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How to Develop Compliance Training & Complying with the New IAR CE Rule

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Today's Slides

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Today's Presenter

Bryan Hill, President
RIA Compliance Consultants, Inc.



Agenda

- Best Practices for Compliance Training
- NASAA's IAR CE Rule
 - Background
 - How NASAA's IAR CE Program Will Work
 - Status of Jurisdictions Adopting IAR CE Rule
- RCC's IAR CE Program

Why Training?

- Easier to Do It Right Rather Than Clean Up a Mess Later
- Key to Creating a Culture of Compliance & Holding All Supervised Persons Accountable
- Reduces Risks of Regulatory Scrutiny and Litigation/Arbitration Challenges
 - Helps to Avoid or Mitigates Claims of Failure to Supervise
- Helps Protect CCO from Personal Liability
- A Factor Considered by DoJ When Considering Criminal Prosecution of Entity

Best Practices for Compliance Training

- Customize Compliance Training Agenda by Focusing Training Based Upon
 - Supervised Person's Experience, Skills, Knowledge Level and Responsibilities
 - Type of Advisory Services, Business Model and Marketing Strategies
 - Type of Clients Served by Firm and/or Supervised Person
 - High Risk Areas & Identified Deficiencies from Annual Reviews or Exams
 - Regulatory Initiatives – New Rules, Risk Alerts & Enforcement Actions
 - Newsworthy Stories

Best Practices for Compliance Training

- Group Training
 - Frequency of Training
 - At Bare Minimum – Compliance Training at Least Once Per Year
 - Prefer Compliance Training on a Monthly or Quarterly Basis on a Set Schedule
 - Shorter Training Sessions But More Frequent Is Desirable
 - Less Topics During Training Session But Go Deeper
 - Consider Utilizing Different Approaches/Speakers for Training
 - Examples: Discussions of News Articles/Enforcement Actions, Lectures, Small Group Case Studies, Trivia Quizzes/Game Show, and Outside Speaker
 - Variety of Topics – Don't Use Same Content Over and Over for Group
 - Critical for Executive Leaders to Attend Group Training
 - Document Attendance, Topics Discussed and Materials Utilized

Tools & Sources for Group Training

RCC Resources

- RCC Senior Compliance Consultant via Zoom
- Our Annual Compliance Conference
- Live & Recorded Monthly Compliance Webinars Since 2010
- Sample PowerPoint Slides and Cases Studies
- New IAR CE Courses
- Newsletter Articles/Blogs

Regulatory Tools

- Published Enforcement Actions
- Proposed & New Rules & Releases
- Risk Alerts
- Exam Priorities
- Regulator's Speeches & Podcasts
- Regulator's Newsletter
- Visit sec.gov or nasaa.org

Best Practices for Compliance Training

- Individual Training
 - Consider Setting Up Specific Training Plans for Individual Employees Based Upon Experience and Areas of Responsibility
 - Tools Include Attending (i) RCC's Webinars, IAR CE Courses, and Conferences, (ii) professional designation's relevant compliance/ethics training events, (iii) SEC or State CCO Outreach Programs
 - Include Resources Such as Links to Rules/Releases/FAQs and Checklists or Videos for Subsequent Reference

Background – NASAA’s IAR CE Rule

- Unlike Insurance Agents, Registered Reps of B/Ds and Professional Designation Holders, IARs Did Not Have a Continuing Education Requirement
- North American Securities Administrator Association (“NASAA”) Created a Model Rule for Investment Adviser Representative Continuing Education
- It’s Up To Each State Securities Regulator to Determine Whether to Adopt NASAA’s IAR CE Rule
- NASAA’s IAR CE Rule Provides A Common System for Obtaining/Earning IAR CE
 - NASAA via Pometric Review, Approves & Audits All CE Providers, Instructors & Courses
 - Records/Tracks CE Earned by an IAR via IARD/CRD System

Who Must Comply with IAR CE Requirements?

- If IAR Registered in Any State That Adopted NASAA Model IAR CE Rule, Then IAR Must Comply with Requirement
 - If IAR Registered in Multiple States But Home State Doesn't Have Rule, Must Comply with Other State Which Has Adopted IAR CE Rule
- Includes IARs of State and SEC Registered Firms if IAR Is Registered in State with an IAR CE Rule
- Applied on Individual Licensing Basis (Not Firm Basis)
 - Some Reps May Have Requirement While Others Do Not Have Requirement While Working Within Same Firm

When Must IARs Begin to Comply with the IAR CE Rule?

