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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
Form 19b-4

File No. \* SR 2022 - \* 021

Amendment No. (req. for Amendments \*)

Filing by The Nasdaq Stock Market LLC

Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

<b>Initial *</b> <input checked="" type="checkbox"/>	<b>Amendment *</b> <input type="checkbox"/>	<b>Withdrawal</b> <input type="checkbox"/>	<b>Section 19(b)(2) *</b> <input type="checkbox"/>	<b>Section 19(b)(3)(A) *</b> <input checked="" type="checkbox"/>	<b>Section 19(b)(3)(B) *</b> <input type="checkbox"/>
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<b>Pilot</b> <input type="checkbox"/>	<b>Extension of Time Period for Commission Action *</b> <input type="checkbox"/>	<b>Date Expires *</b> <input type="text"/>
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Rule

<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input checked="" type="checkbox"/> 19b-4(f)(6)

**Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010**  
Section 806(e)(1) \*

Section 806(e)(2) \*

**Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934**  
Section 3C(b)(2) \*

**Exhibit 2 Sent As Paper Document**

**Exhibit 3 Sent As Paper Document**

**Description**

Provide a brief description of the action (limit 250 characters, required when Initial is checked \*).

A proposal to amend the Exchange registration rules in General 4

**Contact Information**

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name \* Sun Last Name \* Kim

Title \* Associate General Counsel

E-mail \* sun.kim@nasdaq.com

Telephone \* (646) 420-7816 Fax


**Signature**

Pursuant to the requirements of the Securities Exchange of 1934, The Nasdaq Stock Market LLC has duty caused this filing to be signed on its behalf by the undersigned thereunto duty authorized.

Date 03/07/2022 (Title \*)

By John Zecca EVP and Chief Legal Officer  
(Name \*)

NOTE: Clicking the signature block at right will initiate digitally signing the form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.



Date: 2022.03.07  
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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EDFS website.

**Form 19b-4 Information \***

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SR-NASDAQ-2022-021 19b-4.doc

The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

**Exhibit 1 - Notice of Proposed Rule Change \***

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SR-NASDAQ-2022-021 Exhibit 1.doc

The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 1A - Notice of Proposed Rule Change, Security-Based Swap Submission, or Advanced Notice by Clearing Agencies \***

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

**Exhibit 2- Notices, Written Comments, Transcripts, Other Communications**

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Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit Sent As Paper Document

**Exhibit 3 - Form, Report, or Questionnaire**

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Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit Sent As Paper Document

**Exhibit 4 - Marked Copies**

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

**Exhibit 5 - Proposed Rule Text**

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SR-NASDAQ-2022-021 Exhibit 5.doc

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change

**Partial Amendment**

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

(a) The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposal to amend General 4, Rule 1240 (Continuing Education Requirements). The proposed rule change also makes conforming amendments to General 4, Rule 1210 (Registration Requirements). Among other changes, the proposed rule change requires that the Regulatory Element of continuing education be completed annually rather than every three years and provides a path through continuing education for individuals to maintain their qualification following the termination of a registration. The Exchange also proposes to amend its manual signature requirements in General 4, Rule 1250 (Form U4 Filing Requirements).

A notice of the proposed rule change for publication in the Federal Register is attached as Exhibit 1. The text of the proposed rule change is attached as Exhibit 5.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by senior management of the Exchange pursuant to authority delegated by the Board of Directors (the “Board”). Exchange staff will advise the Board of any action taken pursuant to delegated authority. No other action is necessary for the filing of the rule change.

Questions and comments on the proposed rule change may be directed to:

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

Sun Kim  
Associate General Counsel  
Nasdaq, Inc.  
646-420-7816

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

a. Purpose

The Exchange proposes to amend its continuing education requirements in General 4, Rule 1240. This proposed rule change is based on a filing recently submitted by the Financial Industry Regulatory Authority, Inc. ("FINRA"), and is intended to harmonize the Exchange's continuing education rules with those of FINRA so as to promote uniform standards across the securities industry.<sup>2</sup> The Exchange also proposes to amend its manual signature requirements in General 4, Rule 1250 (Form U4 Filing Requirements) to align with changes FINRA has made to similar rules.<sup>3</sup> Each change is discussed in detail below.

The proposed changes are based on the changes approved by the Commission in the approval orders for SR-FINRA-2021-003 and SR-FINRA-2021-015.<sup>4</sup> The Exchange is proposing to adopt such changes substantially in the same form as proposed by FINRA, with only minor changes necessary to conform to the Exchange's existing rules such as to remove cross-references and rules that are applicable to FINRA members but not to Exchange members.

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<sup>2</sup> See Securities Exchange Act Release No. 93097 (September 21, 2021), 86 FR 53358 (September 27, 2021) (SR-FINRA-2021-015) ("FINRA Rule Change").

<sup>3</sup> See Securities Exchange Release No. 91262 (March 5, 2021), 86 FR 13935 (March 11, 2021) (SR-FINRA-2021-003).

<sup>4</sup> See supra notes 2 and 3.

## **Continuing Education Rules**

### **(i) Background**

The continuing education program for registered persons of broker-dealers (“CE Program”) currently requires registered persons to complete continuing education consisting of a Regulatory Element and a Firm Element. The Regulatory Element, which is administered by FINRA, focuses on regulatory requirements and industry standards, while the Firm Element is provided by each firm and focuses on securities products, services and strategies the firm offers, firm policies and industry trends. The CE Program is codified under the rules of the self-regulatory organizations (“SROs”). The CE Program for registered persons of Exchange members is codified under General 4, Rule 1240.<sup>5</sup>

#### **a. Regulatory Element**

General 4, Rule 1240(a) (Regulatory Element) currently requires a registered person to complete the applicable Regulatory Element initially within 120 days after the person’s second registration anniversary date and, thereafter, within 120 days after every third registration anniversary date.<sup>6</sup> The Exchange may extend these time frames for

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<sup>5</sup> See also General 4, Rule 1210.07 (All Registered Persons Must Satisfy the Regulatory Element of Continuing Education).

<sup>6</sup> See General 4, Rules 1240(a)(1) (Requirements) and (a)(4) (Reassociation in a Registered Capacity). An individual’s registration anniversary date is generally the date they initially registered with the Exchange in the Central Registration Depository (“CRD<sup>®</sup>”) system. However, an individual’s registration anniversary date would be reset if the individual has been out of the industry for two or more years and is required to requalify by examination, or obtain an examination waiver, in order to reregister. An individual’s registration anniversary date would also be reset if the individual obtains a conditional examination waiver that requires them to complete the Regulatory Element by a specified date. Non-registered individuals who are participating in the waiver program under General 4, Rule 1210.09 (Waiver of Examinations for Individuals Working for a Financial

good cause shown.<sup>7</sup> Registered persons who have not completed the Regulatory Element within the prescribed time frames will have their Exchange registrations deemed inactive and will be designated as “CE inactive” in the CRD system until the requirements of the Regulatory Element have been satisfied.<sup>8</sup> A CE inactive person is prohibited from performing, or being compensated for, any activities requiring FINRA registration, including supervision. Moreover, if registered persons remain CE inactive for two consecutive years, they must requalify by retaking required examinations (or obtain a waiver of the applicable qualification examinations).<sup>9</sup>

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Services Industry Affiliate of a Member) (“FSAWP participants”) are also subject to the Regulatory Element. See also General 4, Rule 1240(a)(5) (Definition of Covered Person). The Regulatory Element for FSAWP participants correlates to their most recent registration(s), and it must be completed based on the same cycle had they remained registered. FSAWP participants are eligible for a single, fixed seven-year waiver period from the date of their initial designation, subject to specified conditions. Registered persons who become subject to a significant disciplinary action, as specified in General 4, Rule 1240(a)(3) (Disciplinary Actions), may be required to retake the Regulatory Element within 120 days of the effective date of the disciplinary action, if they remain registered. Further, their cycle for participation in the Regulatory Element may be adjusted to reflect the effective date of the disciplinary action rather than their registration anniversary date.

<sup>7</sup> See General 4, Rule 1240(a)(2) (Failure to Complete).

<sup>8</sup> See supra note 7. Individuals must complete the entire Regulatory Element session to be considered to have “completed” the Regulatory Element; partial completion is the same as non-completion.

<sup>9</sup> This CE inactive two-year period is calculated from the date such persons become CE inactive, and it continues to run regardless of whether they terminate their registrations before the end of the two-year period. Therefore, if registered persons terminate their registrations while in a CE inactive status, they must satisfy all outstanding Regulatory Element prior to the end of the CE inactive two-year period in order to reregister with a member without having to requalify by examination or having to obtain an examination waiver.

The Regulatory Element consists of a subprogram for registered persons generally, and a subprogram for principals and supervisors.<sup>10</sup> While some of the current Regulatory Element content is unique to particular registration categories, most of the content has broad application to both representatives and principals.<sup>11</sup>

The Regulatory Element was originally designed at a time when most individuals had to complete the Regulatory Element at a test center, and its design was shaped by the limitations of the test center-based delivery model. In 2015, FINRA transitioned the delivery of the Regulatory Element to an online platform (“CE Online”), which allows individuals to complete the content online at a location of their choosing, including their private residence. This online delivery provides the Exchange with much greater flexibility in updating content in a timelier fashion, developing content tailored to each registration category and presenting the material in an optimal learning format.

b. Firm Element

General 4, Rule 1240(b) (Firm Element) currently requires each firm to develop and administer an annual Firm Element training program for covered registered persons.<sup>12</sup> The rule requires firms to conduct an annual needs analysis to determine the

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<sup>10</sup> The S101 (General Program for Registered Persons) and the S201 (Registered Principals and Supervisors).

<sup>11</sup> The current content is presented in a single format leading individuals through a case that provides a story depicting situations that they may encounter in the course of their work.

<sup>12</sup> The rule defines “covered registered persons” as any registered person who has direct contact with customers in the conduct of a member’s securities sales and trading activities, and the immediate supervisors of any such persons. See General 4, Rule 1240(b)(1) (Persons Subject to the Firm Element).

appropriate training.<sup>13</sup> Currently, at a minimum, the Firm Element must cover training in ethics and professional responsibility as well as the following items concerning securities products, services and strategies offered by the member: (1) general investment features and associated risk factors; (2) suitability and sales practice considerations; and (3) applicable regulatory requirements.<sup>14</sup>

A firm, consistent with its needs analysis, may determine to apply toward the Firm Element other required training. The current rule does not expressly recognize other required training, such as training relating to the anti-money laundering (“AML”) compliance program and training relating to the annual compliance meeting,<sup>15</sup> for purposes of satisfying Firm Element training.

c. Termination of a Registration

Currently, individuals whose registrations as representatives or principals have been terminated for two or more years may reregister as representatives or principals only if they requalify by retaking and passing the applicable representative- or principal-level examination or if they obtain a waiver of such examination(s) (the “two-year qualification period”).<sup>16</sup> The two-year qualification period was adopted prior to the

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<sup>13</sup> See General 4, Rule 1240(b)(2) (Standards for the Firm Element).

<sup>14</sup> See supra note 13.

<sup>15</sup> See General 9, Sections 20 and 37.

<sup>16</sup> See General 4, Rule 1210.08 (Lapse of Registration and Expiration of SIE). The two-year qualification period is calculated from the date individuals terminate their registration and the date the Exchange receives a new application for registration. The two-year qualification period does not apply to individuals who terminate a limited registration category that is a subset of a broader registration category for which they remain qualified. For instance, it would not apply to an individual who maintains his registration as a General Securities Representative but who terminates his registration as an Investment Company and Variable



creation of the CE Program and was intended to ensure that individuals who reregister are relatively current on their regulatory and securities knowledge.

