

# MSRB Notice

2018-21

**Publication Date**  
September 6, 2018

**Stakeholders**  
Municipal Securities  
Dealers

**Notice Type**  
Request for Comment

**Comment Deadline**  
November 5, 2018

**Category**  
Professional  
Qualification,  
Continuing Education

## CE Council Requests Comment on Continuing Education Program Considerations

### Introduction

The Securities Industry/Regulatory Council on Continuing Education (“CE Council”) oversees the development, implementation and ongoing operation of the Securities Industry Continuing Education Program (“CE Program”) through its members, including the Municipal Securities Rulemaking Board (MSRB), other self-regulatory organizations (SROs) and representatives from broker-dealers, as well as liaisons from the Securities and Exchange Commission (SEC) and the North American Securities Administrators Association.<sup>1</sup> The CE Program consists of a Regulatory Element and a Firm Element component and is designed to ensure that registered persons in the securities industry receive timely, effective continuing education.

The CE Council is exploring enhancements to the CE Program and, through the coordinated efforts of its SRO members, is requesting comment from securities industry participants on the enhancements under consideration. The MSRB is issuing this notice to highlight the enhancements under consideration, which are described in further detail in the [CE Council’s Concept Release](#).

The MSRB appreciates the value of the varied perspectives of securities industry participants and encourages comment on the CE Council’s Concept Release to help inform the CE Council on the enhancements under



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<sup>1</sup> In collaboration with the CE Council, the day-to-day operations of the CE Program is administered by the Financial Industry Regulatory Authority.

consideration.<sup>2</sup> Comments for the CE Council can be submitted to the MSRB and/or other SRO members. [Comments may be submitted electronically by clicking here](#). Comments submitted in paper form can be sent to Ronald W. Smith, Corporate Secretary, MSRB, 1300 I Street NW, Washington, DC 20005. All comments will be provided to CE Council and will generally be made available for public inspection on the MSRB's website.<sup>3</sup>

Comments should be submitted no later than November 5, 2018.

Questions about this notice should be directed to Erik Dolan, Director, or Bri Joiner, Manager, Professional Qualifications, at 202-838-1500.

## Background

The CE Council's mission is to facilitate uniform CE requirements for registered securities industry professionals in the operation of the CE Program. The Regulatory Element component requires each covered registered person<sup>4</sup> to complete their CE requirements on the second anniversary date of their initial registration and every three years thereafter, and the Firm Element component requires dealers to annually conduct a needs analysis, develop a written training plan and administer the CE training programs in accordance with the needs analysis conducted and the written training plan.

The mission of the CE Council aligns with SRO rules requiring uniform industry-wide periodic training of registered securities industry professionals, including MSRB Rule G-3, on professional qualification requirements, which requires, in part, that brokers, dealers and municipal securities dealers

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<sup>2</sup> This notice is intended to elicit public feedback that will inform the CE Council, and the MSRB is not seeking comment as a precursor to initiating rulemaking. If the CE Council decides to take steps to introduce any program changes, the MSRB along with the other SROs will provide notice of any proposed changes to the CE Council's program and any corresponding proposed rule changes that would, as a result, be necessary to implement the CE Council's enhancements. Any proposed rule changes must be authorized by the Board for filing with the SEC, and then filed with the SEC pursuant to Section 19(b) of the Securities Exchange Act of 1934.

<sup>3</sup> Comments generally are posted on the MSRB website without change. For example, personal identifying information such as name, address, telephone number or email address will not be edited from submissions. Therefore, commenters should only submit information that they wish to make available publicly.

<sup>4</sup> Under MSRB Rule G-3(i)(i)(B), a "covered registered person" means "any person registered with a broker, dealer or municipal securities dealer and qualified as a representative or principal in accordance with this rule or as a general securities principal and who regularly engages in or supervises municipal securities activities."

("dealers") maintain a continuing education program for their covered registered persons.

The CE Council is exploring various improvements to the current CE Program with the goal of, among other things

- Improving coordination between the Regulatory Element component and Firm Element component of the training programs;
- Reducing redundancy among training requirements and programs;
- Defining with more specificity the minimum standards of CE for the industry; and
- Enabling previously registered individuals to maintain their qualification status by satisfying CE requirements while out of the securities industry.

Based on an analysis completed so far by the CE Council of the current CE Program, the CE Council has identified possible program improvements as well as a few additional areas the CE Council is interested in gathering additional information on regarding the current practices and needs of dealers.

Below is a summary of a few key areas the CE Council is seeking comment on as part of the enhancements under consideration. Again, the MSRB encourages securities industry participants to read the full release that more expansively describes program enhancements under consideration by the CE Council.

