

# 1020. Approval of Change in Exempt Status Under SEA Rule 15c3-3

(a) Application — For the purposes of this Rule, the term "member" shall be limited to any member of FINRA who is subject to SEA Rule 15c3-3 and is not designated to another self-regulatory organization by the Commission for financial responsibility pursuant to Section 17 of the Exchange Act and SEA Rule 17d-1 promulgated thereunder. Further, the term shall not be applicable to any member that is subject to Section 402.2(c) of the rules of the Treasury Department.

(b) A member operating pursuant to any exemptive provision as contained in subparagraph (k) of SEA Rule 15c3-3, shall not change its method of doing business in a manner which will change its exemptive status from that governed by subparagraph (k)(1) or (k)(2)(ii) to that governed by subparagraph (k)(2)(i); or from subparagraph (k)(1), (k)(2)(i) or (k)(2)(ii) to a fully computing firm that is subject to all provisions of SEA Rule 15c3-3; or commence operations that will disqualify it for continued exemption under SEA Rule 15c3-3 without first having obtained the prior written approval of FINRA.

(c) In making the determination as to whether to approve, deny in whole or in part an application made pursuant to paragraph (b), FINRA staff shall consider among other things the type of business in which the member is engaged, the training, experience and qualifications of persons associated with the member, the member's procedures for safeguarding customer funds and securities, the member's overall financial and operational condition and any other information deemed relevant in the particular circumstances and the time these measures would remain in effect.

## ***Cross Reference—***

*Rule 2261, Disclosure of Financial Condition*

Amended by SR-FINRA-2019-009 eff. May 8, 2019.  
Amended by SR-NASD-99-76 eff. Sept. 11, 2000  
Amended by SR-NASD-95-39 eff. Oct. 10, 1996  
Adopted eff. Nov. 7, 1985

**Selected Notice:** 00-56.

# 1240. Continuing Education

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 either (1) between January 31, 2022, and March 15, 2022; or (2) between March 15, 2023, and December 31, 2023. If such persons elect to participate in the continuing education program, their participation period shall also be for a period of five years following the termination of their registration categories, as with other participants under paragraph (c) of this Rule. Individuals enrolled in the continuing education program under this Supplementary Material .01 in both 2022 and 2023 who did not complete their prescribed 2022 and 2023 continuing education content as of March 31, 2024, shall be able to complete such content between May 22, 2024, and July 1, 2024, to be eligible to continue their participation in the continuing education program. In addition, any such individuals who will have completed their prescribed 2022 and 2023 continuing education content between March 31, 2024, and May 22, 2024, shall be deemed to have completed such content by July 1, 2024, for purposes of this Supplementary Material .01.

**.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.

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](#).