(ii) Proposed Rule Change

After extensive work with the Securities Industry/Regulatory Council on Continuing Education (“CE Council”) and discussions with stakeholders, including industry participants and the North American Securities Administrators Association (“NASAA”), FINRA adopted the following changes to the CE Program under its rules.<sup>17</sup> In order to promote uniform standards across the securities industry, the Exchange now proposes to adopt the same changes to its continuing education rules.

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Contracts Products Representative. Such individuals have the option of reregistering in the more limited registration category without having to requalify by examination or obtain an examination waiver so long as they continue to remain qualified for the broader registration category. Further, the two-year qualification period only applies to the representative- and principal-level examinations; it does not extend to the Securities Industry Essentials (“SIE”) examination. The SIE examination is valid for four years, but having a valid SIE examination alone does not qualify an individual for registration as a representative or principal. Individuals whose registrations as representatives or principals have been revoked pursuant to General 5, Rule 8310 (Sanctions for Violation of the Rules) may only requalify by retaking the applicable representative- or principal-level examination in order to reregister as representatives or principals, in addition to satisfying the eligibility conditions for association with a firm. Waivers are granted either on a case-by-case basis under General 4, Rule 1210.03 (Qualification Examinations and Waivers of Examinations) or as part of the waiver program under General 4, Rule 1210.09.

<sup>17</sup> See supra note 2. FINRA’s changes are based on the CE Council’s September 2019 recommendations to enhance the CE Program. See Recommended Enhancements for the Securities Industry Continuing Education Program, available at <http://cecouncil.org/media/266634/council-recommendations-final.pdf>. The CE Council is composed of securities industry representatives and representatives of SROs. The CE Council was formed in 1995 upon a recommendation from the Securities Industry Task Force on Continuing Education and was tasked with facilitating the development of uniform continuing education requirements for registered persons of broker-dealers.

a. Transition to Annual Regulatory Element for Each Registration Category

As noted above, currently, the Regulatory Element generally must be completed every three years, and the content is broad in nature. Based on changes in technology and learning theory, the Regulatory Element content can be updated and delivered in a timelier fashion and tailored to each registration category, which would further the goals of the Regulatory Element.<sup>18</sup> Therefore, to provide registered persons with more timely and relevant training on significant regulatory developments, the Exchange proposes amending General 4, Rule 1240(a) to require registered persons to complete the Regulatory Element annually by December 31.<sup>19</sup> The proposed amendment would also require registered persons to complete Regulatory Element content for each representative or principal registration category that they hold, which would also further the goals of the Regulatory Element.<sup>20</sup>

Under the proposed rule change, firms would have the flexibility to require their registered persons to complete the Regulatory Element sooner than December 31, which would allow firms to coordinate the timing of the Regulatory Element with other training

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<sup>18</sup> When the CE Program was originally adopted in 1995, registered persons were required to complete the Regulatory Element on their second, fifth and 10th registration anniversary dates. See Securities Exchange Act Release No. 35341 (February 8, 1995), 60 FR 8426 (February 14, 1995) (Order Approving File Nos. SR-AMEX-94-59; SR-CBOE-94-49; SR-CHX-94-27; SR-MSRB-94-17; SR-NASD-94-72; SR-NYSE-94-43; SR-PSE-94-35; and SR-PHLX-94-52). The change to the current three-year cycle was made in 1998 to provide registered persons more timely and effective training, consistent with the overall purpose of the Regulatory Element. See Securities Exchange Act Release No. 39712 (March 3, 1998), 63 FR 11939 (March 11, 1998) (Order Approving File Nos. SR-CBOE-97-68; SR-MSRB-98-02; SR-NASD-98-03; and SR-NYSE-97-33).

<sup>19</sup> See proposed General 4, Rules 1240(a)(1) and (a)(4).

<sup>20</sup> See proposed General 4, Rules 1210.07 and 1240(a)(1).

requirements, including the Firm Element.<sup>21</sup> For example, a firm could require its registered persons to complete both their Regulatory Element and Firm Element by October 1 of each year.

Individuals who would be registering as a representative or principal for the first time on or after the implementation date of the proposed rule change would be required to complete their initial Regulatory Element for that registration category in the next calendar year following their registration.<sup>22</sup> In addition, subject to specified conditions, individuals who would be reregistering as a representative or principal on or after the implementation date of the proposed rule change would also be required to complete their initial Regulatory Element for that registration category in the next calendar year following their reregistration.<sup>23</sup>

Consistent with current requirements, individuals who fail to complete their Regulatory Element within the prescribed period would be automatically designated as CE inactive.<sup>24</sup> However, the proposed rule change preserves the Exchange's ability to extend the time by which a registered person must complete the Regulatory Element for good cause shown.<sup>25</sup>

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<sup>21</sup> See proposed General 4, Rules 1240(a)(1) and (a)(4).

<sup>22</sup> See proposed General 4, Rule 1240(a)(1).

<sup>23</sup> See proposed General 4, Rule 1240(a)(4).

<sup>24</sup> See proposed General 4, Rule 1240(a)(2).

<sup>25</sup> See supra note 24. The proposed rule change clarifies that the request for an extension of time must be in writing and include supporting documentation, which is consistent with current practice.

The Exchange also proposes amending General 4, Rule 1240(a) to clarify that: (1) individuals who are designated as CE inactive would be required to complete all of their pending and upcoming annual Regulatory Element, including any annual Regulatory Element that becomes due during their CE inactive period, to return to active status;<sup>26</sup> (2) the two-year CE inactive period is calculated from the date individuals become CE inactive, and it continues to run regardless of whether individuals terminate their registrations;<sup>27</sup> (3) individuals who become subject to a significant disciplinary action may be required to complete assigned continuing education content as prescribed by the Exchange;<sup>28</sup> (4) individuals who have not completed any Regulatory Element content for a registration category in the calendar year(s) prior to reregistering would not be approved for registration for that category until they complete that Regulatory Element content, pass an examination for that registration category or obtain an unconditional examination waiver for that registration category, whichever is applicable;<sup>29</sup> and (5) the Regulatory Element requirements apply to individuals who are registered, or in the process of registering, as a representative or principal.<sup>30</sup> In addition, the Exchange proposes making conforming amendments to General 4, Rule 1210.07.

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<sup>26</sup> See supra note 24.

<sup>27</sup> See supra note 24.

<sup>28</sup> See proposed General 4, Rule 1240(a)(3). As previously noted, General 4, Rule 1240(a)(3) currently provides that such individuals may be required to retake the Regulatory Element. See supra note 6.

<sup>29</sup> See proposed General 4, Rule 1240(a)(4).

<sup>30</sup> See proposed General 4, Rule 1240(a)(5).

Under the proposed rule change, the amount of content that registered persons would be required to complete in a three-year, annual cycle for a particular registration category is expected to be comparable to what most registered persons are currently completing every three years. In some years, there may be more required content for some registration categories depending on the volume of rule changes and regulatory issues. In addition, an individual who holds multiple registrations may be required to complete additional content compared to an individual who holds a single registration because, as noted above, individuals would be required to complete content specific to each registration category that they hold.<sup>31</sup> However, individuals with multiple registrations would not be subject to duplicative regulatory content in any given year. The more common registration combinations would likely share much of their relevant regulatory content each year. For example, individuals registered as General Securities Representatives and General Securities Principals would receive the same content as individuals solely registered as General Securities Representatives, supplemented with a likely smaller amount of supervisory-specific content on the same topics. The less common registration combinations may result in less topic overlap and more content overall.

b. Recognition of Other Training Requirements for Firm Element and Extension of Firm Element to All Registered Persons

To better align the Exchange's rulebook with FINRA's rulebook, and, in addition, to better align the Firm Element requirement with other required training, the Exchange proposes amending General 4, Rule 1240(b) to expressly allow firms to consider training

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<sup>31</sup> As discussed in the economic impact assessment in the FINRA Rule Change, individuals with multiple registrations represent a smaller percentage of the population of registered persons.

relating to the AML compliance program and the annual compliance meeting toward satisfying an individual's annual Firm Element requirement.<sup>32</sup> The Exchange also proposes amending the rule to extend the Firm Element requirement to all registered persons, including individuals who maintain solely a permissive registration consistent with General 4, Rule 1210.02 (Permissive Registrations), thereby further aligning the Firm Element requirement with other broadly-based training requirements.<sup>33</sup> In conjunction with this proposed change, the Exchange proposes modifying the current minimum training criteria under General 4, Rule 1240(b) to instead provide that the training must cover topics related to the role, activities or responsibilities of the registered person and to professional responsibility.<sup>34</sup>

c. Maintenance of Qualification After Termination of Registration

The Exchange proposes adopting paragraph (c) under General 4, Rule 1240 and Supplementary Material .01 and .02 to General 4, Rule 1240 to provide eligible individuals who terminate any of their representative or principal registrations the option of maintaining their qualification for any of the terminated registrations by completing continuing education.<sup>35</sup> The proposed rule change would not eliminate the two-year

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<sup>32</sup> See proposed General 4, Rule 1240(b)(2)(D).

<sup>33</sup> See proposed General 4, Rule 1240(b)(1). As noted earlier, the current requirement only applies to "covered registered persons" and not all registered persons.

<sup>34</sup> See proposed General 4, Rule 1240(b)(2)(B).

<sup>35</sup> The proposed option would also be available to individuals who terminate any permissive registrations as provided under General 4, Rule 1210.02. However, the proposed option would not be available to individuals who terminate a limited registration category that is a subset of a broader registration category for which they remain qualified. As previously noted, such individuals currently have the option of reregistering in the more limited registration category without having to

qualification period. Rather, it would provide such individuals an alternative means of staying current on their regulatory and securities knowledge following the termination of a registration(s). Eligible individuals who elect not to participate in the proposed continuing education program would continue to be subject to the current two-year qualification period. The proposed rule change is generally aligned with other professional continuing education programs that allow individuals to maintain their qualification to work in their respective fields during a period of absence from their careers (including an absence of more than two years) by satisfying continuing education requirements for their credential.

The proposed rule change would impose the following conditions and limitations:

- individuals would be required to be registered in the terminated registration category for at least one year immediately prior to the termination of that category;<sup>36</sup>
- individuals could elect to participate when they terminate a registration or within two years from the termination of a registration;<sup>37</sup>

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requalify by examination or obtain an examination waiver so long as they continue to remain qualified for the broader registration category. In addition, the proposed option would not be available to individuals who are maintaining an eliminated registration category, such as the category for Corporate Securities Representative, or individuals who have solely passed the Securities Industry Essentials examination, which does not, in and of itself, confer registration.

<sup>36</sup> See proposed General 4, Rule 1240(c)(1).

<sup>37</sup> See proposed General 4, Rule 1240(c)(2). Individuals who elect to participate at the later date would be required to complete, within two years from the termination of their registration, any continuing education that becomes due between the time of their Form U5 (Uniform Termination Notice for Securities Industry Registration) submission and the date that they commence their participation. In addition, FINRA would enhance its systems to notify individuals

- individuals would be required to complete annually all prescribed continuing education;<sup>38</sup>
- individuals would have a maximum of five years in which to reregister;<sup>39</sup>
- individuals who have been CE inactive for two consecutive years, or who become CE inactive for two consecutive years during their participation, would not be eligible to participate or continue;<sup>40</sup> and
- individuals who are subject to a statutory disqualification, or who become subject to a statutory disqualification following the termination of their

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of their eligibility to participate, enable them to affirmatively opt in, and notify them of their annual continuing education requirement if they opt in.