## **Enhancements Under Consideration**

### *Regulatory Element Component*

An enhancement under consideration would allow SROs, in consultation with the CE Council, to better identify and analyze regulatory issues and significant rule changes to determine which subject matters should be addressed within the Regulatory Element component of the CE Program and the amount of CE content necessary to address each subject matter. With that in mind, the CE Council is also considering an enhancement that would establish an annual Regulatory Element component of the CE Program in an effort to improve the timeliness of providing content related to significant rule changes and regulatory issues.

### *Maintaining Qualifications*

The CE Council is exploring the idea of recommending revisions to current SRO rules governing lapse of registration. As currently prescribed, persons

who cease to act in a capacity requiring a qualification for two or more years, at any time after having qualified in such capacity, must requalify by examination or obtain a waiver of the examination requirement in order to re-register. Under the enhancement being contemplated by the CE Council, persons previously registered who have been terminated for more than two years would not be required to requalify by examination but would complete an annual Regulatory Element component of the CE Program as well as additional content equivalent to the Firm Element component of the CE Program in order to maintain such person's qualifications upon re-entry into the industry.

#### *Firm Element Component*

Additionally, the CE Council is interested in feedback on: (i) the redundancy of the Firm Element component of the CE Program with other training requirements; (ii) whether there are opportunities for reciprocity with other securities or related credentialing programs; and (iii) the source and availability of content for the Firm Element component of the CE Program as being used by firms. Since the Firm Element component of the CE Program is a firm-administered training program, such programs are relatively unstructured; therefore, the CE Council is interested in understanding the typical amount of Firm Element content provided by firms and the various types of educational material and formats used. Additionally, the CE Council is seeking input as to whether a centralized source of content would be helpful and the value of providing one to the industry.

September 6, 2018

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**COMMENT LETTER ON NOTICE 2018-21 (SEPTEMBER 6, 2018)**

Wells Fargo Advisors: Letter from Robert J. McCarthy, Director of Regulatory Policy, dated November 5, 2018

**Wells Fargo Advisors**

Regulatory Policy  
One North Jefferson Avenue  
H0004-05C  
St. Louis, MO 63103  
314-242-3193 (t)  
314-875-7805 (f)

**Member FINRA/SIPC**

November 5, 2018

Via e-mail: [pubcom@finra.org](mailto:pubcom@finra.org)

Via Online Submission at: <http://www.msrb.org/CommentForm.aspx>

Ms. Marcia E. Asquith  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1506

Mr. Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 Street, NW, Suite 1000  
Washington, DC 20005

**Re: MSRB Notice 2018-21: CE Council Requests Comment on Continuing Education Program Considerations; FINRA Notice 18-26: Continuing Education Program**

Dear Ms. Asquith & Mr. Smith:

Wells Fargo Advisors (“WFA”) appreciates the opportunity to comment on the above-referenced notices from the Municipal Securities Rulemaking Board (“MSRB” or the “Board”) and the Financial Industry Regulatory Authority (“FINRA”) (together, the “Proposal”)<sup>1</sup> requesting feedback on the Securities Industry/Regulatory Council on Continuing Education (“Council”) proposed enhancements to the Continuing Education Program (“Program”). We are

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<sup>1</sup> FINRA Notice 18-26: Continuing Education Program (September 6, 2018); available at: <https://www.finra.org/sites/default/files/Regulatory-Notice-18-26.pdf>. MSRB Regulatory Notice 2018-21: CE Council Requests Comment on Continuing Education Program Considerations (September 6, 2018); available at: <http://www.msrb.org/~media/Files/Regulatory-Notices/RFCs/2018-21.ashx?n=1>.

Marcia E. Asquith &  
 Ronald W. Smith  
 November 5, 2018  
 Page 2

supportive of efforts to enhance the Program and hope our comments will assist the Council in further developing the Program.

WFA's position as one of this nation's largest brokerage firms with over 28,000 registered persons places us in a unique position to provide insight into how modernization of the Program affects the registered population in furtherance of the Council's goals. WFA is a dually registered broker-dealer and investment adviser that administers approximately \$1.6 trillion in client assets. As such, we work closely with individuals and families of varying means – from those just beginning their investing journey to those living in retirement – to understand their financial needs and help them develop plans to realize their financial goals.<sup>2</sup> We believe many of the Program enhancements under consideration will lead to more informed and educated securities professionals, which is the foundation to better advising the investing public.

## **I. WFA SUPPORTS THE COUNCIL'S GOALS**

WFA applauds the Council for exploring options to enhance the Program and supports the goal of utilizing advances in technology and learning theory to ensure registered persons receive timely and relevant education regarding the securities business. We believe those advances provide the Council an opportunity to update the Program in a manner that would result in a better learning experience for registered persons. Moreover, the Council can materially improve the Program by focusing enhancement planning on the following principles:

- Holistic view of continuing education that incorporates the various training and credentialing programs available to registered persons into the Program; and
- Expansion of the pool of educated securities professionals.

