as otherwise prescribed by FINRA.

If a covered person has not completed any Regulatory Element content for a registration category in the calendar year(s) prior to reregistering, FINRA would not approve a registration request for that category until he or she completes that Regulatory Element content or he or she passes an examination for that registration category or he or she obtains an unconditional examination waiver for that registration category, whichever is applicable.

Nothing in this paragraph (a)(4) shall prohibit a member from requiring covered persons, other than a covered person designated as eligible for a waiver pursuant to Rule 1210.09, to complete their Regulatory Element for their registration categories at any time during the calendar year.

(5) Definition of Covered Person

For purposes of this Rule, the term "covered person" means any person registered, or registering, with FINRA as a representative or principal as specified in Rule 1220, including any person who is permissively registered as such pursuant to Rule 1210.02, and any person who is designated as eligible for a waiver pursuant to Rule 1210.09.

(6) Delivery of the Regulatory Element

The Regulatory Element shall be administered through Web-based delivery or such other technological manner and format as specified by FINRA.

(7) Regulatory Element Contact Person

Each member shall designate and identify to FINRA (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications regarding a covered person's completion of his or her Regulatory Element. Each member shall identify, review, and, if necessary, update the information regarding its Regulatory Element contact person(s) in the manner prescribed by Rule 4517.

(b) Firm Element

(1) Persons Subject to the Firm Element

The requirements of this paragraph (b) shall apply to any person registered with a member, including any person who is permissively registered as a representative or principal pursuant to Rule 1210.02.

(2) Standards for the Firm Element

(A) Each member must maintain a continuing and current education program for its registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each member shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the member's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance

of registered persons in the Regulatory Element. If a member's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the member's training plan.

(B) Minimum Standards for Training Programs -- Programs used to implement a member's training plan must be appropriate for the business of the member and, at a minimum must cover training topics related to the role, activities or responsibilities of the registered person and to professional responsibility.

(C) Administration of Continuing Education Program -- A member must administer its continuing education programs under this paragraph (b) in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by registered persons.

(D) Participation in Other Required Training -- A member may consider a registered person's participation in the member's anti-money laundering compliance training under Rule 3310(e) and a registered person's participation in the member's annual compliance training under Rule 3110(a)(7) toward satisfying the registered person's continuing education requirement under this paragraph (b).

(3) Participation in the Firm Element

Registered persons of a member must take all appropriate and reasonable steps to participate in continuing education programs under this paragraph (b) as required by the member.

(4) Specific Training Requirements

FINRA may require a member, individually or as part of a larger group, to provide specific training to its registered persons in such areas as FINRA deems appropriate. Such a requirement may stipulate the class of registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

(c) Continuing Education Program for Persons Maintaining Their Qualification Following the Termination of a Registration Category

A person who terminates any of his or her representative or principal registration categories with FINRA may maintain his or her qualification for any of the terminated registration categories for a period of five years following the termination of the registration category, subject to the following conditions:

- (1) The person was registered in the registration category for at least one year immediately preceding the termination of the registration category and the person was not subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act during the registration period;
- (2) The person elects to participate in the continuing education program under this paragraph (c) at the time of his or her Form U5 submission or at a later date within two years from the termination of his or her registration category, provided that if the person commences at the later date the person completes within two years from the termination of his or her registration category any continuing education that was due under the program between the time of his or her Form U5 submission and the later date he or she commences participating in the program;

(3) The person completes annually by December 31 of the calendar year in a manner specified by FINRA all prescribed continuing education during his or her participation in the program under this paragraph (c), provided that FINRA may, upon written application by the person, with supporting documentation, and a showing of good cause, allow for additional time for the person to complete the prescribed continuing education;

(4) The person does not have a continuing education deficiency with respect to his or her Regulatory Element for two consecutive years as provided in paragraph (a)(2) of this Rule;

(5) The person does not become subject to a continuing education deficiency with respect to his or her Regulatory Element for two consecutive years as provided in paragraph (a)(2) of this Rule while participating in the program under this paragraph (c); and

(6) The person does not become subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act following the termination of his or her registration category or while participating in the program under this paragraph (c).

••• **Supplementary Material:** -----

.01 Eligibility of Other Persons to Participate in the Continuing Education Program Specified in Paragraph (c) of this Rule. A person registered in a representative or principal registration category with FINRA within two years immediately preceding March 15, 2022 shall be eligible to participate in the continuing education program under paragraph (c) of this Rule, provided that he or she satisfies the conditions set forth in paragraphs (c)(1) and (c)(3) through (c)(6) of this Rule. In addition, a person participating in the Financial Services Affiliate Waiver Program under Rule 1210.09 immediately preceding March 15, 2022 shall be eligible to participate in the continuing education program under paragraph (c) of this Rule, provided that he or she satisfies the conditions set forth in paragraphs (c)(3), (c)(5) and (c)(6) of this Rule. Persons eligible under this Supplementary Material .01 shall make their election to participate in the continuing education program under paragraph (c) of this Rule by March 15, 2022. If such persons elect to participate in the continuing education program, FINRA shall adjust their participation period by deducting from that period the amount of time that has lapsed between the date that such persons terminated their registration categories and March 15, 2022.

.02 Re-Eligibility to Participate in the Continuing Education Program Specified in Paragraph (c) of this Rule. A person who previously participated in the continuing education program under paragraph (c) of this Rule may become re-eligible to participate in the program if he or she reregisters with a member firm and subsequently satisfies the conditions set forth in paragraphs (c)(1) and (c)(4) of this Rule. In such an event, the person may elect to again participate in the program subject to satisfying the remaining conditions set forth in paragraph (c) of this Rule.

Credits

Amended by SR-FINRA-2023-005 eff. Mar. 14, 2023. Amended by SR-FINRA-2021-015 eff. March 15, 2022 and Jan. 1, 2023. Amended by SR-FINRA-2017-007 eff. Oct. 1, 2018. Amended by SR-FINRA-2015-050 eff. Dec. 24, 2015. Amended by SR-FINRA-2015-015 eff. Oct. 1, 2015. Amended by SR-FINRA-2015-004 eff. Feb. 12, 2015. Amended by SR-FINRA-2011-013 eff. Oct. 17, 2011. Amended by SR-NASD-2007-034 eff. Dec. 31, 2007. Amended by SR-NASD-2004-098 eff. April 4, 2005. Amended by SR-NASD-2003-183 eff. April 16, 2004. Amended by SR-NASD-2002-154 eff. July 29, 2003. Amended by SR-

NASD-2000-64 eff. March 11, 2001. Amended by SR-NASD-98-03 eff. July 1, 1998. Amended by SR-NASD-95-22 eff. July 1, 1995. Adopted by SR-NASD-94-72 eff. July 1, 1995.

Selected Notices:94-59, 95-13, 95-35, 96-27, 98-23, 01-14, 03-44, 04-22, 05-20, 07-42, 11-33, 15-28, 17-30, 21-41.

© FINRA. All rights reserved.

1240, FINRA Manual Rule 1240

End of Document

© 2024 Thomson Reuters. No claim to original U.S. Government Works.