<sup>38</sup> See proposed General 4, Rule 1240(c)(3). However, upon a participant's request and for good cause shown, the Exchange would have the ability to grant an extension of time for the participant to complete the prescribed continuing education. A participant who is also a registered person must directly request an extension of the prescribed continuing education from the Exchange. The continuing education content for participants would consist of a combination of Regulatory Element content and content selected by FINRA and the CE Council from the Firm Element content catalog discussed below. The content would correspond to the registration category for which individuals wish to maintain their qualifications. Participants who are maintaining their qualification status for a principal registration category that includes one or more corequisite representative registrations must also complete required annual continuing education for the corequisite registrations in order to maintain their qualification status for the principal registration category. The proposed rule change clarifies that the prescribed continuing education must be completed by December 31 of the calendar year, which is consistent with the timing for the proposed annual Regulatory Element.

<sup>39</sup> See proposed General 4, Rule 1240(c). In addition, individuals applying for reregistration must satisfy all other requirements relating to the registration process (e.g., submit a Form U4 (Uniform Application for Securities Industry Registration or Transfer) and undergo a background check).

<sup>40</sup> See proposed General 4, Rules 1240(c)(4) and (c)(5).



registration or during their participation, would not be eligible to participate or continue.<sup>41</sup>

The proposed rule change also includes a look-back provision that would, subject to specified conditions, extend the proposed option to individuals who have been registered as a representative or principal within two years immediately prior to the implementation date of the proposed rule change and individuals who have been FSAWP participants immediately prior to the implementation date of the proposed rule change.<sup>42</sup>

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<sup>41</sup> See proposed General 4, Rules 1240(c)(1) and (c)(6). Further, any content completed by participants would be retroactively nullified upon disclosure of the statutory disqualification. The following example illustrates the application of the proposed rule change to individuals who become subject to a statutory disqualification while participating in the proposed continuing education program. Individual A participates in the proposed continuing education program for four years and completes the prescribed content for each of those years. During year five of his participation, he becomes subject to a statutory disqualification resulting from a foreign regulatory action. In that same year, the Exchange receives a Form U4 submitted by a member on behalf of Individual A requesting registration with the Exchange. The Form U4 discloses the statutory disqualification event. The Exchange would then retroactively nullify any content that Individual A completed while participating in the proposed continuing education program. Therefore, in this example, in order to become registered with the Exchange, he would be required to requalify by examination. This would be in addition to satisfying the eligibility conditions for association with an Exchange member firm. See Exchange Act Sections 3(a)(39) and 15(b)(4) and General 3, Rule 1002.

<sup>42</sup> See proposed Supplementary Material .01 to General 4, Rule 1240. Such individuals would be required to elect whether to participate by the implementation date of the proposed rule change. If such individuals elect to participate, they would be required to complete their initial annual content by the end of the calendar year in which the proposed rule change is implemented. In addition, if such individuals elect to participate, their initial participation period would be adjusted based on the date that their registration was terminated. The current waiver program for FSAWP participants would not be available to new participants upon implementation of the proposed rule change. See proposed General 4, Rule 1210.09. However, individuals who are FSAWP participants immediately prior to the implementation date of the proposed rule change could elect to continue in that waiver program until the program has been retired. As noted above, FSAWP participants may participate for up to seven years in that

In addition, the proposed rule change includes a re-eligibility provision that would allow individuals to regain eligibility to participate each time they reregister with a firm for a period of at least one year and subsequently terminate their registration, provided that they satisfy the other participation conditions and limitations.<sup>43</sup> Finally, the Exchange proposes making conforming amendments to General 4, Rule 1210, including adding references to proposed Rule 1240(c) under General 4, Rule 1210.08.

The proposed rule change will have several important benefits. It will provide individuals with flexibility to address life and career events and necessary absences from registered functions without having to requalify each time. It will also incentivize them to stay current on their respective securities industry knowledge following the termination of any of their registrations. The continuing education under the proposed option will be as rigorous as the continuing education of registered persons, which promotes investor protection. Further, the proposed rule change will enhance diversity and inclusion in the securities industry by attracting and retaining a broader and diverse group of professionals.

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waiver program, subject to specified conditions. See supra note 6. As discussed above, the proposed rule change provides a five-year participation period for participants in the proposed continuing education program. So as not to disadvantage FSAWP participants, the Exchange has determined to preserve that waiver program for individuals who are participating in the FSAWP immediately prior to the implementation date of the proposed rule change. Because the proposed rule change transitions the Regulatory Element to an annual cycle, FSAWP participants who remain in that waiver program following the implementation of the proposed rule change would be subject to an annual Regulatory Element requirement. See proposed General 4, Rule 1240(a)(1). Finally, the proposed rule change preserves the Exchange's ability to extend the time by which FSAWP participants must complete the Regulatory Element for good cause shown. See proposed General 4, Rule 1240(a)(2).

<sup>43</sup> See proposed Supplementary Material .02 to General 4, Rule 1240.

Significantly, the proposed rule change will be of particular value to women, who continue to be the primary caregivers for children and aging family members and, as a result, are likely to be absent from the industry for longer periods.<sup>44</sup> In addition, the proposed rule change will provide longer-term relief for women, individuals with low incomes and other populations, including older workers, who are at a higher risk of a job loss during certain economic downturns and who are likely to remain unemployed for longer periods.<sup>45</sup>

d. CE Program Implementation

As stated in the FINRA Rule Change, FINRA and the CE Council also plan to enhance the CE Program in other ways, and these additional enhancements do not require any changes to the FINRA rules.<sup>46</sup> As it relates to the rule changes themselves, the changes relating to the Maintaining Qualifications Program (paragraph (c) of General 4, Rule 1240) and the Financial Services Affiliate Waiver Program (FSAWP) (Supplementary Material .09 to General 4, Rule 1210) will become effective March 15, 2022. All other changes related to the FINRA Rule Change, including the changes

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<sup>44</sup> See The Female Face of Family Caregiving (November 2018), available at <https://www.nationalpartnership.org/our-work/resources/economic-justice/female-face-family-caregiving.pdf>.

<sup>45</sup> See The COVID-19 Recession is the Most Unequal in Modern U.S. History (September 30, 2020), available at <https://www.washingtonpost.com/graphics/2020/business/coronavirus-recession-equality/> and Unemployment's Toll on Older Workers Is Worst in Half a Century (October 21, 2020), available at <https://www.aarp.org/work/working-at-50-plus/info-2020/pandemic-unemployment-older-workers>.

<sup>46</sup> See *supra* note 2. As described in more detail in the FINRA Rule Change, FINRA will work with the CE Council to develop and incorporate additional resources in connection with the Regulatory and Firm Elements. Similar to FINRA, these additional enhancements do not require any changes to the Exchange rules.

relating to the Regulatory Element, Firm Element and the two-year qualification period, will become effective January 1, 2023.<sup>47</sup>

### **Manual Signature**

General 4, Rule 1250(c) currently provides that every initial and transfer electronic Form U4 filing and any amendments to the disclosure information on Form U4 must be based on a manually signed Form U4 provided to the member or applicant for membership by the person on whose behalf the Form U4 is being filed, consistent with FINRA Rule 1010(c). Similarly, the Exchange's Supplementary Material .03 currently provides that in the event a member is not able to obtain an associated person's manual signature or written acknowledgement of amended disclosure information on that person's Form U4 prior to filing of such amendment reflecting the information pursuant to Rule 1250(c)(3), the member must enter "Representative Refused to Sign/Acknowledge" or "Representative Not Available" or a substantially similar entry in the electronic Form U4 field for the associated person's signature. However, FINRA has since amended their Rule 1010(c) to permit firms to choose to rely on electronic signatures to satisfy the signature requirements when filing Form U4.<sup>48</sup> Cboe Exchange, Inc. ("CBOE") has also updated its Rule 3.34 to reflect FINRA's updated Rule 1010(c).<sup>49</sup>

The Exchange proposes to amend Rule 1250(c) and Supplementary Material .03 to similarly allow firms to rely on electronic signatures when filing Form U4, consistent

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<sup>47</sup> See FINRA Regulatory Notice 21-41 at <https://www.finra.org/rules-guidance/notices/21-41>.

<sup>48</sup> See Securities Exchange Release No. 91262 (March 5, 2021), 86 FR 13935 (March 11, 2021) (SR-FINRA-2021-003).

<sup>49</sup> See Securities Exchange Release No. 92562 (August 4, 2021), 86 FR 143701 (August 10, 2021) (SR-CBOE-2021-043).

with FINRA Rule 1010(c). Specifically, the Exchange proposes to remove the term “manual” from “manual signature” and the term “manually” from “manually signed”. The proposed rule change provides members, and applicants for membership, with an opportunity to better manage operational challenges. Particularly, the COVID-19 pandemic amplified the need to better manage operational challenges like those that arose during the pandemic and that may continue to arise in the future. Additionally, the proposed rule change would not require the use of a particular type of technology to obtain a valid electronic signature from the associated person. The Exchange believes that some firms may be unable to obtain the manual signature of applicants for registration resulting in a significant operational backlog. By permitting these firms to rely on electronic signatures to satisfy the signature requirements of Exchange Rule 1250 and Supplementary Material .03, the proposed rule change may reduce or eliminate this backlog. For purposes of the proposed rule change, a valid electronic signature would be any electronic mark that clearly identifies the signatory and is otherwise in compliance with the Electronic Signatures in Global and National Commerce Act (“E-Sign Act”) and the guidance issued by the SEC relating to the E-Sign Act.<sup>50</sup>

b. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>51</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>52</sup> in particular,

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<sup>50</sup> See accord Securities Exchange Act Release No. 85282 (March 11, 2019), 84 FR 9573 (March 15, 2019) (Order Approving File No. SR-FINRA-2018-040) (discussing valid electronic signatures under existing guidance).

<sup>51</sup> 15 U.S.C. 78f(b).

<sup>52</sup> 15 U.S.C. 78f(b)(5).

in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that the proposed changes to the Regulatory Element and Firm Element will ensure that all registered persons receive timely and relevant training, which will, in turn, enhance compliance and investor protection. Further, the Exchange believes that establishing a path for individuals to maintain their qualification following the termination of a registration will reduce unnecessary impediments to requalification and promote greater diversity and inclusion in the securities industry without diminishing investor protection.

As it relates to the proposed changes to General 4, Rule 1250(c), the Exchange believes the proposed rule change provides firms with the flexibility to rely on electronic signatures to satisfy the signature requirements of Rule 1250(c). Specifically, the Exchange proposes to amend Exchange Rule 1250(c) and Supplementary Material .03, similar to the amendments made by FINRA and CBOE, to provide the option of filing an initial or a transfer Form U4 based on a manually or an electronically signed copy of the form provided to the member, or applicant for membership, by the individual on whose behalf the form is being filed. Considering the technological advancements that provide for enhanced authentication and security of electronic signatures, the Exchange believes that it is appropriate to amend Rule 1250(c) and Supplementary Material .03 to provide such flexibility. The proposed rule change also addresses the ongoing public health risks stemming from the outbreak of COVID-19 and the operational challenges that firms continue to face as a result of pandemic repercussions. By permitting these firms to rely

on electronic signatures to satisfy the signature requirements of Rule 1250(c) and Supplementary Material .03, the proposed rule change may reduce or eliminate an operational backlog due to the difficulty firms may have faced in obtaining the manual signature of applicants for registration as a result of the impact of the pandemic on daily work environments.

