

THIS MONTH IN COMPLIANCE: Annual Compliance Meeting & State CE Requirements

MONTHLY COMPLIANCE TASKS

Please be sure to check your SmartRIA CCO portal to keep up with your monthly Compliance tasks or utilize the CCO Scorecard included in our This Month in Compliance email. Please contact the following for:

- **Login and Portal Requests:** Sara Sparks: ssparks@thecomplianceresource.com
Lindsay Rider: lrider@thecomplianceresource.com
- **Task Related Questions:** Nancy Harry: nharry@thecomplianceresource.com
Stacie Craddock: scraddock@thecomplianceresource.com
Sara Sparks: ssparks@thecomplianceresource.com

ANNUAL COMPLIANCE MEETING

Section from SEC's Final Rule on Code of Ethics - <https://www.sec.gov/rules/final/ia-2256.htm>

*Under Rule 204A-1, an Adviser's Code of ethics must require the adviser to provide each supervised person with a copy of the code of ethics and any amendments. The code must also require each supervised person to acknowledge, in writing, their receipt of those copies. While some commenters opposed this requirement, most who addressed it were supportive. Some commenters went further and recommended that we mandate that advisers educate employees on the code of ethics. An investment adviser's procedures for informing its employees about its code of ethics are critical to obtaining good compliance and avoiding inadvertent code violations. **Although we do not believe it is necessary to require employee education as an element of codes of ethics, we expect most advisory firms will ensure that their employees have received adequate training on the principles and procedures of their codes. Many firms that have already implemented codes of ethics hold periodic orientation or training sessions with new and existing employees to remind them of their obligations under the code. Others may require employees to certify that they have read and understood the code of ethics and require annual recertification to re-read, understand, and comply with the code. We are not mandating any of these procedures, but they are among the best practices for advisers.***

Have you scheduled your firm's Annual Compliance Meeting? This month we provide a Base PowerPoint Compliance Meeting presentation to be further customized and tailored to your firm's process and procedures, highlighted in yellow. An annual compliance meeting should be the cornerstone of every investment advisor's compliance program. To be effective, compliance policies and procedures require communication with and training of the advisor's personnel. The annual compliance meeting can serve this purpose. When the CCO does the annual review of the compliance program, the annual compliance meeting is your documentation of the firm's compliance program and supervised person training. Regulators continue to emphasize the need for investment advisors to develop a culture of compliance. Investment advisors must develop a way to ensure that all supervised persons understand their roles in helping the firm maintain a strong culture of compliance. Educating and communicating with all supervised persons is crucial to this process, and although not expressly required under the rule, an annual compliance meeting is an effective way for you to accomplish this instruction.

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INVESTMENT ADVISER REPRESENTATIVE CONTINUING EDUCATION

In November 2020, the North American Securities Administrators Association (NASAA) announced that its membership voted to adopt a model rule to set parameters by which NASAA members could implement continuing education programs for investment adviser representatives in their jurisdictions. The model rule represents the culmination of years of work by state securities regulators and industry to develop a relevant and responsive continuing education program. As of September 30, 2022, the jurisdictions listed below have either implemented an IAR CE requirement or have informed NASAA's IAR CE Committee they are planning to adopt an IAR CE requirement in 2022. Please note, this list will be updated as new information becomes available and can be accessed at <https://www.nasaa.org/industry-resources/investment-advisers/investment-adviser-representative-continuing-education/member-adoption/>.

- ARKANSAS (1/1/2023 EFFECTIVE DATE)
- KENTUCKY (1/1/2023 EFFECTIVE DATE)
- MARYLAND
- MICHIGAN (1/1/2023 EFFECTIVE DATE)
- MISSISSIPPI
- NEVADA*
- OKLAHOMA (1/1/2023 EFFECTIVE DATE)
- RHODE ISLAND*
- SOUTH CAROLINA (1/1/2023 EFFECTIVE DATE)
- VERMONT
- WASHINGTON, D.C. (1/1/2023 EFFECTIVE DATE)
- WISCONSIN (1/1/2023 EFFECTIVE DATE)

**State adoption is planning to be finalized in 2022. If that is the case, implementation in that state will not occur until January 1, 2023. This page will be updated periodically as states adopt IAR CE or determine that they will implement the program in 2023.*

Below are some of the FAQs about the Investment Adviser Representative Continuing Education initiative. More can be accessed at <https://www.nasaa.org/industry-resources/investment-advisers/resources/iar-ce-faq/>.

WHO DOES THE INVESTMENT ADVISER REPRESENTATIVE CONTINUING EDUCATION (IAR CE) PROGRAM APPLY TO?

Every investment adviser representative (IAR) **registered in a jurisdiction that adopts the model rule will be subject to its CE requirements**. The program applies to all registered IARs of both *state-registered and federal covered investment advisers* in that jurisdiction.

ARE IARS REQUIRED TO TAKE SPECIFIC COURSES?

No, IARs are free to select courses that appeal to their interests and business models so long as they meet the credit requirements, and the courses are approved content for the IAR CE program. The program provides maximum flexibility for IARs.

WHO REPORTS COURSE COMPLETION?

