

‘Must-Know’ Facts about the IAR Continuing Education Model Rule

*Everything you need to know
about NASAA’s new Investment
Adviser Representative continuing
education model rule.*



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An Introduction to the IAR CE Rule

Since being adopted in November 2020, the North American Securities Administrators Association's (NASAA) Investment Adviser Representative Continuing Education (IAR CE) model rule has gotten all the buzz. Mirroring regulators like FINRA and MSRB, the NASAA IAR Continuing Education Committee's newly adopted model rule requires IARs to complete a specified number of continuing education credits each year. Before diving into the rule and its requirements, let's discuss where the module rule came from.



Model Rule Background

Where did the model rule come from?

Despite what some people may think, the model rule didn't just suddenly emerge, it was delicately crafted through years of research and planning, dating back to 2014. By 2016, the **NASAA Project Group** elevated to a board-level committee which really started to get the model rule off the ground. In 2018, the first public, industry-facing survey was issued. This survey was meant to gauge whether there was support and an overall need for an IAR CE requirement. With nearly 1,200 respondents showing overwhelming support for the program and a potential rule, the committee began building the framework for an **IAR CE program**.

In February of 2020, the rule proposal was officially released for public comment. Once all comments were considered and the revisions were finalized, NASAA voted to adopt the model rule. The new model rule intends to promote **heightened regulatory compliance** while helping IARs maintain and expand on their knowledge of current regulations and best practices. Individual states may elect to implement the model rule for IARs in their jurisdictions.

'14 Model rule is born

'16 Elevated to board-level committee

'18 First public survey was issued

'20 Model rule officially adopted

A man in a dark suit is seen from the back, looking down at a desk. On the desk, there is a tablet, some papers, and a pen. The background is a light-colored wall with a geometric pattern.

Focusing on the ‘Why’

Why do IARs need continuing education?

Similar to broker-dealer agents, insurance agents, certified financial planners, etc., IRAs play a pivotal role in the financial lives of their clients. Prior to 2020, one of the more notable differences between IARs and the aforementioned financial professionals was that IARs had no system in place to ensure that they were maintaining and expanding on their industry knowledge. The IAR CE model rule is intended to help create a level playing field across the industry while ensuring that all investors receive the **highest level of service and quality**.

Taking Roll Call

Who needs to comply with the IAR CE model rule?

It's true that NASAA has adopted the IAR CE model rule, but that doesn't mean that all registered IARs will need to fulfill the requirement for the first year, or even at all. Starting **January 1, 2022**, IARs that are registered in jurisdictions that **have adopted the model rule** will be subject to comply with NASAA's requirements. It's important to note that the mandatory CE program will apply to registered IARs of state-registered and federal covered investment advisers.



Starting January 1, 2022,
certain IARs will need
to be in compliance.





Keeping Track of Credits

What are the requirements for continuing education under the model rule?

The model rule requires affected IARs to attain 12 total credits each year to maintain registration. According to NASAA, a single credit is awarded for every 50-minutes of completed educational instruction. Although CE vendors are responsible for reporting credits to FINRA's CRD system, IARs are responsible for keeping track of their own credits each year.

To successfully fulfill the requirement, six credits must focus on **Products and Practices** and the other six must focus on **Ethics and Professional Responsibility**. The Products and Practices component will help IARs stay current with the latest investment products, strategies, standards and compliance practices. Alternately, the Ethics and Professional Responsibility component will help ensure that IARs have an ongoing knowledge and competency of the duties and obligations they have to their clients.


Keeping Track of Credits

Are IARs required to take specific CE courses?

It's been established that IARs need to take 12 credits, with half being ethics-focused and the other half focused on products and skill development, but are there specific courses IARs are required to take? *The simple answer is no.* When planning and developing the framework for the IAR CE model rule, NASAA made a point to design the CE program with **maximum flexibility**, by allowing IARs to take any approved course by any approved vendor.

6 Ethics credits

6 Skills credits



Linda Cena, Michigan Vice Chair, Investment Adviser Section – “IARs are free to select courses that appeal to their interests and their business models, so long as they meet the credit requirements and the courses are approved content for the IAR CE program.”

Keeping Track of Credits

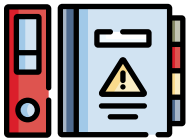
Does NASAA accept additional or dual registrant credits?

There may be circumstances where an IAR attains more than 12 credits during a given year. If this happens, the IAR **will not be able** to carry the additional credits forward to the subsequent year. However, the credits will still be reported on behalf of the IAR and recorded in his or her transcript.

