

QUEST CE



FIRM ELEMENT

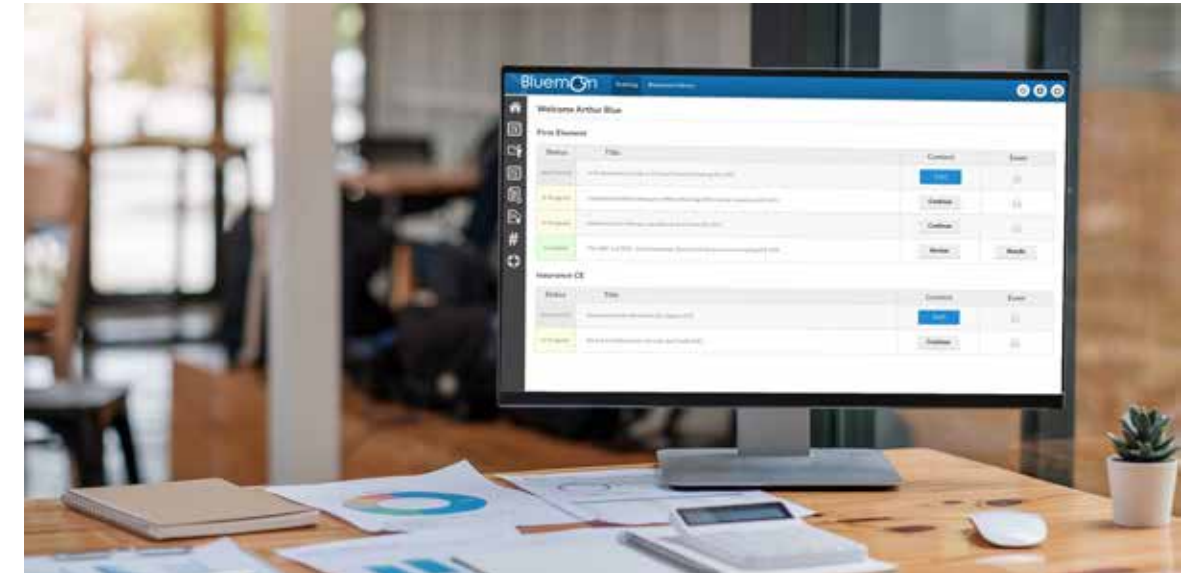
COMPLIANCE



Table of Content

What is Firm Element Training?	05
Creating your Firm Element Strategy Plan	06
Phase One: The Needs Analysis	07
Phase Two: Written Training Plan	08
Phase Three: Training Implementation	09
What Topics your FE Program Should Cover	10
How Does Quality Training Help Compliance?	11
Common Training Program Pitfalls	12
2023 Exam Findings on Firm Element	13
Updating your Written Policies and Procedures	14
How to Identify and Prioritize Risks for Training	15
How Frequently Should I Deliver Training?	16
Measuring your Success	17
The ROI of Compliance Training	18
About Quest CE's Training Platform	19

What is Firm Element Training?



FINRA require firms to establish an annual Firm Element CE program that enhances the securities knowledge, skills and professionalism of their registered persons. Annually, each firm must analyze and evaluate its training needs to provide a firm-developed and administered training program.

This training keeps registered employees current on topics related to their professional responsibility. The Firm Element requires broker-dealers to conduct a Needs Analysis to develop a written plan for training. They are to then maintain records documenting the content and completion of the program.

