

STATE OF CALIFORNIA
DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

TEXT OF PROPOSED REGULATIONS
UNDER THE CORPORATE SECURITIES LAW OF 1968

Title 10. Investment
Chapter 3. Commissioner of Financial Protection and Innovation
Subchapter 2. Corporate Securities

Rule 260.236.2. Investment Adviser Representative Continuing Education

(a) **Definitions.** As used in this rule, the following terms mean:

- (1) “Approved IAR continuing education content” means the materials, written, oral, or otherwise, that have been approved by NASAA or its designee and which make up the educational program provided to an investment adviser representative under this rule.
- (2) “Authorized provider” means a person that NASAA or its designee has authorized to provide continuing education content required by this rule.
- (3) “CE inactive” means a registration status that indicates the investment adviser representative has not satisfied the continuing education requirement for the previous reporting period and serves as notice that the investment adviser representative will not be eligible for registration renewal at the close of the calendar year unless all continuing education requirements are brought current.
- (4) “Credit” means a unit that has been designated by NASAA or its designee as at least 50 minutes of educational instruction.
- (5) “FINRA” means the Financial Industry Regulatory Authority.
- (6) “Home state” means the state in which the investment adviser representative has its principal office and place of business.
- (7) “IAR ethics and professional responsibility content” means approved IAR continuing education content that addresses an investment adviser representative’s ethical and regulatory obligations.
- (8) “IAR products and practice content” means approved IAR continuing education content that addresses an investment adviser representative’s continuing skills and knowledge regarding financial products, investment features, and practices in the investment advisory industry.
- (9) “Investment adviser representative” or “IAR” means an individual who meets the

definition of “investment adviser representative” under Corporations Code section 25009.5.

- (10) “NASAA” means the North American Securities Administrators Association or a committee designated by its Board of Directors.
- (11) “Reporting period” means one twelve month (12) period. An investment adviser representative’s initial reporting period with this state commences the first day of the first full reporting period after the individual is registered or required to be registered with this state.

(b) IAR Continuing Education. Every investment adviser representative registered, reported, or licensed under the Corporate Securities Law of 1968 must complete the following IAR continuing education requirements each reporting period:

- (1) **IAR Ethics and Professional Responsibility Requirement.** An investment adviser representative must complete six (6) Credits of IAR ethics and professional responsibility content offered by an authorized provider, with at least three (3) credits covering the topic of ethics; and
- (2) **IAR Products and Practice Requirement.** An investment adviser representative must complete six (6) credits of IAR products and practice content offered by an authorized provider.

(c) Agent of FINRA-Registered Broker-Dealer Compliance. An investment adviser representative who is also registered as an agent of a FINRA member broker-dealer and who complies with FINRA’s continuing education requirements is considered to be in compliance with the subdivision (b)(2) IAR products and practice requirement for each applicable reporting period so long as FINRA continuing education content meets all of the following baseline criteria as determined by NASAA:

- (1) The continuing education content focuses on compliance, regulatory, ethical, and sales practices standards.
- (2) The continuing education content is derived from state and federal investment advisory statutes, rules and regulations, securities industry rules and regulations, and accepted standards and practices in the financial services industry.
- (3) The continuing education content requires that its participants demonstrate proficiency in the subject matter of the educational materials.

(d) Credentialing Organization Continuing Education Compliance. Credits of continuing education completed by an investment adviser representative who was awarded and currently holds a designation that qualifies for an examination waiver under California Code of Regulations, title 10, section 260.236, subdivision (c)(3), comply with subdivisions (b)(1) and (b)(2) of this rule provided all of the following are true:

- (1) The investment adviser representative completes the credits of continuing education as a condition of maintaining the credential for the relevant reporting period.
 - (2) The credits of continuing education completed during the relevant reporting period by the investment adviser representative are mandatory to maintain the credential.
 - (3) The continuing education content provided by the credentialing organization during the relevant reporting period is approved IAR continuing education content.
- (e) **IAR Continuing Education Reporting.** Every investment adviser representative is responsible for ensuring that the authorized provider reports to FINRA the investment adviser representative's completion of the applicable IAR continuing education requirements.
- (f) **No Carry-Forward.** An investment adviser representative who completes credits of continuing education in excess of the amount required for the reporting period may not carry forward excess credits to a subsequent reporting period.
- (g) **Failure to Complete or Report.** An investment adviser representative who fails to comply with this rule by the end of a reporting period will renew as "CE Inactive" at the close of the calendar year in this state until the investment adviser representative completes and reports all required IAR continuing education credits for all reporting periods as required by this rule. An investment adviser who is CE inactive at the close of the next calendar year is not eligible for investment adviser representative registration or renewal of an investment adviser representative registration.
- (h) **Home State.** An investment adviser representative registered or required to be registered in this state who is registered as an investment adviser representative in the individual's home state is considered to be in compliance with this rule provided that both of the following are true:
- (1) The investment adviser representative's home state has continuing education requirements that are at least as stringent as the NASAA Model Rule on Investment Adviser Representative Continuing Education.
 - (2) The investment adviser representative is in compliance with the home state's investment adviser representative continuing education requirements.
- (i) **Unregistered Periods.** An investment adviser representative who was previously registered under California Code of Regulations, title 10, section 260.236.1 and became unregistered must complete IAR continuing education for all reporting periods that occurred between the time that the investment adviser representative became unregistered and when the investment adviser representative was registered again under California Code of Regulations, title 10, section 260.236.1 unless the investment adviser representative takes and passes the examination or receives an examination waiver as required by California

Code of Regulations, title 10, section 260.236, subdivision (b), in connection with the subsequent application for registration.

- (j) **Exemption.** Any reported investment adviser representative employed by or engaged by an investment adviser only to offer or negotiate for the sale of investment advisory services of an investment adviser is not subject to continuing education requirements.

Note: Authority cited: Section 25610, Corporations Code. Reference: Section 25236, Corporations Code.