



July 7, 2015

By Electronic Mail (rule-comments@sec.gov)

Robert W. Errett
Deputy Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: SR-FINRA-2015-015: FINRA Proposal to Provide Web-Based Delivery of Regulatory Element of Continuing Education Requirement

Dear Mr. Errett:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the Financial Industry Regulatory Authority’s (“FINRA”) proposed amendments to FINRA Rule 1250 (Continuing Education Requirements) to provide a Web-based delivery method for completing the Regulatory Element of the Continuing Education (“CE”) requirements (the “Proposal”).²

I. BACKGROUND

The FINRA CE requirements consist of a Regulatory Element and a Firm Element.³ The Regulatory Element applies to registered persons and consists of periodic training on, among other things, regulatory, compliance, and supervisory

¹ SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

² See generally SR-FINRA-2015-015 (available at: http://www.finra.org/sites/default/files/rule_filing_file/SR-FINRA-2015-015.pdf) [last visited July 7, 2015].

³ FINRA is not proposing any changes to the Firm Element requirements under FINRA Rule 1250(b).

subjects and sales practice standards. The Regulatory Element must be completed within prescribed time frames or when certain events occur.

There are four Regulatory Element programs: (1) the S106 for Investment Company and Variable Contracts Representatives; (2) the S201 for registered principals and supervisors; (3) the S901 for Operations Professionals; and (4) the S101 for all other registration categories.

Currently, the Regulatory Element may be taken at a testing center or in-house, subject to conditions.

II. FINRA'S WEB-BASED CE PROPOSAL

A. The Proposal

FINRA is proposing to amend FINRA Rule 1250(a)(6) to provide that the Regulatory Element program will be administered through Web-based delivery or other technological manner and format. In addition to allowing the use of Web-based delivery, the proposed rule change would allow FINRA to adopt different delivery methods in the future without having to amend the rule. FINRA will notify members through a Regulatory Notice of any future changes to the delivery method.

Registered persons may complete the Web CE Regulatory Element at a location of their choosing, including their private residence. Firms have the option to require registered persons to take CE testing at a location selected by the firm, such as on firm premises. Testing center and in-firm Regulatory Element CE will be phased out.

B. Implementation

1. Phased Approach

FINRA plans to launch the Web CE proposal in two phases:

- Phase 1 -- S106, S201 and S901 Regulatory Element programs on October 1, 2015.
- Phase 2 -- S101 Regulatory Element program on January 4, 2016.

2. *Testing Centers*

FINRA is proposing to phase out test-center delivery by no later than six months after January 4, 2016.

3. *In-House CE Testing*

In-firm delivery will be phased out on a rolling basis as each Regulatory Element program becomes available for Web-based delivery.

- Firms will not be able to establish new in-firm delivery programs after October 1, 2015.
- Firms that have pre-existing in-firm delivery programs established prior to October 1, 2015 would not be able to use that delivery method for the S106, S201 and S901 Regulatory Element programs after October 1, 2015.
- Firms may continue to use their pre-existing in-firm delivery programs for the S101 Regulatory Element program until January 4, 2016.

C. *Fee Change*

The fee for the Regulatory Element CE test will go down from \$100 per session to \$55 for each candidate.

D. *Authentication Safe Guards*

The Web CE program will include safeguards to authenticate the identity of the CE candidate. For example:

- Before commencing a Web-based session, a candidate will be asked to provide a portion of one's social security number ("SSN") and date of birth. The CE system will discard this information after the matching process.
- Each candidate must agree to the Rules of Conduct for Web-based delivery. Rules of Conduct will require each candidate to attest that he/she is in fact the person who is taking the Web-based session.

III. SIFMA'S COMMENTS ON FINRA'S WEB CE PROPOSAL

A. SIFMA Supports the Proposal

SIFMA strongly supports the Proposal. SIFMA believes that the Proposal appropriately takes advantage of advances in technology to modernize FINRA's CE program. The Proposal should provide member firms and registered persons with increased flexibility and provide a more efficient and cost effective manner for operating the CE program, subject to appropriate safeguards designed to help ensure legitimacy of the testing results. In addition to reducing CE fees, the Proposal will result in significant cost savings for firms in terms of man hours, as employees will no longer be required to spend additional time away from the office.

B. SIFMA Supports a Phased Implementation

SIFMA also supports FINRA's timeline for implementing the Proposal. SIFMA believes a phased approach to implementation will provide firms with the flexibility needed to address technology, operations and process issues that might arise. SIFMA requests that FINRA provide firms with an appropriate degree of flexibility with respect to individual CE deadlines if they encounter unexpected but demonstrated technical difficulties.