Creating your Firm Element Strategy Plan

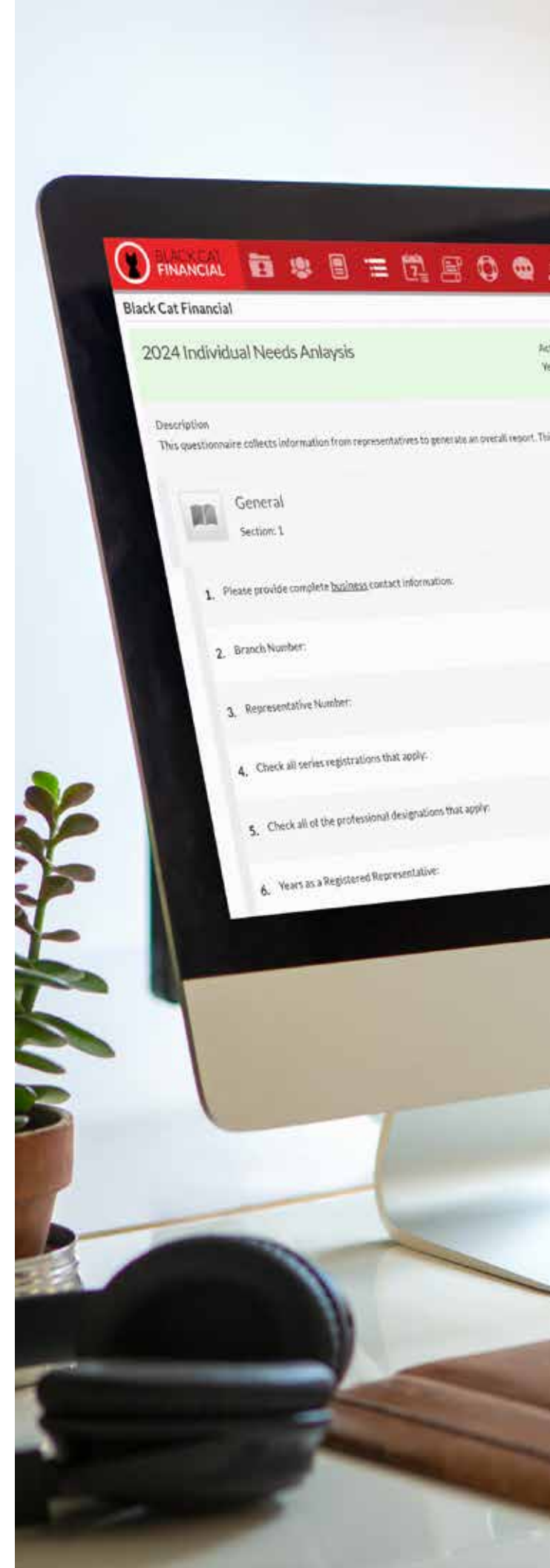


Successfully implementing a Firm Element continuing education training plan involves clear **communication** and **strategic timing**.

The *communication* should articulate the plan's purpose, emphasizing its relevance to professional development, regulatory compliance, and the firm's overall success. Encouraging employee buy-in by highlighting individual benefits and demonstrating a commitment to high standards is crucial. Customizing the messaging to address diverse learning needs and responsibilities further enhances engagement.

In terms of *timing*, a strategic approach is essential. Plan training sessions with consideration for

the content, regulatory deadlines, and work cycles. Establish a schedule with regular intervals throughout the year, preventing information overload and promoting consistent learning. Align sessions with compliance deadlines, allowing ample time for completion. Incorporate feedback loops for ongoing assessments, ensuring the content remains relevant and engaging. Flexibility in the schedule accommodates unforeseen events, maintaining an adaptive and responsive training plan that meets the evolving needs of the firm.



Phase One: The Needs Analysis

In the first phase of achieving firm element compliance, it is required to conduct a comprehensive Needs Analysis. This step involves assessing the knowledge, skills, and abilities of your firm to identify potential training requirements. Here's what you need to consider:

Skills Assessment

Identify the specific skills and competencies required for your representative's roles within the organization.

Regulatory Updates

Keep a close eye on changing regulations and compliance requirements to ensure your training remains up-to-date.

Individual Development Plans

Create tailored training plans for each team member based on their unique needs and career goals.

Compliance Record Keeping

Maintain meticulous records of your training efforts to demonstrate compliance during audits.

Phase Two: Written Training Plan

Once you've identified the training needs of your professionals, the next step is to create a Written Training Plan. This plan serves as a roadmap for achieving and documenting compliance. Here's how to go about it:

Clear Objectives

Define clear and measurable training objectives for each team member.

Curriculum Development

Develop a curriculum that aligns with the identified needs and objectives.

Delivery Methods

Determine the most effective training delivery methods, whether it's in-house training, online courses, or a combination of both.

Scheduling

Establish a training schedule, ensuring that all necessary topics are covered within the regulatory timeframe.



Phase Three: Training Application

The final step in achieving firm element compliance is the actual implementation of the training plan. This phase requires careful execution and ongoing monitoring to ensure the success of your compliance program. Here's how to make it happen:

Engagement and Participation

Ensure that your representatives actively participate in the training programs.

Assessment and Feedback

Regularly assess the progress of your team members and collect feedback to improve the training process.

Adjustments and Updates

Adapt your training plan as needed to address evolving compliance requirements and changing needs.

Documentation and Reporting

Keep detailed records of completed training activities, as they will be crucial during regulatory audits.

What Topics Should your Firm Element Program Cover?