- If the Jurisdiction Adopts the Rule Before the End of Calendar Year (December 31), Then The Requirement Will Go Into Effect the Subsequent Calendar Year
- For Example, If a State Adopts the IAR CE Rule in October 2022, then the IAR Will Need to Start Complying with the IAR CE Rule in 2023 If IAR Is Registered in Such State



Status of IAR CE Rule by Jurisdiction

Effective 1/1/2022

Maryland
Mississippi
Vermont

Effective 1/1/2023

Kentucky
Michigan
Oklahoma
Washington, DC
Wisconsin

Proposed

Arkansas
Nevada
Rhode Island

What Are the Requirements of the New IAR CE Rule?

- IAR Must Complete 12 Hours of IAR CE from Approved IAR CE Provider Each Calendar Year
 - 6 Hours Devoted to Products & Practices
 - 6 Hours Focused on Ethics & Professional Responsibility
- IAR Cannot Take the Same Course in Subsequent Years

Are There Any Exceptions for IARs Who Possess a Professional Designation?

- No Exceptions
- However, a Course Could Be Approved for IAR CE and also Continuing Education for the Professional Designation

What Happens if IAR Does Not Meet IAR CE Requirements in Calendar Year?

- If IAR Doesn't Fulfill the Annual CE Requirement, the IAR Registration Status on WebCRD Will Show As "CE Inactive" Which Is Viewable by Regulator and General Public
- If CE Inactive Status Persists Through Close of Following Calendar Year, IAR Will Be Ineligible to Renew or Initiate a New Registration via WebCRD Until Deficiency Corrected

Can IAR “Carry Over” Extra IAR CE for Next Calendar Year?

- No Carry-Over for Future Years
- Extra IAR CE Will Be Recorded But Can't Satisfy Requirements of Future Years
- If IAR Has CE Deficiency from a Prior Year, Any CE Credits Earned Are Applied First to Prior Year's Deficiency

Course Requirements

- IAR Must Personally Take the Course
 - Cannot Delegate to Someone Else
- IAR Will Be Required to Authenticate Identity
- IAR Will Be Required to Attend Entire Session & Actively Participate
- Course Required to Have Learning Objectives, Links to 3rd Party Resources & Instructor Available for Questions
- IAR Will Be Required to Pass a Final Quiz with a Score of 100%

Filing & Tracking IAR CE

- IAR CE Provider Will Submit (Within 10 Business Days) a Report to NASAA When An IAR Has Successfully Completed an IAR CE Course
- IAR Will Need to Verify on His or Her WebCRD Report Whether Credit Has Been Recorded

Firm's Responsibilities

- Primarily IAR Responsibility
- Firm Needs to Make Sure If or When IAR's License Is Not Renewed Due CE Deficiency, IAR Is Not Providing Investment Advisory Services
- Best Practices
 - Monitor IAR's CE Status – Check All IAR's CE Status on First Business Day in January and Periodic Checks and Reminders a Few Times During the Year.

Our IAR CE Program

- RIA Compliance Consultants Is an Approved IAR CE Provider
 - Bryan Hill & Jarrod James Are Approved IAR CE Instructors
- Will Have Courses in Both Categories & Designed for Different Level of Users
- On-Demand IAR CE Courses Are Available Now at Our Other Website at CE4Advisers.com
 - Goal Is To Roll Out 12 Courses by End of Year
- Live IAR CE Courses Will Be Available Starting January 2023
 - Our Typical Monthly Training Session + After Session (with Practice Quiz, Final Quiz, Attendance Codes & Survey)
- Can Be Purchased A La Carte Per Course Per Participant
- New Annual Compliance Program Packages (Executed After 6/30/22 and Labeled as a “+” Package) Include Certain Number of Codes for a Participant to Take CE Course
 - Grandfathered ACP Packages Will Have to Purchase CE Course Codes on A La Carte Basis or to a ACP Package +
- If Firm Purchases Codes for CE Courses, CCO Will Be Able to See Status of Its IARs

Thank You



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