The seven enhancement goals<sup>3</sup> and many of the recommended Program enhancements detailed in the Proposal are consistent with the above principles. We set forth below our specific comments and recommendations concerning the Program.

## **II. DISCUSSION AND RECOMMENDATIONS**

### **A. Background**

Among the Council's stated goals in issuing the Proposal is to gather information on current training requirements imposed on registered persons, the overlap of such training requirements and understanding whether opportunities exist for reciprocity with other securities or related educational programs.

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<sup>2</sup> Wells Fargo Advisors" is the trade name for Wells Fargo Clearing Services, LLC ("WFCS"), a dually-registered broker-dealer and investment adviser, member FINRA/SIPC, and a separate non-bank affiliate of Wells Fargo & Co. "First Clearing" is the trade name for WFCS's clearing business, providing services to unaffiliated introducing broker-dealers. WFCS is affiliated with Wells Fargo Advisor Financial Network ("FiNet"), a broker-dealer also providing advisory and brokerage services. For the ease of this discussion, this letter will use WFA to refer to all of these brokerage operations.

<sup>3</sup> CE Council Enhancement Goals; available at: <http://cecouncil.com/media/266531/ce-program-enhancements-final-pdf>.

Marcia E. Asquith &  
Ronald W. Smith  
November 5, 2018  
Page 3

It is our view that registered persons at many firms face a host of mandated training requirements that when viewed individually serve an important educational purpose, yet when viewed collectively, include overlapping and duplicative topical information. Therefore, we believe there is significant opportunity for the Council to adopt a more holistic view of training and education for securities professionals. In support of this view, we have set forth below an overview of the current training requirements at WFA followed by our recommendations to enhance the Firm and Regulatory Elements of the Program.

## **B. The Training and Educational Requirements at WFA**

The annual Firm Element program at WFA consists of at least two, 45-minute training courses. One course typically focuses on sales practices topics while the other focuses on securities products and services offered by the firm. We design different versions of these training modules for supervisory and non-supervisory registered persons. In certain years, additional priorities and firm needs will lead WFA to require registered persons to complete a third course typically targeted to a particular topic. Furthermore, we supplement this training with targeted modules for specialty positions such as research analysts, operational professionals and those registered with the National Futures Association.

The training at WFA is web-based and contains interactive features and knowledge checks to reinforce the educational material. A participant cannot complete a course without demonstrating their knowledge of all topics. We also typically seek Certified Financial Planning Board credit for all training developed and offered to our registered advisor population. On occasion, the training also qualifies for Investment Management Consultants Association credit.

We not only require all registered persons to complete required training but also require non-registered persons to take an Annual Compliance Meeting (“ACM”) training that covers key topics from our Firm Element courses. WFA takes this approach to ensure that all associated persons maintain a requisite level of skill and knowledge. We view it to be critical that all parties involved have a solid level of securities industry knowledge.

WFA’s approach to delivery of the ACM is similar to the delivery of the Firm Element described above. The ACM is delivered in a module format, assigned to the same audience, and tracked in the same manner as the WFA Firm Element modules. A number of other training requirements also apply to WFA’s registered population to satisfy a myriad of federal and state regulations and laws. In a typical year, a registered person at WFA will have at least 15 training modules to complete in addition to the Firm Element and the ACM. For example, the AML training required by FINRA Rule 3310(e) may apply to other areas of a registered team member’s work. Additional examples include training required by other financial regulators, such as state mandated insurance training to offer insurance products, or ethics training required for licensed attorneys. Because many of the same regulatory concerns (*e.g.*, sales practices, confidentiality, financial products, and cybersecurity) exist across the financial services industry, this training can be duplicative of the current Firm Element training. Finally, many of our



registered persons also earn and maintain professional designations that requires regular continuing education that may overlap with Firm Element training.

### **C. Our Recommended Changes to Firm Element Requirements**

We recommend the Council allow training for other programs – such as the ACM, AML training, and other credentialing programs – to count toward satisfying the Firm Element requirement. By granting formal reciprocity for credentialing program-training requirements, where appropriate, the Council would allow registered persons to avoid potentially unnecessary and duplicative requirements that result in registered persons receiving training multiple times on the same topic.<sup>4</sup> This course of action would have the added benefit of permitting each registered person to tailor his or her training path for professional development purposes.

We believe a logical extension of the more integrated approach set forth above is for the Council to consider combining Firm Element and Regulatory Element training and only have one annual learning requirement. A single annual learning requirement would further enhance the overall learning experience while reducing inefficiencies, lessen duplication, and enable firms and registered persons to design holistic educational plans without compromising training requirements.