For dually registered IARs who need to complete CE outside of the IAR CE requirements, NASAA may accept CE earned towards other registrations/designations, if specified conditions are met. *The following are some acceptable circumstances:*



IAR/Broker-Dealer Agents: Dually registered agents who comply with FINRA's CE requirements are considered to be in compliance with the Products and Practices requirement, so long as the content meets certain baseline criteria determined by NASAA.



FINRA Regulatory Element: NASAA will accept the securities industry CE Regulatory Element as an equivalent of the Products and Practices module so long as the FINRA CE content continues to meet certain baseline criteria as determined by NASAA.



Professional Designations: The CE required to maintain certain professional designations may meet some or all of the CE requirements for IARs as long as the provider and course have been approved through Prometric for IAR CE purposes.

Multi-State Compliance

How can and IAR maintain registration outside of their home state?

With thousands of IARs holding registrations in multiple states, many are wondering what they need to do to maintain registration in each additional state outside their permanent residence. NASAA explains that IARs who reside in a state that **has not adopted** the model rule, but want to maintain registration in a state that has adopted it, must comply with the CE requirements in each state he or she is registered as an IAR. Alternately, what if the IAR's home state does adopt the model rule? In that case, if the IAR complies with the home state's requirements, they are considered to be **in compliance** with additional states, as long as the home state's CE requirements are at least as stringent as the model rule.

There are a number of multi-state variations that can affect an IAR's compliance with the CE model rule. To learn more how to comply with registration in multiple states, please refer to NASAA's IAR CE frequently asked questions.





Meeting the Status Quo

What happens if an IAR doesn't complete 12 credits by December 31?

NASAA has set the CE credit limit at 12, but what happens if an IAR doesn't hit that goal by year's end? There are a several things an IAR should keep in mind as each CE deadline approaches. To start, an IAR who has sufficient funds to renew their registration may do so even if they have not completed their required training. However, if an IAR has not completed the training requirement at the close of the calendar year, he or she will be listed as **"CE Inactive"** in the Investment Adviser Public Disclosure (IAPD) as well as on FINRA's BrokerCheck website. The "CE Inactive" status will remain until the IAR completes the CE requirement for the previous year.

A "CE Inactive" status is not final and can easily be overturned. To get back to active status, an IAR must first complete their remaining credits from the previous year. Once all 12 credits from the previous year are fulfilled, the IAR will have the "CE Inactive" status removed and he or she can begin working towards completing their 12 credits for the current year.

EXAMPLE:

Susan Fields is an Investment Adviser Representative who has completed 10 of the 12 required CE credits by the time December 31, 2022 rolls around.

Despite not having the CE requirements completed, Susan renews her registration, securing her with a “CE Inactive” status.

Susan is planning to retire in 2025 and doesn’t think at this point in her career that she should have to take continuing education courses. With that, she’s fine with holding a “CE Inactive” status and opts to not complete the last two credits from 2022. When Susan goes to renew for the 2023 calendar year, she discovers that she is unable to renew her IAR registration.



Figuring Out Where to Go

Where can IARs go to complete their annual CE requirements?

While the industry awaits the effective date to arrive, many CE vendors and content providers are working diligently to get NASAA approval to deliver **IAR-specific training**.^{*} To ensure that IARs are provided with relevant, high-level course content, each vendor, firm, individual, or state that chooses to offer IAR training is properly vetted by Prometric LLC, the course management vendor (CMV) partnered with NASAA. Once approved, providers can begin offering IAR CE training courses.

IARs have plenty of options, including taking recommendations from their firm or colleagues or even conducting a simple internet search. IARs that are dually registered may even be able to complete their IAR CE credits through a vendor they have used previously for other financial professional CE training. This is something IARs will need to consider as the implementation date inches closer.

** Quest CE has received approval from NASAA to deliver IAR CE courses.*

Conclusion

Where do we go from here?

NASAA's new IAR CE model rule will go into effect starting January 1, 2022. While some states may elect to adopt the model rule in its first year, others may choose to adopt the rule at a later date, if at all. While states determine whether to adopt the model rule, IARs should be aware of the requirements and **be prepared** to meet them if/when the time comes.

As with any change that alters the way a person manages their day-to-day, the new IAR CE requirement will be a big adjustment for agents registered in adopting states. To help IARs ease into the new CE program, NASAA has provided numerous resources that are being updated with each new development. On top of that, accredited CE providers, like Quest CE, are **here to help** IARs access and complete their continuing education requirements.

