



# CE Council

## Firm Element Frequently Asked Questions

*Nothing in this Frequently Asked Questions (FAQs) document creates any new requirements for the Firm Element Continuing Education (CE). Furthermore, this FAQs document does not guarantee compliance with Firm Element requirements or provide a safe harbor from regulatory responsibility. The FAQs document is provided only as a helpful starting point to walk firms through planning, developing and implementing a firm's Firm Element CE program. Each firm must consider its size, structure, scope of business, regulatory concerns and applicable requirements to ensure that its training program is in accordance with its annual needs analysis and written training plan. Firms are responsible for ensuring that their training program meets the requirements set forth by the various self-regulatory organization (SRO) rules to which the firm is subject.*

### **1. What are the Firm Element CE Program requirements?**

A. The rules and regulations of various SROs of the securities industry (refer to CE rules table in the [Council Guide to Firm Element Continuing Education Programs](#) document) require firms to establish an annual Firm Element CE program that enhances the securities knowledge, skills and professionalism of their registered persons. A firm should refer to the applicable rules and regulations for specific requirements.

Generally, the Firm Element rules require broker-dealers to evaluate and prioritize annually their training needs, i.e., conduct an annual needs analysis, and develop a written training plan. The plan must take into consideration the firm's size, organizational structure, and scope of business activities, as well as regulatory developments. If a firm's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must also be included in the firm's training plan.

Training programs used by firms to implement their training plans must, at a minimum, cover training topics related to the roles, activities and responsibilities of their registered persons and to professional responsibility. Firms must also maintain records documenting the content of their training programs and completion of the programs by their registered persons.

### **2. Who is required to participate in Firm Element training?**

A. Effective January 1, 2023, the Firm Element requirement applies to all registered persons, including any person who is permissively registered as a representative or principal pursuant to Rule 1210.02.

### **3. Is any registered person exempt from the Firm Element?**

A. A registered person who is placed on inactive status pursuant to SRO rules pertaining to military service (such as FINRA Rule 1210.10) is not required to complete either the Regulatory Element or Firm Element during the pendency of such inactive status.



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- 4. Firms' training plans must, at a minimum, cover training topics related to the roles, activities and responsibilities of their registered persons and to professional responsibility. Is there any additional guidance on this? Should the training cover specific products? Should the training cover ethics?**

A. The training topics should address the registered person's role, and overall activities and responsibilities, within the firm. For instance, if a registered person is performing back-office functions, the training should cover topics related to those functions. This would include training on any specific products that a registered person handles as part of their job. The training topics should also address professional responsibility, which broadly includes professional behavior and standards as well as ethical obligations.

- 5. What in particular should firms consider when undertaking their annual needs analysis?**

A. Firms may want to consider changes to firm or industry demographics from the prior year. Firms may also want to consider new products, new rules related to firm business, and problems the firm has experienced, such as complaints and regulatory or legal actions. Refer to [Council Guide to Firm Element Continuing Education Programs](#) document for additional information.

- 6. Must a firm utilize a questionnaire from its registered persons as part of its needs analysis?**

A. Questionnaires from registered persons are not required, although they could be helpful in informing the firm about actual educational needs.

- 7. What are some best practices when assessing the need for supervisory training?**

A. Firms may want to review their internal supervisory policies, the effective use of internal monitoring or supervisory systems, the effective use of escalation processes, and the sources of information or assistance available to supervisors within the firm.

- 8. What should a firm's documentation address?**

A. The documentation, among other things, should describe the methodology the firm used in conducting its needs analysis. It should also identify the factors considered by the firm, the kinds of information reviewed, and the conclusions reached from the analysis. Refer to Documentation of the CE Firm Element Program in the [Council Guide to Firm Element Continuing Education Programs](#) document for additional information.

- 9. Does a firm that is a sole proprietorship have to prepare a needs analysis and written training plan, and how detailed does it have to be?**

A. Yes. Every firm, regardless of size or type, must conduct a needs analysis and prepare a written training plan that is reasonable for the size and type of business it conducts or plans to conduct.



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**10. How should firms approach the assignment of Firm Element to registered persons hired towards the end of the year?**

A. In general, firms are encouraged to offer orientation or a training program for newly hired registered persons to familiarize them with the firms' specific policies, products, and expectations. If a firm reasonably determines that it may not be feasible to require the current year's Firm Element to be completed by persons who are hired towards the end of the year, the firm should document its determination.

**11. Is there a deadline by which a firm must complete the needs analysis and written training plan?**

A. No. While there is no specific deadline, each firm must evaluate its training needs and develop a written training plan for each year. Based on the Council's experience, some firms evaluate their training needs in the fourth quarter of the prior calendar year, while others do so in the first quarter of the year in which the training is delivered.

