As Chairman of the Securities Industry/Regulatory Council on Continuing Education (“Council”), I would like to continue the tradition established by my predecessors, and provide you with a review of the activities and accomplishments of the Council in 2013. As described in the following sections, the Council’s primary mission for 2013 continues to be implementing improvements to the Securities Industry Continuing Education Program (“Program”) to better serve the industry’s continuing education needs.

As the new SEC Chairperson, you may not be familiar with the origins of the Council and the Continuing Education Program. I’d like to take a moment to review the genesis of the continuing education requirements for the securities industry.

**The History of the Securities Industry Continuing Education Program**

In March 1993, six self-regulatory organizations (SROs): the American Stock Exchange, the Chicago Board Options Exchange, the Municipal Securities Rulemaking Board, the National Association of Securities Dealers, the New York Stock Exchange and the Philadelphia Stock Exchange, announced the formation of an industry task force to consider whether the securities industry should develop a uniform continuing education program for registered persons. The task force was comprised of experienced individuals with diverse backgrounds from a wide range of securities firms.

In September 1993, the industry task force issued a report recommending a formal, two-part program for continuing education consisting of two elements. The Regulatory Element would require uniform periodic, computer-based training in regulatory matters. The Firm Element would require firms to develop ongoing programs to keep their employees up-to-date on products, markets and rules. The report also suggested creating a permanent Securities Industry/Regulatory Council on Continuing Education “to ensure that the Continuing Education Program is current and relevant to changes in the industry’s products and legal/regulatory standards.”

The Council was established in November 1993 when the SROs endorsed the recommendations of the task force. Over the next 13 months, the Council developed the Regulatory Element program and provided industry guidelines for developing and implementing Firm Element training programs. The SEC
approved uniform SRO rules to implement the Program on February 8, 1995, which became effective July 1, 1995. Currently, these rules require all registered persons to participate in Regulatory Element training on the second anniversary of their initial securities registration and every three years thereafter.

The Council

There are 20 industry members, three SRO members and SEC, NASAA, and SRO liaisons of the 2013 Council. Industry members serve staggered four-year terms. There are five standing Council committees: the Executive Committee, the Regulatory Element Committee, the Firm Element/Strategic Planning Committee, the Finance Committee and the Nominating Committee. Additional ad hoc committees are convened when necessary. The Council meets quarterly.

The Council has specific advisory and consultative responsibilities to the Continuing Education Program. These are:

I. Recommending and approving new content for the Regulatory Element Program.
II. Recommending updates to the Firm Element Program.
III. Promoting effective implementation of meaningful continuing education to the securities industry.
IV. Liaising with appropriate industry groups and regulators.
V. Maintaining the program on a “revenue neutral” basis subject to adequate financial reserves.

In the following sections, I’d like to share some of the Council’s 2013 accomplishments as well as plans for 2014 and beyond.

I. The Regulatory Element Program

Cathie Seneca, CRCP/Senior Consultant, Oyster Consulting, LLC served as the Chairperson of the Regulatory Element Committee in 2013. The Regulatory Element is comprised of four distinct Programs: the S101 General Program, which is the original Regulatory Element Program, introduced in 1995, for Series 7 and all other registrations; the S201 Supervisors Program, introduced in October 1998 for principals and supervisors; and, the S106 Program for Series 6 Investment Company Products/Variable Contracts Representatives, introduced in January 2002. A fourth program for Operations Professionals (Series 901) was introduced in October. Further details about this program appear below.
The Council’s goal is to refresh one-third of the content for each Regulatory Element Program annually with updated content that addresses rules, regulations and ethical business practices, especially those topics that are of fundamental importance to the industry or of regulatory concern. Members of the Regulatory Element Content Committees, including industry subject matter experts, along with SEC, SRO and states’ representatives, meet periodically to develop new content for the programs.

In 2006, the Council’s Long Range Planning Committee determined that there was a need to update and modernize the Regulatory Element infrastructure and content. Further, the Council felt that the focus of the programs needed to be redirected on the educational value of the Regulatory Element. As a result, the Council approved a multi-year, multi-phased project to redesign the Regulatory Element Program using current technology and instructional design models.

Phase 1 – Redesign of the S101/106 Program
The redesigned S101/S106 was rolled out to the securities industry on January 4, 2010. Program results, as well as positive feedback from those who have taken the redesigned S101/S106 Programs, validate that the educational focus of the programs has been effective.

Phase 2 – Redesign of the S201 Program
Besides the design changes, a significant change to the S201 is that principals are now required to display a level of proficiency of the subject matter. Previously, Supervisors/Principals were only required to complete the program. However, the Council felt it imperative that Supervisors/Principalss be held to similar standards as those whom they oversee. The redesigned S201 was launched to the securities industry on January 2, 2012. This program has received positive feedback and continues to be statistically sound.