The Exchange believes the proposal is consistent with the Act for the reasons described above and for the reasons outlined in the approval orders for SR-FINRA-2021-003 and SR-FINRA-2021-015.<sup>53</sup>

#### 4. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. All members would be subject to the proposed rule change. The proposed rule change relating to the Exchange's CE Program, which is materially identical to the FINRA Rule Change, is designed to result in a more efficient CE Program that addresses relevant regulatory requirements and provides individuals with improved tools and resources to understand and comply with such requirements, enhancing investor protection. Moreover, the proposed rule change would provide new channels for individuals to maintain their qualification status for a terminated registration category and, in so doing, could increase the likelihood that professionals who need to step away from the industry for a period could return, subject to satisfying all other requirements relating to the registration process.

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<sup>53</sup> See supra notes 2 and 3.

As it relates to the proposed amendments to General 4, Rule 1250, the proposed rule change relating to manual signatures is, in all material respects, substantively identical to recent rule changes adopted by FINRA and CBOE. The Exchange believes the proposed change will reduce a regulatory filing burden for members by allowing them to rely on Form U4 copies with an electronic signature. All members will have the option to rely on such forms with an electronic signature (or continue to rely on forms with a manual signature).

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A)(iii)<sup>54</sup> of the Act and Rule 19b-4(f)(6) thereunder<sup>55</sup> in that it effects a change that: (i) does not significantly affect the protection of investors or the public interest; (ii) does not impose any significant burden on competition; and (iii) by its terms, does not become operative for 30 days after the date of the filing, or such shorter time as the Commission may designate if consistent with the protection of investors and the public interest.

The Exchange believes that the proposal related to the Exchange's CE program

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<sup>54</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>55</sup> 17 CFR 240.19b-4(f)(6).



does not significantly affect the protection of investors or the public interest because the proposed rule change is materially identical to the FINRA Rule Change. Aligning the Exchange's rules with those of FINRA in this manner will help to create a greater degree of consistency, uniformity, and regulatory efficiency with respect to continuing education requirements applicable to registered representatives and principals of Exchange members, thereby facilitating compliance by members of the Exchange who also hold membership in FINRA. The proposed rule change does not impose any significant burden on competition because it will apply uniformly to all members.

The Exchange believes that the proposed rule changes to Rule 1250(c) and Supplementary Material .03 do not significantly affect the protection of investors or the public interest because it addresses operational challenges facing firms due to the ongoing public health risks stemming from the outbreak of COVID-19 and it permits firms to rely on electronic signatures to satisfy the signature requirements of Rule 1250(c) and Supplementary Material .03, which may reduce or eliminate an operational backlog, ultimately benefiting the investing public. Moreover, the proposed rule change does not impose any significant burden on competition because it will apply uniformly to all similarly situated members and associated persons of members. Also, as stated above, the proposed rule changes are substantively the same as changes recently made to FINRA Rule 1010(c) and CBOE Rule 3.34.

Furthermore, Rule 19b-4(f)(6)(iii)<sup>56</sup> requires a self-regulatory organization to give the Commission written notice of its intent to file a proposed rule change under that

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<sup>56</sup> 17 CFR 240.19b-4(f)(6)(iii).

subsection at least five business days prior to the date of filing, or such shorter time as designated by the Commission. The Exchange has provided such notice.

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

A proposed rule change filed under Rule 19b-4(f)(6) normally does not become operative prior to 30 days after the date of filing. Rule 19b-4(f)(6)(iii), however, permits the Commission to designate a shorter time if such action is consistent with the protection of investors and the public interest. The Exchange respectfully requests that the Commission waive the 30-day operative delay contained in Rule 19b-4(f)(6)(iii) so that the Exchange can implement proposed changes to the Maintaining Qualifications Program and the FSAWP by March 15, 2022 to coincide with FINRA's announced implementation date. For the proposal related to the manual signature requirement, as noted in the statutory basis, the Exchange understands that some firms may currently be experiencing a significant operational backlog because of the requirement to obtain manual signatures. The proposed rule change to Rule 1250(c) and Supplementary Material .03 will provide immediate relief to these firms by allowing them to rely on electronic signatures to clear the backlog. Moreover, the proposed manual signature rule change is based to a similar rule change by FINRA that has already taken effect.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

The proposed changes to General 4, Rules 1210 and 1240 are materially identical to FINRA Rules 1210 and 1240. The proposed changes to General 4, Rule 1250 are materially identical to FINRA Rule 1010(c) and CBOE Rule 3.34.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

1. Notice of Proposed Rule Change for publication in the Federal Register.
5. Text of the proposed rule change.

**EXHIBIT 1**

SECURITIES AND EXCHANGE COMMISSION  
(Release No. \_\_\_\_\_ ; File No. SR-NASDAQ-2022-021)

March \_\_, 2022

Self-Regulatory Organizations; The Nasdaq Stock Market LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Amend the Exchange Registration Rules in General 4

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on March 7, 2022, The Nasdaq Stock Market LLC (“Nasdaq” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend General 4, Rule 1240 (Continuing Education Requirements). While these amendments are effective upon filing, the Exchange has designated the proposed amendments to be operative on March 15, 2022.

The text of the proposed rule change is available on the Exchange’s Website at <https://listingcenter.nasdaq.com/rulebook/nasdaq/rules>, at the principal office of the Exchange, and at the Commission’s Public Reference Room.

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its continuing education requirements in General 4, Rule 1240. This proposed rule change is based on a filing recently submitted by the Financial Industry Regulatory Authority, Inc. (“FINRA”), and is intended to harmonize the Exchange’s continuing education rules with those of FINRA so as to promote uniform standards across the securities industry.<sup>3</sup> The Exchange also proposes to amend its manual signature requirements in General 4, Rule 1250 (Form U4 Filing Requirements) to align with changes FINRA has made to similar rules.<sup>4</sup> Each change is discussed in detail below.

The proposed changes are based on the changes approved by the Commission in the approval orders for SR-FINRA-2021-003 and SR-FINRA-2021-015.<sup>5</sup> The Exchange

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<sup>3</sup> See Securities Exchange Act Release No. 93097 (September 21, 2021), 86 FR 53358 (September 27, 2021) (SR-FINRA-2021-015) (“FINRA Rule Change”).

<sup>4</sup> See Securities Exchange Act Release No. 91262 (March 5, 2021), 86 FR 13935 (March 11, 2021) (SR-FINRA-2021-003).

<sup>5</sup> See supra notes 2 and 3.

is proposing to adopt such changes substantially in the same form as proposed by FINRA, with only minor changes necessary to conform to the Exchange's existing rules such as to remove cross-references and rules that are applicable to FINRA members but not to Exchange members.

### **Continuing Education Rules**

#### **(i) Background**

The continuing education program for registered persons of broker-dealers ("CE Program") currently requires registered persons to complete continuing education consisting of a Regulatory Element and a Firm Element. The Regulatory Element, which is administered by FINRA, focuses on regulatory requirements and industry standards, while the Firm Element is provided by each firm and focuses on securities products, services and strategies the firm offers, firm policies and industry trends. The CE Program is codified under the rules of the self-regulatory organizations ("SROs"). The CE Program for registered persons of Exchange members is codified under General 4, Rule 1240.<sup>6</sup>

#### **a. Regulatory Element**

General 4, Rule 1240(a) (Regulatory Element) currently requires a registered person to complete the applicable Regulatory Element initially within 120 days after the person's second registration anniversary date and, thereafter, within 120 days after every third registration anniversary date.<sup>7</sup> The Exchange may extend these time frames for

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<sup>6</sup> See also General 4, Rule 1210.07 (All Registered Persons Must Satisfy the Regulatory Element of Continuing Education).

<sup>7</sup> See General 4, Rules 1240(a)(1) (Requirements) and (a)(4) (Reassociation in a Registered Capacity). An individual's registration anniversary date is generally the date they initially registered with the Exchange in the Central Registration

good cause shown.<sup>8</sup> Registered persons who have not completed the Regulatory Element within the prescribed time frames will have their Exchange registrations deemed inactive and will be designated as “CE inactive” in the CRD system until the requirements of the Regulatory Element have been satisfied.<sup>9</sup> A CE inactive person is prohibited from performing, or being compensated for, any activities requiring FINRA registration, including supervision. Moreover, if registered persons remain CE inactive for two consecutive years, they must requalify by retaking required examinations (or obtain a waiver of the applicable qualification examinations).<sup>10</sup>

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Depository (“CRD<sup>®</sup>”) system. However, an individual’s registration anniversary date would be reset if the individual has been out of the industry for two or more years and is required to requalify by examination, or obtain an examination waiver, in order to reregister. An individual’s registration anniversary date would also be reset if the individual obtains a conditional examination waiver that requires them to complete the Regulatory Element by a specified date. Non-registered individuals who are participating in the waiver program under General 4, Rule 1210.09 (Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of a Member) (“FSAWP participants”) are also subject to the Regulatory Element. See also General 4, Rule 1240(a)(5) (Definition of Covered Person). The Regulatory Element for FSAWP participants correlates to their most recent registration(s), and it must be completed based on the same cycle had they remained registered. FSAWP participants are eligible for a single, fixed seven-year waiver period from the date of their initial designation, subject to specified conditions. Registered persons who become subject to a significant disciplinary action, as specified in General 4, Rule 1240(a)(3) (Disciplinary Actions), may be required to retake the Regulatory Element within 120 days of the effective date of the disciplinary action, if they remain registered. Further, their cycle for participation in the Regulatory Element may be adjusted to reflect the effective date of the disciplinary action rather than their registration anniversary date.

<sup>8</sup> See General 4, Rule 1240(a)(2) (Failure to Complete).

<sup>9</sup> See supra note 7. Individuals must complete the entire Regulatory Element session to be considered to have “completed” the Regulatory Element; partial completion is the same as non-completion.

<sup>10</sup> This CE inactive two-year period is calculated from the date such persons become CE inactive, and it continues to run regardless of whether they terminate their

The Regulatory Element consists of a subprogram for registered persons generally, and a subprogram for principals and supervisors.<sup>11</sup> While some of the current Regulatory Element content is unique to particular registration categories, most of the content has broad application to both representatives and principals.<sup>12</sup>

The Regulatory Element was originally designed at a time when most individuals had to complete the Regulatory Element at a test center, and its design was shaped by the limitations of the test center-based delivery model. In 2015, FINRA transitioned the delivery of the Regulatory Element to an online platform (“CE Online”), which allows individuals to complete the content online at a location of their choosing, including their private residence. This online delivery provides the Exchange with much greater flexibility in updating content in a timelier fashion, developing content tailored to each registration category and presenting the material in an optimal learning format.

b. Firm Element

General 4, Rule 1240(b) (Firm Element) currently requires each firm to develop and administer an annual Firm Element training program for covered registered

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registrations before the end of the two-year period. Therefore, if registered persons terminate their registrations while in a CE inactive status, they must satisfy all outstanding Regulatory Element prior to the end of the CE inactive two-year period in order to reregister with a member without having to requalify by examination or having to obtain an examination waiver.

<sup>11</sup> The S101 (General Program for Registered Persons) and the S201 (Registered Principals and Supervisors).

<sup>12</sup> The current content is presented in a single format leading individuals through a case that provides a story depicting situations that they may encounter in the course of their work.



persons.<sup>13</sup> The rule requires firms to conduct an annual needs analysis to determine the appropriate training.<sup>14</sup> Currently, at a minimum, the Firm Element must cover training in ethics and professional responsibility as well as the following items concerning securities products, services and strategies offered by the member: (1) general investment features and associated risk factors; (2) suitability and sales practice considerations; and (3) applicable regulatory requirements.<sup>15</sup>

A firm, consistent with its needs analysis, may determine to apply toward the Firm Element other required training. The current rule does not expressly recognize other required training, such as training relating to the anti-money laundering (“AML”) compliance program and training relating to the annual compliance meeting,<sup>16</sup> for purposes of satisfying Firm Element training.

c. Termination of a Registration

Currently, individuals whose registrations as representatives or principals have been terminated for two or more years may reregister as representatives or principals only if they requalify by retaking and passing the applicable representative- or principal-level examination or if they obtain a waiver of such examination(s) (the “two-year

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<sup>13</sup> The rule defines “covered registered persons” as any registered person who has direct contact with customers in the conduct of a member’s securities sales and trading activities, and the immediate supervisors of any such persons. See General 4, Rule 1240(b)(1) (Persons Subject to the Firm Element).