C. Future Changes to the CE Program

In addition to allowing the use of Web-based CE delivery, the Proposal would allow FINRA to adopt different delivery methods in the future without having to amend the rule. FINRA indicates in the Proposal that FINRA will notify members through a Regulatory Notice of any future changes to the CE delivery method.

SIFMA requests that if FINRA proposes materially new technology, delivery platforms, or other measures in the future, FINRA will, prior to implementing those changes, solicit member firms' comment on the proposed changes through a Regulatory Notice to Members and seek and receive FINRA Board approval of the changes.

D. Request for Clarification on Certain Aspects of the Proposal

1. Authentication of Persons without an SSN

The Proposal indicates that the Web CE program will include safeguards to authenticate the identity of a CE candidate. The Proposal further indicates that, for

example, before commencing a Web-based session, a candidate will be asked to provide a portion of one's SSN and date of birth.

SIFMA agrees that the final digits of an individual's SSN are appropriate for verifying the identity of U.S. citizens. SIFMA, however, believes that this approach will not be effective for non-U.S. citizens, whether they are located in the U.S. or abroad, because such individuals are not issued SSNs. SIFMA requests that FINRA address how it will verify the identity of individuals who do not have a SSN.

2. Future Guidance – Operations/Technology Issues

SIFMA encourages FINRA to continue its dialogue with the industry during the implementation of the Web CE program. SIFMA believes that it is critical that guidance, such as frequently-asked-questions, is made available to the entire industry on technology and operational issues.

SIFMA, in particular, requests that FINRA provide clarification regarding how it will handle reasonably foreseeable technology and operational issues that may arise with the implementation and use of the Web-based CE program. For example, an individual may experience Web browser compatibility issues such that he/she is unable to log into the Web-based CE program. Additionally, technical difficulties may cause the CE session to be abruptly terminated, lock the user out of the program, or lose progress made during a CE session. The Proposal does not provide guidance on how these and other reasonably foreseeable technology and operational issues will be addressed.

3. CE Session Status – Information Available to Firms

SIFMA requests that FINRA provide clarification on the level of information that will be available to firms regarding an individual's initiation of, and progress on, a particular CE session. Under the current CE system, firms know if a registered representative has scheduled a CE session appointment, completed or not completed a CE session. SIFMA requests that the proposed Web-based CE program provide firms at least as much information as is provided to firms under the current CE program. SIFMA, moreover, recommends that firms have access to information showing precisely where a registered representative has stopped in a particular Web-based CE session.

E. SIFMA Supports FINRA’s Rulebook Review Process

SIFMA commends FINRA for undertaking a review of FINRA’s continuing education program and for its outreach to the industry. SIFMA encourages FINRA to continue to review its rulebook and interpretations and to solicit member firm feedback on the function, operation, and purpose of FINRA’s rules and interpretations. As investors, technology, and the industry change, rules and interpretations should be re-evaluated to ensure they are still relevant and meet their underlying investor protection mandates in a cost effective and efficient manner. Outdated and inefficient rules and interpretations do not benefit anyone, particularly not investors who ultimately bear the burden of the increased costs and inefficiencies in these rules.

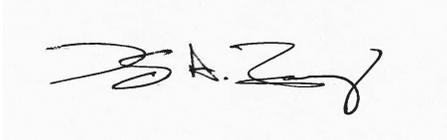
SIFMA also encourages FINRA to continue to evaluate all of the fees it charges member firms, as it has done in this Proposal. Under Section 15A of the Securities Exchange Act of 1934, FINRA’s rules must provide for the “equitable allocation of reasonable dues, fees, and other charges among members.” A continuous and diligent review of FINRA’s various fees will ensure this statutory mandate is met as the markets, industry and FINRA evolve over time.

IV. CONCLUSION

SIFMA appreciates the opportunity to comment on the Proposal. Subject to the comments included in this letter, SIFMA supports the Proposal. SIFMA commends FINRA for undertaking a review of FINRA's CE program and for proposing to modernize the program.

If you have any questions or require further information, please contact Kevin Zambrowicz, Managing Director & Associate General Counsel, SIFMA at [REDACTED] ([REDACTED]), or Stephen Vogt, Assistant Vice President & Assistant General Counsel, SIFMA at [REDACTED] ([REDACTED]).

Very truly yours,



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