**12. Are there tools available from the Council to assist firms in building their written training plans?**

A. Yes, refer to [Council Guide to Firm Element Continuing Education Programs](#) document for additional information.

**13. May firms use training materials or presentations provided by outside entities such as regulators, industry trade and professional associations, clearing firms, product manufacturers, and commercial training vendors?**

A. Yes. Training materials and presentations available from sources outside the firm can be helpful if they are appropriate for the firm. Firms should be able to demonstrate that the training relates to the roles, activities and responsibilities of their registered persons and to professional responsibility.

**14. Will SROs or the Council pre-approve training materials or programs developed by firms or providers?**

A. No. Neither the SROs nor the Council will pre-approve training materials or training programs. Firms are responsible for training material content regardless of whether it was prepared by the firm or by an outside training provider.

**15. When must training begin each year and how often must it be conducted?**

A. There is no definitive date on when training should begin, those dates may vary depending on the firm size and needs; however, the training plan should be completed within a 12-month period and outlined in the firm's policies and procedures. Sufficient time should be allocated to allow proper planning and execution of training. Training dates are determined by the firm and incorporated into the training plan. Firms with limited products or small numbers of registered persons might find it appropriate and sufficient to conduct training on only one or two occasions during the year. Conversely, firms with multiple product lines and



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large numbers of registered persons may find it appropriate to conduct training on an ongoing basis throughout the year. Whatever the timing and frequency, firms should ensure that training is relevant to identified needs and adequate to convey the desired information.

**16. Is there a minimum number of hours of CE that each registered person must take for purposes of the Firm Element?**

A. No. Each firm must provide CE that is reasonable and in accordance with the training needs identified by its annual needs analysis. While there are no required minimum number of hours for the Firm Element requirement, a firm may prescribe training measured in hours or credits to keep track of individual's compliance with the Firm Element.

**17. Can the annual compliance meeting or anti-money laundering compliance training required under FINRA rules satisfy the Firm Element training?**

A. Yes. FINRA has amended its CE rules to expressly allow firms to consider training relating to the annual compliance meeting under FINRA Rule 3110(a)(7) or the anti-money laundering compliance training under FINRA Rule 3310(e) toward satisfying an individual's annual Firm Element requirement. The recognition of these other training requirements toward satisfying the Firm Element requirement will still require firms to conduct a needs analysis to determine the appropriateness of applying such other training toward the Firm Element. However, based on a needs analysis, a firm may determine that such other training requirements fully satisfy the Firm Element requirement. For example, with respect to permissively registered persons working in a clerical or administrative capacity for a firm, the firm may determine, based on a needs analysis, that such individuals have satisfied the annual Firm Element requirement by participating in the firm-wide annual compliance meeting. Conversely, if a firm's needs analysis concludes that it would not be appropriate to apply such other training toward the Firm Element, the training would not count toward the Firm Element requirement.

**18. Can a firm change their written training plan if circumstances change over the course of the year, or as an identified need arises?**

A. Yes, a change would be appropriate if the new training improved on or replaced that originally planned, or if it were deemed necessary because changed circumstances suggested new training priorities. The annual training plan should be viewed as an evolving document that can be modified if circumstances warrant, such as when experience or unanticipated developments suggest that changes are appropriate.

**19. May continuing education for insurance licenses or training taken in conjunction with professional designation programs, such as the Certified Financial Planner (CFP) Program satisfy Firm Element requirements?**

A. Generally, such other continuing education or training programs may count towards the Firm Element, but only to the extent the components of other continuing education requirements or accreditation programs deal with securities products or related regulations.



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For example, if the registered person is insurance licensed, the firm offers insurance training related to investment-related insurance products, such as variable annuities or variable life, and the needs analysis identified such topics as appropriate, then that training would be appropriate for meeting part of Firm Element requirements. Further, for individuals participating in training connected with obtaining or maintaining a professional designation program, if a firm determines that the material adequately covers subjects planned for its own Firm Element, such training can be used. Refer to [Council Guide to Firm Element Continuing Education Programs](#) document for additional information.

**20. Should a firm develop written procedures that address compliance with the Firm Element requirements?**

A. Yes. Firms should develop written procedures designed to reasonably ensure compliance with the rules governing the Firm Element requirements (refer to the rules that are applicable to your firm). Such procedures should include, among other things:

- designating an appropriate officer or principal to oversee compliance with the program;
- developing processes for creating and implementing Firm Element programs; and
- monitoring and tracking completion of the requirement.

**21. If a firm is a member of two or more SROs, is it subject to inspections for compliance with their Firm Element program by each SRO?**

A. Yes, the firm is subject to inspection by each of those SROs. However, it is possible that the SROs may coordinate their inspection efforts to avoid any overlap. It is also possible that certain SROs may enter into an SEC Rule 17d-2 agreement regarding the allocation of regulatory oversight responsibility for common member firm compliance with applicable Firm Element rule provisions. Please refer to the particular SROs with questions about inspection programs.