<sup>14</sup> See General 4, Rule 1240(b)(2) (Standards for the Firm Element).

<sup>15</sup> See supra note 13.

<sup>16</sup> See General 9, Sections 20 and 37.

qualification period”).<sup>17</sup> The two-year qualification period was adopted prior to the creation of the CE Program and was intended to ensure that individuals who reregister are relatively current on their regulatory and securities knowledge.

(ii) Proposed Rule Change

After extensive work with the Securities Industry/Regulatory Council on Continuing Education (“CE Council”) and discussions with stakeholders, including industry participants and the North American Securities Administrators Association (“NASAA”), FINRA adopted the following changes to the CE Program under its rules.<sup>18</sup>

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<sup>17</sup> See General 4, Rule 1210.08 (Lapse of Registration and Expiration of SIE). The two-year qualification period is calculated from the date individuals terminate their registration and the date the Exchange receives a new application for registration. The two-year qualification period does not apply to individuals who terminate a limited registration category that is a subset of a broader registration category for which they remain qualified. For instance, it would not apply to an individual who maintains his registration as a General Securities Representative but who terminates his registration as an Investment Company and Variable Contracts Products Representative. Such individuals have the option of reregistering in the more limited registration category without having to requalify by examination or obtain an examination waiver so long as they continue to remain qualified for the broader registration category. Further, the two-year qualification period only applies to the representative- and principal-level examinations; it does not extend to the Securities Industry Essentials (“SIE”) examination. The SIE examination is valid for four years, but having a valid SIE examination alone does not qualify an individual for registration as a representative or principal. Individuals whose registrations as representatives or principals have been revoked pursuant to General 5, Rule 8310 (Sanctions for Violation of the Rules) may only requalify by retaking the applicable representative- or principal-level examination in order to reregister as representatives or principals, in addition to satisfying the eligibility conditions for association with a firm. Waivers are granted either on a case-by-case basis under General 4, Rule 1210.03 (Qualification Examinations and Waivers of Examinations) or as part of the waiver program under General 4, Rule 1210.09.

<sup>18</sup> See supra note 2. FINRA’s changes are based on the CE Council’s September 2019 recommendations to enhance the CE Program. See Recommended Enhancements for the Securities Industry Continuing Education Program, available at <http://cecouncil.org/media/266634/council-recommendations-final-.pdf>. The CE Council is composed of securities industry representatives and

In order to promote uniform standards across the securities industry, the Exchange now proposes to adopt the same changes to its continuing education rules.

a. Transition to Annual Regulatory Element for Each Registration Category

As noted above, currently, the Regulatory Element generally must be completed every three years, and the content is broad in nature. Based on changes in technology and learning theory, the Regulatory Element content can be updated and delivered in a timelier fashion and tailored to each registration category, which would further the goals of the Regulatory Element.<sup>19</sup> Therefore, to provide registered persons with more timely and relevant training on significant regulatory developments, the Exchange proposes amending General 4, Rule 1240(a) to require registered persons to complete the Regulatory Element annually by December 31.<sup>20</sup> The proposed amendment would also require registered persons to complete Regulatory Element content for each

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representatives of SROs. The CE Council was formed in 1995 upon a recommendation from the Securities Industry Task Force on Continuing Education and was tasked with facilitating the development of uniform continuing education requirements for registered persons of broker-dealers.

<sup>19</sup> When the CE Program was originally adopted in 1995, registered persons were required to complete the Regulatory Element on their second, fifth and 10th registration anniversary dates. See Securities Exchange Act Release No. 35341 (February 8, 1995), 60 FR 8426 (February 14, 1995) (Order Approving File Nos. SR-AMEX-94-59; SR-CBOE-94-49; SR-CHX-94-27; SR-MSRB-94-17; SR-NASD-94-72; SR-NYSE-94-43; SR-PSE-94-35; and SR-PHLX-94-52). The change to the current three-year cycle was made in 1998 to provide registered persons more timely and effective training, consistent with the overall purpose of the Regulatory Element. See Securities Exchange Act Release No. 39712 (March 3, 1998), 63 FR 11939 (March 11, 1998) (Order Approving File Nos. SR-CBOE-97-68; SR-MSRB-98-02; SR-NASD-98-03; and SR-NYSE-97-33).

<sup>20</sup> See proposed General 4, Rules 1240(a)(1) and (a)(4).

representative or principal registration category that they hold, which would also further the goals of the Regulatory Element.<sup>21</sup>

Under the proposed rule change, firms would have the flexibility to require their registered persons to complete the Regulatory Element sooner than December 31, which would allow firms to coordinate the timing of the Regulatory Element with other training requirements, including the Firm Element.<sup>22</sup> For example, a firm could require its registered persons to complete both their Regulatory Element and Firm Element by October 1 of each year.

Individuals who would be registering as a representative or principal for the first time on or after the implementation date of the proposed rule change would be required to complete their initial Regulatory Element for that registration category in the next calendar year following their registration.<sup>23</sup> In addition, subject to specified conditions, individuals who would be reregistering as a representative or principal on or after the implementation date of the proposed rule change would also be required to complete their initial Regulatory Element for that registration category in the next calendar year following their reregistration.<sup>24</sup>

Consistent with current requirements, individuals who fail to complete their Regulatory Element within the prescribed period would be automatically designated as

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<sup>21</sup> See proposed General 4, Rules 1210.07 and 1240(a)(1).

<sup>22</sup> See proposed General 4, Rules 1240(a)(1) and (a)(4).

<sup>23</sup> See proposed General 4, Rule 1240(a)(1).

<sup>24</sup> See proposed General 4, Rule 1240(a)(4).

CE inactive.<sup>25</sup> However, the proposed rule change preserves the Exchange's ability to extend the time by which a registered person must complete the Regulatory Element for good cause shown.<sup>26</sup>

The Exchange also proposes amending General 4, Rule 1240(a) to clarify that: (1) individuals who are designated as CE inactive would be required to complete all of their pending and upcoming annual Regulatory Element, including any annual Regulatory Element that becomes due during their CE inactive period, to return to active status;<sup>27</sup> (2) the two-year CE inactive period is calculated from the date individuals become CE inactive, and it continues to run regardless of whether individuals terminate their registrations;<sup>28</sup> (3) individuals who become subject to a significant disciplinary action may be required to complete assigned continuing education content as prescribed by the Exchange;<sup>29</sup> (4) individuals who have not completed any Regulatory Element content for a registration category in the calendar year(s) prior to reregistering would not be approved for registration for that category until they complete that Regulatory Element content, pass an examination for that registration category or obtain an unconditional

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<sup>25</sup> See proposed General 4, Rule 1240(a)(2).

<sup>26</sup> See supra note 24. The proposed rule change clarifies that the request for an extension of time must be in writing and include supporting documentation, which is consistent with current practice.

<sup>27</sup> See supra note 24.

<sup>28</sup> See supra note 24.

<sup>29</sup> See proposed General 4, Rule 1240(a)(3). As previously noted, General 4, Rule 1240(a)(3) currently provides that such individuals may be required to retake the Regulatory Element. See supra note 6.

examination waiver for that registration category, whichever is applicable;<sup>30</sup> and (5) the Regulatory Element requirements apply to individuals who are registered, or in the process of registering, as a representative or principal.<sup>31</sup> In addition, the Exchange proposes making conforming amendments to General 4, Rule 1210.07.

Under the proposed rule change, the amount of content that registered persons would be required to complete in a three-year, annual cycle for a particular registration category is expected to be comparable to what most registered persons are currently completing every three years. In some years, there may be more required content for some registration categories depending on the volume of rule changes and regulatory issues. In addition, an individual who holds multiple registrations may be required to complete additional content compared to an individual who holds a single registration because, as noted above, individuals would be required to complete content specific to each registration category that they hold.<sup>32</sup> However, individuals with multiple registrations would not be subject to duplicative regulatory content in any given year. The more common registration combinations would likely share much of their relevant regulatory content each year. For example, individuals registered as General Securities Representatives and General Securities Principals would receive the same content as individuals solely registered as General Securities Representatives, supplemented with a likely smaller amount of supervisory-specific content on the same topics. The less

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<sup>30</sup> See proposed General 4, Rule 1240(a)(4).

<sup>31</sup> See proposed General 4, Rule 1240(a)(5).

<sup>32</sup> As discussed in the economic impact assessment in the FINRA Rule Change, individuals with multiple registrations represent a smaller percentage of the population of registered persons.

common registration combinations may result in less topic overlap and more content overall.

b. Recognition of Other Training Requirements for Firm Element and Extension of Firm Element to All Registered Persons

To better align the Exchange's rulebook with FINRA's rulebook, and, in addition, to better align the Firm Element requirement with other required training, the Exchange proposes amending General 4, Rule 1240(b) to expressly allow firms to consider training relating to the AML compliance program and the annual compliance meeting toward satisfying an individual's annual Firm Element requirement.<sup>33</sup> The Exchange also proposes amending the rule to extend the Firm Element requirement to all registered persons, including individuals who maintain solely a permissive registration consistent with General 4, Rule 1210.02 (Permissive Registrations), thereby further aligning the Firm Element requirement with other broadly-based training requirements.<sup>34</sup> In conjunction with this proposed change, the Exchange proposes modifying the current minimum training criteria under General 4, Rule 1240(b) to instead provide that the training must cover topics related to the role, activities or responsibilities of the registered person and to professional responsibility.<sup>35</sup>

c. Maintenance of Qualification After Termination of Registration

The Exchange proposes adopting paragraph (c) under General 4, Rule 1240 and Supplementary Material .01 and .02 to General 4, Rule 1240 to provide eligible

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<sup>33</sup> See proposed General 4, Rule 1240(b)(2)(D).

<sup>34</sup> See proposed General 4, Rule 1240(b)(1). As noted earlier, the current requirement only applies to "covered registered persons" and not all registered persons.

<sup>35</sup> See proposed General 4, Rule 1240(b)(2)(B).

individuals who terminate any of their representative or principal registrations the option of maintaining their qualification for any of the terminated registrations by completing continuing education.<sup>36</sup> The proposed rule change would not eliminate the two-year qualification period. Rather, it would provide such individuals an alternative means of staying current on their regulatory and securities knowledge following the termination of a registration(s). Eligible individuals who elect not to participate in the proposed continuing education program would continue to be subject to the current two-year qualification period. The proposed rule change is generally aligned with other professional continuing education programs that allow individuals to maintain their qualification to work in their respective fields during a period of absence from their careers (including an absence of more than two years) by satisfying continuing education requirements for their credential.

The proposed rule change would impose the following conditions and limitations:

- individuals would be required to be registered in the terminated registration category for at least one year immediately prior to the termination of that category;<sup>37</sup>

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<sup>36</sup> The proposed option would also be available to individuals who terminate any permissive registrations as provided under General 4, Rule 1210.02. However, the proposed option would not be available to individuals who terminate a limited registration category that is a subset of a broader registration category for which they remain qualified. As previously noted, such individuals currently have the option of reregistering in the more limited registration category without having to requalify by examination or obtain an examination waiver so long as they continue to remain qualified for the broader registration category. In addition, the proposed option would not be available to individuals who are maintaining an eliminated registration category, such as the category for Corporate Securities Representative, or individuals who have solely passed the Securities Industry Essentials examination, which does not, in and of itself, confer registration.