Phase 3 - Personalization of the Regulatory Element Program
The third phase of the project focuses on the personalization of the Regulatory Element to better address the diverse job functions of registered individuals. The S901 which was introduced in October 2013 is the first program to introduce personalization.

S101 Personalization
With personalization introduced into the S901 Program, the Council and the Content Committees have begun work with FINRA Continuing Education Staff to begin content development for the personalization of the S101 Program.
Personalizing the S101 Program provides the Council with the opportunity to develop content designed for specific job functions, i.e., Investment Banking, Research, Institutional Sales, as well as to delve down into more detail within those job functions. This initiative will be our primary focus in 2014 and 2015.

The S901 Program
The S901 Program for Operations Professionals was developed in response to the Commission’s recommendation to create a regulatory structure for the back office operations staff.

In developing the S901, a number of educational goals were identified:

- To maintain and improve understanding of the regulatory and ethical aspects of the covered functions.
- To teach Operations Professionals to identify suspicious activities and red flags that could harm a customer, firm, securities issuer, or the marketplace’s integrity.
- To help maintain and improve knowledge and understanding of the covered functions themselves.
- Lastly, to assist Operations Professionals in keeping up with changes in the industry and regulations that impacts their work.

The S901 is based on the redesigned instructional design components and offers a personalized module that reflects the diverse covered functions of Operations Professionals. These four functional areas include New Accounts, Trading and Settlement, Operations Generalist, and Treasury, Custody and Control. Candidates self-select the appropriate path for their function. The S901 Program rolled out to the securities industry on October 17, 2013.

II. The Firm Element

This year’s Firm Element/Strategic Planning Committee Chairman is Kenneth Wagner, Compliance Director, William Blair & Company, LLC. This committee reviews issues in the industry and provides guidance on tools that may be useful to the industry. The committee reviews the Firm Element Advisory semi-annually in order to provide the most current regulatory information for firms. The Firm Element Advisory highlights resources such as FINRA Regulatory Notices, and notices and advisories from other SROs and regulators. The Council encourages firms to include pertinent Firm Element Advisory topics in their Firm Element training plans.
Web Delivery of the Regulatory Element
The Firm Element/Strategic Planning Committee is working closely with FINRA Continuing Education Staff to research the feasibility of transitioning the delivery of the Regulatory Element Programs from the test center environment to a web delivery model. In moving to web delivery our goal will continue to be to maintaining the integrity of the program. Web delivery is a primary goal for the Council in 2014 and 2015.

III. Promotion of Effective Continuing Education in the Securities Industry

The Council Website, www.cecouncil.com, serves as a reliable source of information and assistance to the securities industry with respect to Securities Industry Continuing Education. The website provides mechanisms that allow for news alerts and customized information on a variety of CE related topics to be delivered to subscribers. A variety of tools and materials are also available to individuals in preparing for their Regulatory Element sessions planning, planning Firm Element training and providing a facility for reviewing items of a regulatory nature.

IV. Liaising with Appropriate Industry Groups and Regulators

On occasion, Council members or SRO staff who support Council functions speak at industry conferences to keep industry participants apprised of the latest issues and matters with regard to continuing education and to receive feedback on Council initiatives.

FINRA liaisons to the Council have spoken at the following meetings in 2013:

- Association of Registration Management’s annual conference
- Licensing and Registration Council/Registration and Qualifications Subcommittee meeting
- FINRA Small Firm Advisory Board
- FINRA Compliance Advisory Group

Representatives from the SEC and North American Securities Administrators Association regularly attend the quarterly Council and Regulatory Element Content Committee meetings. The Council is grateful for the SEC’s continued support over the years. Special thanks go to members of the Commission staff
who have worked so closely with us: Katherine England, Hong-anh Tran, Mia Zur and Jennifer Colihan (Washington) who attend the CE Council and Content Committee meetings; and Jon Weiner (Los Angeles) who attends the CE Content Committee meetings.

V. Maintaining the Continuing Education Program on a “Revenue Neutral” Basis

One of the responsibilities of the Council is to provide advice and consultation on maintaining the Continuing Education Program on a revenue neutral basis while maintaining adequate financial reserves to uphold and improve the Continuing Education Programs.

The Council Finance Committee regularly evaluates the financial health of the CE Program to ensure that it remains positioned to continue our mission. Winston A. McLaughlin, Corporate Vice President – Advanced Markets Network, New York Life Insurance, served as the 2013 Finance Committee Chair.

VI. Conclusion

The Council continually seeks to raise the industry’s awareness of both the Council and its mission to promote continuing education within the securities industry. The Council continues to be grateful for the SEC’s commitment to this goal and would appreciate continuing support from you and your fellow Commissioners to raise awareness of the Council’s work and of the importance of continuing education in general. I’d be happy to answer any questions you might have.

Sincerely,

William E. Bartol
Chief Compliance Officer
Cornerstone Real Estate Advisers LLC
Chairman of the Securities Industry/Regulatory Council on Continuing Education