The training topics should address the registered person's role, and **overall activities and responsibilities**, within the firm. Here is an example of training topics that could address a registered person's overall activities and responsibilities within a firm:

For a registered person in a back-office role:

- ☑ Ethics and professional responsibilities for back-office staff
- ☑ Handling confidential customer information
- ☑ Recordkeeping and documentation procedures
- ☑ Trade processing, settlement, and clearance
- ☑ Trade reconciliation and error resolution
- ☑ Compliance with reporting obligations (regulatory filings, tax reporting, etc.)
- ☑ Cybersecurity and data privacy policies and procedures
- ☑ Business continuity and disaster recovery planning
- ☑ Overview of firm's products, services, and fee structures
- ☑ Regulatory requirements applicable to back-office functions (SEC, FINRA, etc.)
- ☑ Firm policies regarding conflicts of interest, gifts and entertainment, outside business activities



How Does Quality Training Help Compliance

Effective training goes beyond checkbox completion; it involves cultivating the knowledge and skills necessary for representatives to execute their responsibilities in line with industry regulations. This section underscores the pivotal benefits of quality training within the realm of compliance.

Firstly, quality training serves as a tool for risk mitigation by arming reps with the knowledge to identify and address potential risks, thereby reducing the likelihood of regulatory violations.

Secondly, it enhances your reps competence, enabling them to comprehend and adhere to intricate regulations, ultimately reducing the chances of non-compliance.

Lastly, quality training fosters a cultural shift, ingraining a sense of compliance consciousness among employees and emphasizing their crucial roles in upholding regulatory standards.

Common Training Program Pitfalls

A successful continuing education program avoids pitfalls such as:

One-Size-Fits All

Employing a one-size-fits-all approach with generic training materials that fail to address the diverse needs of representatives at different roles and responsibility levels. Engaging and motivating your firm is essential to prevent disinterest and low retention of crucial compliance information.

Accurate Records

Neglecting to maintain accurate records of training sessions can pose challenges during audits and regulatory inquiries – adequate documentation is crucial.

Stale Content

Ensuring that your training content doesn't go stale and aligns with the latest regulatory changes and industry best practices is imperative to maintain relevance and effectiveness.

2023 Exam Findings on Firm Element

At the request of the CE Council, FINRA has recently shared the most common Continuing Education (CE) related findings identified through its examination program. There were three major findings when it came to Firm Element examinations.

Finding 01

Failing to conduct and/or document a training needs analysis.

Reminder: Firms are required to consider a variety of factors on an annual basis when prioritizing training needs. Evidence of the needs analysis must be documented in writing. (*See FINRA Rule 1240(b)(2)(c).*)

Finding 02

Failing to ensure registered persons completed their Firm Element requirement or other training assignments and/ or failing to establish or enforce written supervisory procedures (WSPs) relating to training assignment completion.

Reminder: Firms should develop WSPs designed to reasonably ensure compliance with the rules governing the Firm Element requirements (*refer to the rules that are applicable to your firm*).

Finding 03

Failing to deliver training that addresses the needs identified in the annual training analysis.

Reminder: FINRA requires firms to implement an appropriate training program based on the annual needs assessment. The completion of a program that does not address the identified training need does not comply with the spirit of the requirement. (*See FINRA Rule 1240(b)(2)(B).*)

Updating your Written Policies and Procedures

As indicated in FINRA's examination findings, it is **extremely important** for firms to develop written procedures designed to reasonably ensure compliance with the rules governing the Firm Element requirements .

Such procedures should include, among other things:

- ☑ Designating an appropriate officer or principal to oversee compliance with the program;
- ☑ Developing processes for creating and implementing Firm Element programs; and
- ☑ Monitoring and tracking completion of the requirement.

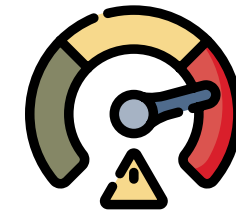
How to Identify and Prioritize Risks for Training

Defining an effective Firm Element training program requires first identifying key organizational risks, including regulatory, compliance, and behavioral risks. Conducting a thorough risk assessment typically uncovers risks that are new or have become more significant.

Prioritizing training by organizational risks indicates a mature program, yet research shows few organizations do this.

Steps to understand risk profile include:

- 1 Researching industry regulations and enforcement
- 2 Discussing challenges with business leaders
- 3 Reviewing benchmarking reports
- 4 Understanding legal training obligations
- 5 Consulting internal subject matter experts like legal counsel
- 6 Uncover risks from industry, partners, workforce diversity, culture, and trend data.