<sup>37</sup> See proposed General 4, Rule 1240(c)(1).



- individuals could elect to participate when they terminate a registration or within two years from the termination of a registration;<sup>38</sup>
- individuals would be required to complete annually all prescribed continuing education;<sup>39</sup>
- individuals would have a maximum of five years in which to reregister;<sup>40</sup>

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<sup>38</sup> See proposed General 4, Rule 1240(c)(2). Individuals who elect to participate at the later date would be required to complete, within two years from the termination of their registration, any continuing education that becomes due between the time of their Form U5 (Uniform Termination Notice for Securities Industry Registration) submission and the date that they commence their participation. In addition, FINRA would enhance its systems to notify individuals of their eligibility to participate, enable them to affirmatively opt in, and notify them of their annual continuing education requirement if they opt in.

<sup>39</sup> See proposed General 4, Rule 1240(c)(3). However, upon a participant's request and for good cause shown, the Exchange would have the ability to grant an extension of time for the participant to complete the prescribed continuing education. A participant who is also a registered person must directly request an extension of the prescribed continuing education from the Exchange. The continuing education content for participants would consist of a combination of Regulatory Element content and content selected by FINRA and the CE Council from the Firm Element content catalog discussed below. The content would correspond to the registration category for which individuals wish to maintain their qualifications. Participants who are maintaining their qualification status for a principal registration category that includes one or more corequisite representative registrations must also complete required annual continuing education for the corequisite registrations in order to maintain their qualification status for the principal registration category. The proposed rule change clarifies that the prescribed continuing education must be completed by December 31 of the calendar year, which is consistent with the timing for the proposed annual Regulatory Element.

<sup>40</sup> See proposed General 4, Rule 1240(c). In addition, individuals applying for reregistration must satisfy all other requirements relating to the registration process (e.g., submit a Form U4 (Uniform Application for Securities Industry Registration or Transfer) and undergo a background check).

- individuals who have been CE inactive for two consecutive years, or who become CE inactive for two consecutive years during their participation, would not be eligible to participate or continue;<sup>41</sup> and
- individuals who are subject to a statutory disqualification, or who become subject to a statutory disqualification following the termination of their registration or during their participation, would not be eligible to participate or continue.<sup>42</sup>

The proposed rule change also includes a look-back provision that would, subject to specified conditions, extend the proposed option to individuals who have been registered as a representative or principal within two years immediately prior to the

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<sup>41</sup> See proposed General 4, Rules 1240(c)(4) and (c)(5).

<sup>42</sup> See proposed General 4, Rules 1240(c)(1) and (c)(6). Further, any content completed by participants would be retroactively nullified upon disclosure of the statutory disqualification. The following example illustrates the application of the proposed rule change to individuals who become subject to a statutory disqualification while participating in the proposed continuing education program. Individual A participates in the proposed continuing education program for four years and completes the prescribed content for each of those years. During year five of his participation, he becomes subject to a statutory disqualification resulting from a foreign regulatory action. In that same year, the Exchange receives a Form U4 submitted by a member on behalf of Individual A requesting registration with the Exchange. The Form U4 discloses the statutory disqualification event. The Exchange would then retroactively nullify any content that Individual A completed while participating in the proposed continuing education program. Therefore, in this example, in order to become registered with the Exchange, he would be required to requalify by examination. This would be in addition to satisfying the eligibility conditions for association with an Exchange member firm. See Exchange Act Sections 3(a)(39) and 15(b)(4) and General 3, Rule 1002.

implementation date of the proposed rule change and individuals who have been FSAWP participants immediately prior to the implementation date of the proposed rule change.<sup>43</sup>

In addition, the proposed rule change includes a re-eligibility provision that would allow individuals to regain eligibility to participate each time they reregister with a firm for a period of at least one year and subsequently terminate their registration, provided that they satisfy the other participation conditions and limitations.<sup>44</sup> Finally, the Exchange proposes making conforming amendments to General 4, Rule 1210, including adding references to proposed Rule 1240(c) under General 4, Rule 1210.08.

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<sup>43</sup> See proposed Supplementary Material .01 to General 4, Rule 1240. Such individuals would be required to elect whether to participate by the implementation date of the proposed rule change. If such individuals elect to participate, they would be required to complete their initial annual content by the end of the calendar year in which the proposed rule change is implemented. In addition, if such individuals elect to participate, their initial participation period would be adjusted based on the date that their registration was terminated. The current waiver program for FSAWP participants would not be available to new participants upon implementation of the proposed rule change. See proposed General 4, Rule 1210.09. However, individuals who are FSAWP participants immediately prior to the implementation date of the proposed rule change could elect to continue in that waiver program until the program has been retired. As noted above, FSAWP participants may participate for up to seven years in that waiver program, subject to specified conditions. See supra note 6. As discussed above, the proposed rule change provides a five-year participation period for participants in the proposed continuing education program. So as not to disadvantage FSAWP participants, the Exchange has determined to preserve that waiver program for individuals who are participating in the FSAWP immediately prior to the implementation date of the proposed rule change. Because the proposed rule change transitions the Regulatory Element to an annual cycle, FSAWP participants who remain in that waiver program following the implementation of the proposed rule change would be subject to an annual Regulatory Element requirement. See proposed General 4, Rule 1240(a)(1). Finally, the proposed rule change preserves the Exchange's ability to extend the time by which FSAWP participants must complete the Regulatory Element for good cause shown. See proposed General 4, Rule 1240(a)(2).

<sup>44</sup> See proposed Supplementary Material .02 to General 4, Rule 1240.

The proposed rule change will have several important benefits. It will provide individuals with flexibility to address life and career events and necessary absences from registered functions without having to requalify each time. It will also incentivize them to stay current on their respective securities industry knowledge following the termination of any of their registrations. The continuing education under the proposed option will be as rigorous as the continuing education of registered persons, which promotes investor protection. Further, the proposed rule change will enhance diversity and inclusion in the securities industry by attracting and retaining a broader and diverse group of professionals.

Significantly, the proposed rule change will be of particular value to women, who continue to be the primary caregivers for children and aging family members and, as a result, are likely to be absent from the industry for longer periods.<sup>45</sup> In addition, the proposed rule change will provide longer-term relief for women, individuals with low incomes and other populations, including older workers, who are at a higher risk of a job loss during certain economic downturns and who are likely to remain unemployed for longer periods.<sup>46</sup>

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<sup>45</sup> See The Female Face of Family Caregiving (November 2018), available at <https://www.nationalpartnership.org/our-work/resources/economic-justice/female-face-family-caregiving.pdf>.

<sup>46</sup> See The COVID-19 Recession is the Most Unequal in Modern U.S. History (September 30, 2020), available at <https://www.washingtonpost.com/graphics/2020/business/coronavirus-recession-equality/> and Unemployment's Toll on Older Workers Is Worst in Half a Century (October 21, 2020), available at <https://www.aarp.org/work/working-at-50-plus/info-2020/pandemic-unemployment-older-workers>.

d. CE Program Implementation

As stated in the FINRA Rule Change, FINRA and the CE Council also plan to enhance the CE Program in other ways, and these additional enhancements do not require any changes to the FINRA rules.<sup>47</sup> As it relates to the rule changes themselves, the changes relating to the Maintaining Qualifications Program (paragraph (c) of General 4, Rule 1240) and the Financial Services Affiliate Waiver Program (FSAWP) (Supplementary Material .09 to General 4, Rule 1210) will become effective March 15, 2022. All other changes related to the FINRA Rule Change, including the changes relating to the Regulatory Element, Firm Element and the two-year qualification period, will become effective January 1, 2023.<sup>48</sup>

**Manual Signature**

General 4, Rule 1250(c) currently provides that every initial and transfer electronic Form U4 filing and any amendments to the disclosure information on Form U4 must be based on a manually signed Form U4 provided to the member or applicant for membership by the person on whose behalf the Form U4 is being filed, consistent with FINRA Rule 1010(c). Similarly, the Exchange's Supplementary Material .03 currently provides that in the event a member is not able to obtain an associated person's manual signature or written acknowledgement of amended disclosure information on that person's Form U4 prior to filing of such amendment reflecting the information pursuant

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<sup>47</sup> See supra note 2. As described in more detail in the FINRA Rule Change, FINRA will work with the CE Council to develop and incorporate additional resources in connection with the Regulatory and Firm Elements. Similar to FINRA, these additional enhancements do not require any changes to the Exchange rules.

<sup>48</sup> See FINRA Regulatory Notice 21-41 at <https://www.finra.org/rules-guidance/notices/21-41>.

to Rule 1250(c)(3), the member must enter "Representative Refused to Sign/Acknowledge" or "Representative Not Available" or a substantially similar entry in the electronic Form U4 field for the associated person's signature. However, FINRA has since amended their Rule 1010(c) to permit firms to choose to rely on electronic signatures to satisfy the signature requirements when filing Form U4.<sup>49</sup> Cboe Exchange, Inc. ("CBOE") has also updated its Rule 3.34 to reflect FINRA's updated Rule 1010(c).<sup>50</sup>

The Exchange proposes to amend Rule 1250(c) and Supplementary Material .03 to similarly allow firms to rely on electronic signatures when filing Form U4, consistent with FINRA Rule 1010(c). Specifically, the Exchange proposes to remove the term "manual" from "manual signature" and the term "manually" from "manually signed". The proposed rule change provides members, and applicants for membership, with an opportunity to better manage operational challenges. Particularly, the COVID-19 pandemic amplified the need to better manage operational challenges like those that arose during the pandemic and that may continue to arise in the future. Additionally, the proposed rule change would not require the use of a particular type of technology to obtain a valid electronic signature from the associated person. The Exchange believes that some firms may be unable to obtain the manual signature of applicants for registration resulting in a significant operational backlog. By permitting these firms to rely on electronic signatures to satisfy the signature requirements of Exchange Rule 1250 and Supplementary Material .03, the proposed rule change may reduce or eliminate this

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<sup>49</sup> See Securities Exchange Release No. 91262 (March 5, 2021), 86 FR 13935 (March 11, 2021) (SR-FINRA-2021-003).

<sup>50</sup> See Securities Exchange Release No. 92562 (August 4, 2021), 86 FR 143701 (August 10, 2021) (SR-CBOE-2021-043).

backlog. For purposes of the proposed rule change, a valid electronic signature would be any electronic mark that clearly identifies the signatory and is otherwise in compliance with the Electronic Signatures in Global and National Commerce Act (“E-Sign Act”) and the guidance issued by the SEC relating to the E-Sign Act.<sup>51</sup>

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Act,<sup>52</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act,<sup>53</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general to protect investors and the public interest.

The Exchange believes that the proposed changes to the Regulatory Element and Firm Element will ensure that all registered persons receive timely and relevant training, which will, in turn, enhance compliance and investor protection. Further, the Exchange believes that establishing a path for individuals to maintain their qualification following the termination of a registration will reduce unnecessary impediments to requalification and promote greater diversity and inclusion in the securities industry without diminishing investor protection.

As it relates to the proposed changes to General 4, Rule 1250(c), the Exchange believes the proposed rule change provides firms with the flexibility to rely on electronic

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<sup>51</sup> See accord Securities Exchange Act Release No. 85282 (March 11, 2019), 84 FR 9573 (March 15, 2019) (Order Approving File No. SR-FINRA-2018-040) (discussing valid electronic signatures under existing guidance).

<sup>52</sup> 15 U.S.C. 78f(b).