The course vendor/provider reports course completion to FINRA, NASAA's vendor for program tracking.

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WHEN DO IARS NEED TO BEGIN COMPLYING WITH THE CE PROGRAM?

Compliance will begin with the 2022 calendar year in states adopting the model rule with an effective date of January 1, 2022. CE credits must be reported by the end of each calendar year. Newly registered IARs will be required to meet the annual IAR CE requirement by the end of the first full calendar year following the year in which they first become registered.

HOW MANY CREDITS/HOURS ARE REQUIRED?

Beginning in 2022, IARs will need to attain 12 CE credits each year to maintain their IAR registration. A “credit” is a unit that has been designated by NASAA to be at least 50 minutes of educational instruction. The 12 credits must include 6 credits of Products and Practices and 6 credits of Ethics and Professional Responsibility.

WHO IS THE COURSE MANAGEMENT VENDOR (CMV)?

The CMV is Prometric LLC, (Prometric), which was chosen based on its experience and reputation. Prometric understands the vital role that assessment programs serve in enabling professional and academic advancement. Prometric has worked over the years to develop and continually refine the expertise required to support these critical assignments, and it has received glowing recommendations from states that have used its services. By working collaboratively with subject matter experts with many leading organizations to understand current organizational requirements, Prometric has also built a strong foundation of knowledge in such industries as financial services, information technology, professional services, and government licensing.

DOES AN IAR NEED TO MAKE UP MISSED CE CREDITS?

Yes. Courses completed in the current year will apply to the current year and the past year if there is a deficiency to be resolved. Completed IAR CE credits completed in any year will first be applied to the previous year, if the IAR did not complete the previous year’s requirement, and then to the current year’s requirement.

Example 1: Joe failed to complete his IAR CE requirement for 2022 by December 31, 2022. Any IAR CE courses he completes in 2023 will be applied to the 2022 deficiency until that requirement is completed. Excess credits in 2023 will not be applied to the 2024 IAR CE requirement.

Example 2: A broker-dealer (BD) registered representative (RR) registers as an IAR on July 1, 2022. The RR does not have an IAR CE requirement for 2022. The IAR CE requirement for that IAR would begin in January of 2023. If the IAR completes courses during 2022, these credits will not be applied to future IAR CE requirements.

HOW DOES AN IAR ENSURE THAT THE IAR’S COMPLETION OF THE ANNUAL CE REQUIREMENT IS REFLECTED IN CRD?

Course completion is a shared responsibility between the instructor, the course provider, and the IAR. The IAR is responsible for attending class at the designated time and completing an assessment associated with that course to receive the CE credits for the course. The IAR will also be asked to complete a satisfaction survey as part of the course activities required for CE credit.

The IAR is responsible for ensuring that the course provider reports the IAR’s completion of the course by collecting the IAR’s CRD number, and first and last names. The IAR is also responsible for ensuring they receive documentation for courses attended and keeping track of the number of CE credits awarded for each course. The IAR can self-monitor course submissions by logging into their FinPro account.

The instructor is responsible for taking attendance and recording course completion for each participant as well as the number of CE credits to be awarded. They would then communicate that information to the course provider or directly to FINRA, as manager of NASAA’s CE reporting database. The course providers are responsible for reporting successful completion information to both the IAR and to FINRA, as manager of NASAA’s CE reporting database.

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HOW DO I SIGN UP FOR A FINPRO ACCOUNT?

IARs will monitor and report their IAR CE through FINRA's FinPro system. Go to <https://www.finra.org/registration-exams-ce/finpro> to create an account. Please see the [User Guide](#) and [Video Tutorial](#) for help setting up your account.

WHAT IF THE IAR'S HOME STATE HAS NOT ADOPTED THE MODEL RULE BUT HE OR SHE IS REGISTERED IN ANOTHER STATE THAT HAS ADOPTED THE MODEL RULE?

If the IAR's home state has not adopted the model rule, the IAR would still need to comply with the CE requirements in each of the other states in which he or she is registered as an IAR. See also the following questions and responses.

WILL AN IAR RECEIVE RECIPROCITY IN OTHER STATES IF THE IAR MEETS THE CE REQUIREMENTS OF HIS OR HER HOME STATE?

An IAR registered in another state who is also registered as an IAR in his or her home state is in compliance if the home state has CE requirements that are at least as stringent as the model rule and the IAR is in compliance with the home state's IAR CE requirements.

CAN THE CE REQUIRED TO MAINTAIN CERTAIN PROFESSIONAL DESIGNATIONS MEET SOME OR ALL OF THE CE REQUIREMENTS FOR IARS?

Yes, credits from CE courses taken to maintain professional designations can apply to the IAR CE program so long as the provider and course have been approved through Prometric for IAR CE purposes. Providers will likely promote the fact that certain courses qualify for IAR CE so IARs can look for courses that meet the CE requirements for both IAR CE and their professional designations.

CCO REMINDERS:

Stay tuned for our annual Compliance Manual updates published in *October's This Month Resources*.

Don't forget to comply with the new Marketing Rule by November 4, 2022, including updating your manual with the new Advertising procedures provided in August.