Once risks are identified, they must be analyzed and prioritized since they differ in likelihood, frequency, and potential impact. Weighing these allows properly aligning training resources and depth to match risk magnitude.

How Frequently Should I Deliver Training?

Establishing the frequency for Firm Element CE training involves a multifaceted approach. Consideration of the industry's pace of change, the dynamic nature of content, regulatory requirements, feedback from previous sessions, and practical constraints of participants is crucial. If the industry evolves rapidly, or if content requires frequent updates, more regular sessions (quarterly or bi-annual) may be necessary.

Alignment with mandatory certifications and compliance standards is imperative. Assessing the effectiveness of prior training and adjusting frequency based on identified knowledge gaps or reinforcement needs ensures the training schedule meets evolving requirements. Balancing regular training with minimal disruption to reps' daily operations is key for a comprehensive and effective continuing education program.

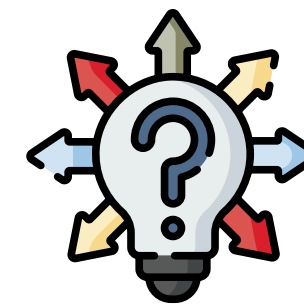
We suggest starting off by identifying your high, medium and low risk areas and then finding or creating training based on those topics. Also be sure to establish who at the firm this training is intended (i.e. all employees, just supervisors, etc.). Then, break your training up by quarter (Q1, Q2, Q3, Q4). While some firms prefer to launch their training all at once, we've seen that this can oftentimes lead to training fatigue, especially as deadlines start to get pushed to the back half of the year. Keep all of these considerations in mind when thinking about the frequency of your training.



Measuring your Success

Once your Firm Element training program launches, closely monitor its performance against measurable outcomes.

Key questions include:



- Is mandated training occurring for target audiences?
- Are executives and supervisors adequately training?
- Has risk gone up or down since deploying training?

A program with a vision and focus on quantifiable outcomes performs better than an ad-hoc approach. Periodically revisiting the plan allows it to evolve along with business needs.

Make sure to stay in the loop on items such as completion percentages, number of pass attempts, and exam scores so that you can keep a pulse on how your representatives are fairing with their training. With the right dynamic reporting tools in your back pocket, you'll never have to guess who's completed the training, who may need an extra push to finish in time, or which topics your reps are struggling with most.

The ROI of Compliance Training

Compliance training programs are vital for companies, but their return on investment is difficult to quantify. As a result, some executives view training as optional rather than critical and may seek to reduce or eliminate it. However, effective compliance training serves essential functions given today's complex and shifting regulatory environment.

Effective compliance training programs help:

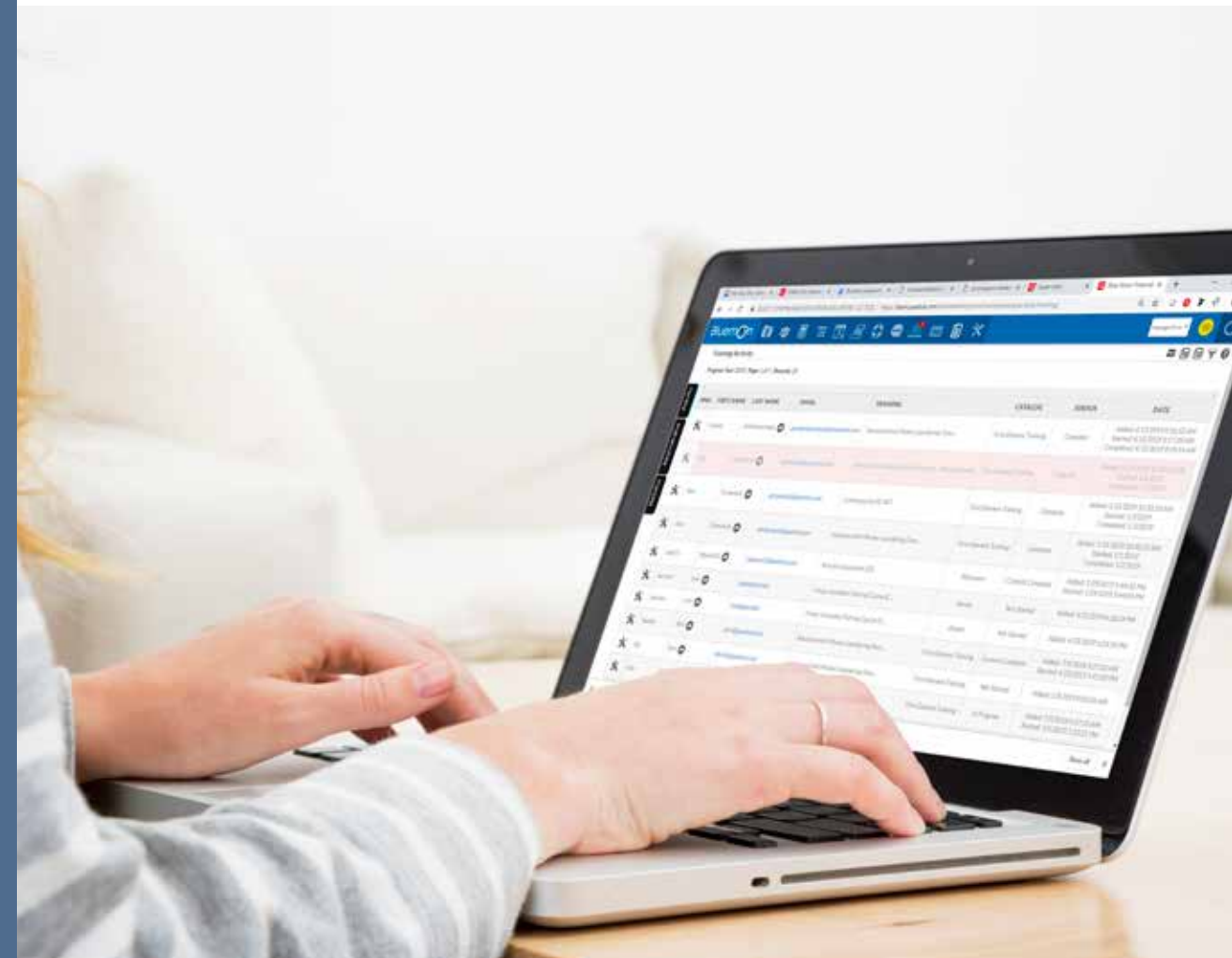
- ☑ Foster an ethical, respectful culture
- ☑ Equip employees with job knowledge
- ☑ Prevent misconduct
- ☑ Establish a legal defense if violations occur
- ☑ Protect reputation
- ☑ Avoid litigation

Though the ROI is hard to measure, cutting training increases legal, financial, and reputational risks. Compliance professionals must convey these risks and argue against reducing critical training programs.

About Quest CE's Training Platform

Quest CE's powerful all-in-one platform provides all the tools you need to build a scalable, efficient Firm Element program. Firms choose us for our expert-authored training but stay for our *easy-to-use* learning management system.

In fact, our team is continuously making updates to our content and system to enhance the experience of our learners and LMS administrators. We understand that diverse training is essential to your compliance program; that's why our Firm Element catalog contains **450+ courses**, with topics ranging in length and difficulty.



Platform Benefits Include

Course Editor Tool

Experience unparalleled flexibility and adaptability in crafting custom courses for unique audiences with Quest CE's Course Builder, a web-based tool revolutionizing how you deliver continuing education. This tool simplifies the process of customizing and modifying any of our off-the-shelf Quest CE-authored content by allowing users to easily add text, images, videos, and audio with just a few clicks. The tool provides a user-friendly interface for firms to develop rich and interactive learning experiences tailored to firm-specific policies and procedures. Additionally, the tool facilitates the incorporation of dynamic elements, making it a versatile solution for creating engaging educational content.

Automated Email Reminders

Transform the way you manage training schedules and engage your team with Quest CE's integrated Email Blast Tool. This powerful feature allows you to schedule automated email alerts strategically, ensuring timely communication and adherence to training deadlines. Whether it's a daily nudge, a weekly recap, or a monthly overview, the Email Blast Tool becomes your reliable companion for keeping your reps on the journey towards completing essential training. Take that, procrastinators!

Easy, Ad-Hoc Reporting

Quest CE delivers a game-changing advantage with its dynamic reporting dashboard, offering a real-time overview of your representatives' learning journey. This powerful tool provides instant access to exam results and course completions, allowing for swift identification of learning gaps. The beauty lies in its simplicity – with just a single click, export comprehensive reports to pinpoint areas that require additional training. The reporting dashboard not only offers oversight but becomes a strategic ally in optimizing training initiatives, ensuring your team is on the path to continuous improvement and success.