<sup>53</sup> 15 U.S.C. 78f(b)(5).

signatures to satisfy the signature requirements of Rule 1250(c). Specifically, the Exchange proposes to amend Exchange Rule 1250(c) and Supplementary Material .03, similar to the amendments made by FINRA and CBOE, to provide the option of filing an initial or a transfer Form U4 based on a manually or an electronically signed copy of the form provided to the member, or applicant for membership, by the individual on whose behalf the form is being filed. Considering the technological advancements that provide for enhanced authentication and security of electronic signatures, the Exchange believes that it is appropriate to amend Rule 1250(c) and Supplementary Material .03 to provide such flexibility. The proposed rule change also addresses the ongoing public health risks stemming from the outbreak of COVID-19 and the operational challenges that firms continue to face as a result of pandemic repercussions. By permitting these firms to rely on electronic signatures to satisfy the signature requirements of Rule 1250(c) and Supplementary Material .03, the proposed rule change may reduce or eliminate an operational backlog due to the difficulty firms may have faced in obtaining the manual signature of applicants for registration as a result of the impact of the pandemic on daily work environments.

The Exchange believes the proposal is consistent with the Act for the reasons described above and for the reasons outlined in the approval orders for SR-FINRA-2021-003 and SR-FINRA-2021-015.<sup>54</sup>

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition not necessary or appropriate in furtherance of the purposes of the

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<sup>54</sup> See supra notes 2 and 3.



Act. All members would be subject to the proposed rule change. The proposed rule change relating to the Exchange's CE Program, which is materially identical to the FINRA Rule Change, is designed to result in a more efficient CE Program that addresses relevant regulatory requirements and provides individuals with improved tools and resources to understand and comply with such requirements, enhancing investor protection. Moreover, the proposed rule change would provide new channels for individuals to maintain their qualification status for a terminated registration category and, in so doing, could increase the likelihood that professionals who need to step away from the industry for a period could return, subject to satisfying all other requirements relating to the registration process.

As it relates to the proposed amendments to General 4, Rule 1250, the proposed rule change relating to manual signatures is, in all material respects, substantively identical to recent rule changes adopted by FINRA and CBOE. The Exchange believes the proposed change will reduce a regulatory filing burden for members by allowing them to rely on Form U4 copies with an electronic signature. All members will have the option to rely on such forms with an electronic signature (or continue to rely on forms with a manual signature).

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed,

or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>55</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>56</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-NASDAQ-2022-021 on the subject line.

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<sup>55</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>56</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-NASDAQ-2022-021. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

All submissions should refer to File Number SR-NASDAQ-2022-021 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>57</sup>

J. Matthew DeLesDernier  
Assistant Secretary

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<sup>57</sup> 17 CFR 200.30-3(a)(12).

**EXHIBIT 5**

Deleted text is [bracketed]. New text is underlined.

**The Nasdaq Stock Market LLC Rules**

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**GENERAL 4 REGISTRATION REQUIREMENTS****Section 1 Registration, Qualification and Continuing Education.**

Rule numbering in this section is designed to facilitate comparison of these General 4, Section 1 rules with the Financial Industry Regulatory Authority ("FINRA") 1200 Series of rules.

**1200. Registration, Qualification and Continuing Education****1210. Registration Requirements**

Each person engaged in the securities business of a member shall be registered with the Exchange as a representative or principal in each category of registration appropriate to his or her functions and responsibilities as specified in General 4, Rule 1220, unless exempt from registration pursuant to General 4, Rule 1230. Such person shall not be qualified to function in any registered capacity other than that for which the person is registered, unless otherwise stated in the rules.

**• • • Supplementary Material: --**

**.01 – .06** No change.

**.07 All Registered [Persons]Representatives and Principals Must Satisfy the Regulatory Element of Continuing Education.** All registered [persons]representatives and principals, including those individuals who solely maintain permissive registrations pursuant to General 4, Rule 1210.02, shall satisfy the Regulatory Element of continuing education for each representative or principal registration category that they hold as specified in General 4, Rule 1240(a). If a person registered with a member has a continuing education deficiency with respect to that registration as provided under General 4, Rule 1240(a), such person shall not be permitted to be registered in another registration category with the Exchange under General 4, Rule 1220 with that member or to be registered in any registration category with the Exchange under General 4, Rule 1220 with another member, until the person has satisfied the deficiency.

**.08 Lapse of Registration and Expiration of SIE.** Any person who was last registered [as] in a representative registration category two or more years immediately preceding the

date of receipt by the Exchange of a new application for registration in that registration category [as a representative] shall be required to pass a representative qualification examination appropriate to that registration[his or her] category [of registration] as specified in General 4, Rule 1220(b), unless the person has maintained his or her qualification status for that registration category in accordance with General 4, Rule 1240(c) or as otherwise permitted by the Exchange. Any person who last passed the SIE or who was last registered as a representative, whichever occurred last, four or more years immediately preceding the date of receipt by the Exchange of a new application for registration as a representative shall be required to pass the SIE in addition to a representative qualification examination appropriate to his or her category of registration as specified in General 4, Rule 1220(b).

Any person who was last registered [as] in a principal registration category two or more years immediately preceding the date of receipt by the Exchange of a new application for registration in that registration category [as a principal] shall be required to pass a principal qualification examination appropriate to that registration [his or her] category [of registration] as specified in General 4, Rule 1220(a), unless the person has maintained his or her qualification status for that registration category in accordance with Rule 1240(c) or as otherwise permitted by the Exchange.

Any person whose registration has been revoked pursuant to Rule 8310 and any person who has a continuing education deficiency for a period of two years as provided under Rule 1240(a) shall be required to pass a representative or principal [or representative] qualification examination appropriate to his or her category of registration as specified in General 4, Rule 1220(a) or General 4, Rule 1220(b), respectively, to be eligible for registration with the Exchange.

For purposes of Supplementary Material .08 of this Rule, an application shall not be considered to have been received by the Exchange if that application does not result in a registration.

**.09 Waiver of Examinations for Individuals Working for a Financial Services Industry Affiliate of a Member.** Upon request by a member, the Exchange shall waive the applicable qualification examination(s) for an individual designated with the Exchange as working for a financial services industry affiliate of a member if the following conditions are met:

- (a) Prior to the individual's initial designation, the individual was registered as a representative or principal for a total of five years within the most recent 10-year period, including for the most recent year with the member that initially designated the individual;
- (b) The waiver request is made within seven years of the individual's initial designation;
- (c) The initial designation and any subsequent designation(s) were made concurrently with the filing of the individual's related Form U5;

(d) The individual continuously worked for the financial services industry affiliate(s) of a member since the individual's last Form U5 filing;

(e) The individual has complied with the Regulatory Element of continuing education as specified in General 4, Rule 1240(a); and

(f) The individual does not have any pending or adverse regulatory matters, or terminations, that are reportable on the Form U4, and has not otherwise been subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act while the individual was designated as eligible for a waiver.

As used in Supplementary Material .09 of this Rule, a "financial services industry affiliate of a member" is a legal entity that controls, is controlled by or is under common control with a member and is regulated by the SEC, Commodity Futures Trading Commission, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.

Effective March 15, 2022, the Exchange will not accept any new initial designations for individuals under the waiver program set forth in Supplementary Material .09 of this Rule.

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## **1240. Continuing Education [Requirements]**

This Rule prescribes requirements regarding the continuing education of [specified] registered persons [subsequent to their initial registration with the Exchange]. The requirements shall consist of a Regulatory Element and a Firm Element as set forth below. This Rule also sets forth continuing education programs through which specified persons may maintain their qualification in a representative or principal registration category following the termination of that registration category.

### **(a) Regulatory Element**

#### **(1) Requirements**

All covered persons shall comply with the requirement to complete the Regulatory Element.

Each covered person registered with the Exchange in a representative or principal registration category immediately preceding January 1, 2023 shall complete the Regulatory Element for the registration category annually by December 31 of 2023 [on the occurrence of their second registration anniversary date] and by December 31 of every [three] year[s] thereafter in which the person remains registered, or as otherwise prescribed by the Exchange. Each covered person registering with the Exchange in a representative or principal registration category for the first time on

or after January 1, 2023 shall complete the Regulatory Element for the registration category annually by December 31 of the subsequent calendar year following the calendar year in which the person becomes registered and by December 31 of every year thereafter in which the person remains registered, or as otherwise prescribed by the Exchange. Nothing in this paragraph (a)(1) shall prohibit a member from requiring its covered persons to complete their Regulatory Element for their registration categories at any time during the calendar year. [On each occasion, the Regulatory Element must be completed within 120 days after the person's registration anniversary date. A person's initial registration date, also known as the "base date," shall establish the cycle of anniversary dates for purposes of this Rule.] The content of the Regulatory Element shall be appropriate to [either the registered] each representative or principal [status of the person subject to the Rule] registration category. A covered person shall complete Regulatory Element content for each registration category that he or she holds. The content of the Regulatory Element for a covered person designated as eligible for a waiver pursuant to General 4, Rule 1210.09 shall be determined based on the person's most recent registration(s), [status] and the Regulatory Element shall be completed based on the same annual cycle had the person remained registered.

## **(2) Failure to Complete**

Unless otherwise determined by the Exchange, as provided in this paragraph (a)(2), any covered person[s], other than a covered person designated as eligible for a waiver pursuant to General 4, Rule 1210.09, who [have] has not completed the Regulatory Element within the prescribed calendar year in which the Regulatory Element is due [time frames] will have [their] his or her registration(s) deemed inactive until such time as [the requirements of the program have been satisfied] he or she completes all required Regulatory Elements, including any Regulatory Element that becomes due while his or her registration(s) is deemed inactive. Any covered person, other than a covered person designated as eligible for a waiver pursuant to General 4, Rule 1210.09, whose registration(s) has been deemed inactive under this [Rule] paragraph (a)(2) shall cease all activities as a registered person and is prohibited from performing any duties and functioning in any capacity requiring registration. Further, such covered person may not accept or solicit business or receive any compensation for the purchase or sale of securities. However, such covered person may receive trail or residual commissions resulting from transactions completed before the inactive status, unless the member with which such covered person is associated has a policy prohibiting such trail or residual commissions. A registration that [is] remains inactive for a period of two consecutive years will be administratively terminated by the Exchange. A person whose registration(s) is so terminated or who otherwise fails to complete required Regulatory Element for two consecutive years may reactivate the registration(s) only by reapplying for registration and meeting the qualification requirements of the applicable provisions of General 4, Rule 1210 and General 4, Rule 1220. The two-year period under this paragraph (a)(2) is calculated from the date a person's registration(s) is deemed inactive. [The Exchange may, upon application and a showing of good cause, allow



for additional time for a covered person to satisfy the program requirements.] If a covered person designated as eligible for a waiver pursuant to General 4, Rule 1210.09 fails to complete the Regulatory Element within the prescribed time frames, the person shall no longer be eligible for such a waiver. The Exchange may, upon written application, with supporting documentation, and a showing of good cause, allow for additional time for a covered person to satisfy the Regulatory Element requirements.

### (3) **Disciplinary Actions**

[Unless otherwise determined]A covered person, other than a covered person designated as eligible for a waiver pursuant to General 4, Rule 1210.09, may be required to complete assigned continuing education as prescribed by the Exchange[, a covered person other than a person designated as eligible for a waiver pursuant to General 4, Rule 1210.09 will be required to retake the Regulatory Element and satisfy all of its requirements] in the event such person:

(A) is subject to any statutory disqualification as defined in Section 3(a)(39) of the Exchange Act;

(B) is subject to suspension or to the imposition of a fine of \$5,000 or more for violation of any provision of any securities law or regulation, or any agreement with or rule or standard of conduct of any securities governmental agency, securities self-regulatory organization, or as imposed by any such regulatory or self-regulatory organization in connection with a disciplinary proceeding; or

(C) is ordered as a sanction in a disciplinary action to [retake the Regulatory Element] complete continuing education by any securities governmental agency or self-regulatory organization.