We also recommend the Council publish Regulatory Element topics and learning objectives for the upcoming plan year at the beginning of the 4<sup>th</sup> quarter of the current plan year. Currently, many firms begin planning and development of Firm Element and ACM training prior to publication of the Regulatory Element topics from FINRA. Utilizing this proposed timeframe would allow firms more time to effectively plan and manage learning and development strategies and reduce duplicative training between the current Regulatory Element, Firm Element and ACM requirements.

Finally, WFA is also supportive of the Council's ideas to create a centralized content catalog that would serve as a helpful and valuable resource to the industry. While, as noted above, WFA primarily develops its own content internally, such a resource could serve as an important supplement for the securities industry. WFA would further recommend the Council form working groups that could share ideas and industry best practices. Furthermore, we also support increased transparency around who serves on the Council and how members are selected.

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<sup>4</sup> WFA recommends that FINRA consider the continuing education undergone by registered persons to maintain the following designations for formal reciprocity with the Firm Element: Accredited Asset Management Specialist (AAMS), Certified Financial Planner (CFP), Chartered Financial Consultant (CHFC), Chartered Financial Analyst (CFA), Chartered Life Underwriter (CLU), Chartered Retirement Planning Counselor (CRPC), Chartered Retirement Planning Specialist (CRPS), Accredited Domestic Partnership Advisor (ADPA), and Certified Investment Management Analyst (CIMA).

#### **D. Our Recommended Changes to Regulatory Element Requirements**

Currently, Regulatory Element training is required on the second anniversary of a registered person's initial registration date and every three years thereafter. The Council seeks feedback regarding potentially transitioning the Regulatory Element to an annual requirement consisting of approximately one-third of the amount of content contained in the current program (and refocusing the content on rule changes) and charging a fee of approximately one-third of the current fee.

We believe the Regulatory Element's current, scenario-based format and content provides a high quality learning experience. We are concerned that focusing the Regulatory Element on rule changes will degrade the learning experience. We believe the registered person may feel the content is less connected to their day-to-day activities than the current program and may view an annual Regulatory Element requirement as merely adding training, even though the actual amount overall will not increase. In addition, for firms, especially for large firms like WFA that manage training needs for thousands of registered persons, the work and expense involved in moving the Regulatory Element to an annual training requirement would significantly increase. Consequently, we recommend maintaining the current timing and format of the Regulatory Element for persons currently registered in the securities industry.

We do, however, believe that moving to an annual requirement for the Regulatory Element would be appropriate and beneficial for those registered persons who are currently outside of the securities industry. Allowing individuals to maintain their registrations through participation in an annual program while outside the securities industry would be an effective approach to keep individuals informed and trained on important industry developments. Furthermore, it would be consistent with the approach taken by individuals providing professional services in other industries, such as the legal profession, where individuals are permitted to maintain their professional licenses by participating in continuing education programs during periods of time when they are not acting in a professional capacity.<sup>5</sup>

We believe that implementing a continuing education program for such individuals, subject to minimum eligibility requirements and readily available programs designed to keep individuals informed on current compliance, regulatory, and sales practice standards, would render the two-year (2) termination rule unnecessary for individuals satisfying the program's eligibility requirements.

For registered persons that are not currently working in the industry and thus not continually encountering regulatory situations or managing client or regulator interactions, the relevance and depth of content becomes an essential component of the training. Therefore, we recommend having a robust training platform for that segment of registered persons, designed to

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<sup>5</sup> Professional licensing requirements are regulated at the state level. The requirements, including continuing education, for maintaining a professional license, such as for CPAs, real estate agents, professional engineers and land surveyors, licensed marriage and family therapists, licensed mental health counselors, licensed social workers, vary by state.

Marcia E. Asquith &  
Ronald W. Smith  
November 5, 2018  
Page 6

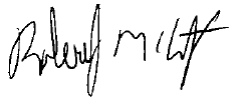
be comparable to Firm Element training required for registered persons associated with a firm. Such a program could be managed by utilizing FinPro. In the future, FinPro accounts could be initially set up using the Form U-4 and the required training to maintain qualification status post termination could be subsequently managed through their Form U-5 filing.

Lastly, the current structure of the Regulatory Element Program assigns each registered person to one of four programs based on the individual's active registrations. Such a structure provides little flexibility for a registered person to customize the program per their specific job function, which essentially limits the ability to select training based on the specific registrations they hold or the roles they have within an organization. We believe technological advances in FINRA's systems offers the Council the opportunity to provide additional flexibility for firms to customize the Regulatory Element training to better align with the various roles and responsibilities of their registered persons.

### **III. CONCLUSION**

WFA appreciates the opportunity to provide feedback to FINRA and the MSRB in regards to the Proposal. If you would like to discuss this matter further, please feel free to contact me directly at (314) 242-3193 or [robert.j.mccarthy@wellsfargoadvisors.com](mailto:robert.j.mccarthy@wellsfargoadvisors.com).

Sincerely,



Robert J. McCarthy  
Director of Regulatory Policy