[The retaking of the Regulatory Element shall commence with participation]Such covered person must complete any continuing education required under this paragraph (a)(3) within 120 days of the covered person becoming subject to the statutory disqualification, in the case of (A) above, or the disciplinary action becoming final, in the case of (B) and (C) above. [The date of the disciplinary action shall be treated as such person's new base date with the Exchange.]

### (4) **Reregistration [association in a Registered Capacity]**

Any covered person who reregisters [has terminated association] with the Exchange in a representative or principal category [with a member and who has, within two years of the date of termination, become reassociated in a registered capacity with a member] shall [participate in] complete the Regulatory Element content for the registration category [at such intervals that may apply (second anniversary and every three years thereafter) based on the initial registration anniversary date rather than based on the date of reassociation in a registered capacity] annually by December 31

of the subsequent calendar year following the calendar year in which the person becomes reregistered and by December 31 of every year thereafter in which the person remains registered, or as otherwise prescribed by the Exchange, provided that he or she has already completed Regulatory Element content for that registration category for the calendar year in which he or she is reregistering, he or she is reregistering by having passed an examination for that registration category or he or she is reregistering by having obtained an unconditional examination waiver for that registration category.

Any covered person who is reregistering with the Exchange in a representative or principal registration category without having completed any Regulatory Element content for that registration category for the calendar year in which he or she is reregistering or without having passed an examination for that registration category or without having obtained an unconditional examination waiver for that registration category shall complete the Regulatory Element content for that registration category annually by December 31 of the calendar year in which he or she reregisters and by December 31 of every year thereafter in which he or she remains registered, or as otherwise prescribed by the Exchange.

If a covered person has not completed any Regulatory Element content for a registration category in the prior calendar year(s) to reregistering, the Exchange would not approve a registration request for that category until he or she completes that Regulatory Element content or he or she passes an examination for that registration category or he or she obtains an unconditional examination waiver for that registration category, whichever is applicable.

Nothing in this paragraph (a)(4) shall prohibit a member from requiring covered persons, other than a covered person designated as eligible for a waiver pursuant to General 4, Rule 1210.09, to complete their Regulatory Element for their registration categories at any time during the calendar year.

#### **(5) Definition of Covered Person**

For purposes of this Rule, the term "covered person" means any person registered, or registering, with the Exchange as a representative or principal [pursuant to] as specified in General 4, Rule [1210] 1220, including any person who is permissively registered as such pursuant to General 4, Rule 1210.02, and any person who is designated as eligible for a waiver pursuant to General 4, Rule 1210.09.

#### **(6) Delivery of the Regulatory Element**

The [continuing education] Regulatory Element [will] shall be administered through Web-based delivery or such other technological manner and format as specified by the Exchange.

#### **(7) Regulatory Element Contact Person**

Each member shall designate and identify (by name and e-mail address) an individual or individuals responsible for receiving e-mail notifications [provided via the Central Registration Depository] regarding [when] a covered person's completion of [is approaching the end of] his or her Regulatory Element [time frame and when a covered person is deemed inactive due to failure to complete the requirements of the Regulatory Element program]. Each member shall identify, review, and, if necessary, update the information regarding its Regulatory Element contact person(s) in the manner prescribed by Exchange Rules.

**(b) Firm Element**

**(1) Persons Subject to the Firm Element**

The requirements of this [sub]paragraph (b) shall apply to any person registered with a member, including any person who is permissively registered as a representative or principal pursuant to General 4, Rule 1210.02 [who has direct contact with customers in the conduct of the member's securities sales and trading activities, and to the immediate supervisors of such persons (collectively, "covered registered persons"). "Customer" shall mean any natural person and any organization, other than another broker or dealer, executing securities transactions with or through a member].

**(2) Standards for the Firm Element**

(A) Each member must maintain a continuing and current education program for its [covered] registered persons to enhance their securities knowledge, skill, and professionalism. At a minimum, each member shall at least annually evaluate and prioritize its training needs and develop a written training plan. The plan must take into consideration the member's size, organizational structure, and scope of business activities, as well as regulatory developments and the performance of [covered] registered persons in the Regulatory Element. If a member's analysis establishes the need for supervisory training for persons with supervisory responsibilities, such training must be included in the member's training plan.

(B) Minimum Standards for Training Programs — Programs used to implement a member's training plan must be appropriate for the business of the member and, at a minimum must cover training topics related to the role, activities or responsibilities of the registered person [in ethics] and to professional responsibility. [and the following matters concerning securities products, services, and strategies offered by the member:]

[ (i) General investment features and associated risk factors;]

[ (ii) Suitability and sales practice considerations; and]

[ (iii) Applicable regulatory requirements.]

(C) Administration of Continuing Education Program — A member must administer its continuing education programs under this paragraph (b) in accordance with its annual evaluation and written plan and must maintain records documenting the content of the programs and completion of the programs by [covered] registered persons.

(D) Participation in Other Required Training — A member may consider a registered person's participation in the member's anti-money laundering compliance training under General 9, Section 37 and a registered person's participation in the member's annual compliance training under General 9, Section 20 toward satisfying the registered person's continuing education requirement under this paragraph (b).

### (3) Participation in the Firm Element

[Covered r]Registered persons [included in a member's plan] of a member must take all appropriate and reasonable steps to participate in continuing education programs under this paragraph (b) as required by the member.

### (4) Specific Training Requirements

The Exchange may require a member, individually or as part of a larger group, to provide specific training to its [covered] registered persons in such areas as the Exchange deems appropriate. Such a requirement may stipulate the class of [covered] registered persons for which it is applicable, the time period in which the requirement must be satisfied and, where appropriate, the actual training content.

### **(c) Continuing Education Program for Persons Maintaining Their Qualification Following the Termination of a Registration Category**

A person who terminates any of his or her representative or principal registration categories with the Exchange may maintain his or her qualification for any of the terminated registration categories for a period of five years following the termination of the registration category, subject to the following conditions:

(1) The person was registered in the registration category for at least one year immediately preceding the termination of the registration category and the person was not subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act during the registration period;

(2) The person elects to participate in the continuing education program under this paragraph (c) at the time of his or her Form U5 submission or at a later date within two years from the termination of his or her registration category, provided that if the person commences at the later date the person completes within two years from the termination of his or her registration category any continuing education that was

due under the program between the time of his or her Form U5 submission and the later date he or she commences participating in the program;

(3) The person completes annually by December 31 of the calendar year in a manner specified by the Exchange all prescribed continuing education during his or her participation in the program under this paragraph (c), provided that the Exchange may, upon written application by the person, with supporting documentation, and a showing of good cause, allow for additional time for the person to complete the prescribed continuing education;

(4) The person does not have a continuing education deficiency with respect to his or her Regulatory Element for two consecutive years as provided in paragraph (a)(2) of this Rule;

(5) The person does not become subject to a continuing education deficiency with respect to his or her Regulatory Element for two consecutive years as provided in paragraph (a)(2) of this Rule while participating in the program under this paragraph (c); and

(6) The person does not become subject to a statutory disqualification as defined in Section 3(a)(39) of the Exchange Act following the termination of his or her registration category or while participating in the program under this paragraph (c).

**••• Supplementary Material: -----**

**.01 Eligibility of Other Persons to Participate in the Continuing Education Program Specified in Paragraph (c) of this Rule.** A person registered in a representative or principal registration category with the Exchange within two years immediately preceding March 15, 2022 shall be eligible to participate in the continuing education program under paragraph (c) of this Rule, provided that he or she satisfies the conditions set forth in paragraphs (c)(1) and (c)(3) through (c)(6) of this Rule. In addition, a person participating in the Financial Services Affiliate Waiver Program under General 4, Rule 1210.09 immediately preceding March 15, 2022 shall be eligible to participate in the continuing education program under paragraph (c) of this Rule, provided that he or she satisfies the conditions set forth in paragraphs (c)(3), (c)(5) and (c)(6) of this Rule. Persons eligible under this Supplementary Material .01 shall make their election to participate in the continuing education program under paragraph (c) of this Rule by March 15, 2022. If such persons elect to participate in the continuing education program, the Exchange shall adjust their participation period by deducting from that period the amount of time that has lapsed between the date that such persons terminated their registration categories and March 15, 2022.

**.02 Re-Eligibility to Participate in the Continuing Education Program Specified in Paragraph (c) of this Rule.** A person who previously participated in the continuing education program under paragraph (c) of this Rule may become re-eligible to participate in the program if he or she reregisters with a member firm and subsequently satisfies the

conditions set forth in paragraphs (c)(1) and (c)(4) of this Rule. In such an event, the person may elect to again participate in the program subject to satisfying the remaining conditions set forth in paragraph (c) of this Rule.

## **1250. Electronic Filing Requirements for Uniform Forms**

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### **(c) Form U4 Filing Requirements**

(1) Except as provided in paragraphs (c)(2) and (c)(3) below, every initial and transfer electronic Form U4 filing and any amendments to the disclosure information on Form U4 shall be based on a [manually] signed Form U4 provided to the member or applicant for membership by the person on whose behalf the Form U4 is being filed. As part of the member's recordkeeping requirements, it shall retain the person's [manually] signed Form U4 or amendments to the disclosure information on Form U4 in accordance with Exchange Act Rule 17a-4(e)(1) and make them available promptly upon regulatory request. An applicant for membership also shall retain in accordance with Exchange Act Rule 17a-4(e)(1) every [manually] signed Form U4 it receives during the application process and make them available promptly upon regulatory request.

(2) A member may file electronically amendments to the disclosure information on Form U4 without obtaining the subject associated person's [manual] signature on the form, provided that the member shall use reasonable efforts to:

(A) provide the associated person with a copy of the amended disclosure information prior to filing; and

(B) obtain the associated person's written acknowledgment (which may be electronic) prior to filing that the information has been received and reviewed. As part of the member's recordkeeping requirements, the member shall retain this acknowledgment in accordance with Exchange Act Rule 17a-4(e)(1) and make it available promptly upon regulatory request

(3) In the event a member is not able to obtain an associated person's [manual] signature or written acknowledgement of amended disclosure information on Form U4 prior to filing of such information pursuant to paragraph (c)(1) or (2), the member is obligated to file the disclosure information as to which it has knowledge in accordance with Exchange General 4, Rule 1220. The member shall use reasonable efforts to provide the associated person with a copy of the amended disclosure information that was filed.

(4) A member may file electronically amendments to administrative data on Form U4 without obtaining the subject associated person's signature on the form. The

member shall use reasonable efforts to provide the associated person with a copy of the amended administrative information that was filed.

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••• **Supplementary Material:** --

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**.03 Filing of Amendments Involving Disclosure Information.** In the event a member is not able to obtain an associated person's [manual] signature or written acknowledgement of amended disclosure information on that person's Form U4 prior to filing of such amendment reflecting the information pursuant to paragraph (c)(3) (examples of reasons why a member may not be able to obtain the [manual] signature or written acknowledgement may include, but are not limited to, the associated person refuses to acknowledge such information, is on active military service or otherwise is unavailable during the period provided for filing of such amendments under Exchange General 4, Rule 1220), the member shall enter "Representative Refused to Sign/Acknowledge" or "Representative Not Available" or a substantially similar entry in the electronic Form U4 field for the associated person's signature.

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