

Securities Division, Office of the Attorney General
Investment Adviser Representative Continuing Education Rule
Compliance Guide

I. Table of Contents

Summary 1
Definitions 2
Explanation 2
Frequently Asked Questions (FAQs) 4

II. Summary

The Maryland Division of Securities (the “Division”) is amending Regulation .14 under the Code of Maryland Regulations (“COMAR”) 02.02.05 to mandate that all investment adviser representatives (“IARs”) registered in Maryland complete continuing education (“CE”) courses in order to maintain their IAR registration in Maryland. Registered IARs will be required to annually complete twelve CE credits that have been approved by the North American Securities Administrators Association (NASAA) or its designee. Six of those credits must cover content addressing an IAR’s ethical and regulatory obligations (at least three hours specifically on ethics), and the other six credits must cover content addressing an IARs’ continuing skills and knowledge regarding financial products, investment features, and practices in the investment advisory industry. IARs that also are registered as broker-dealer agents of FINRA members or hold a credential that qualifies for an exemption from the examination requirement may be able to satisfy some of their CE requirements with courses taken through FINRA’s CE program or the IAR’s credentialing organization’s CE program, respectively. Registered IARs are responsible for ensuring that the authorized provider of their CE has reported their completion of CE courses to the Division. Failure to complete or report CE will result in the IAR’s registration being set to “CE Inactive” and, if not cured by the end of the second year, result in ineligibility for registration or renewal of registration. IARs are not allowed to carry over excess CE to a subsequent reporting period.

The Division also is amending Regulation .11 under COMAR 02.02.05 to eliminate the exemption from investment adviser representative registration for persons providing investment advice on behalf of state-registered sole proprietors or sole proprietor equivalents.

III. Definitions

Key terms used in this regulation have the following meanings:

(1) “Approved IAR continuing education credit” means the materials, written, oral, or otherwise, that have been approved by NASAA or its designee and that make up the educational program provided to an investment representative under this regulation.

(2) “Authorized provider” means a person that NASAA or its designee has authorized to provide continuing education content required by this regulation.

(3) “Credit” means a unit that has been designated by NASAA or its designee as at least 50 minutes of educational instruction.

(4) “Home state” means the state in which the investment adviser representative has its principal office and place of business.

(5) “IAR ethics and professional responsibility content” means approved IAR continuing education content that addresses an investment adviser representative’s ethical and regulatory obligations.

(6) “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.

(7) “NASAA” means the North American Securities Administrators Association or a committee designated by its Board of Directors.

(8) “Reporting period” means one twelve month period as determined by NASAA. 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.

IV. Explanation

IARs are tested for knowledge before they are registered, but there is no mechanism to ensure that their level of knowledge and competence is maintained or expanded. Other financial professionals have long been subject to CE requirements, including broker-dealer agents, insurance agents, and Certified Financial Planners. Given the important role that IARs play in the financial lives of their clients, state regulators, including the Division, believed it was necessary to create a CE program for IARs.

Thus, the Division is amending Regulation .14 under COMAR 02.02.05 to mandate that all IARs registered in Maryland annually take CE courses in order to maintain their IAR registration in Maryland. Effective January 1, 2022, every IAR registered or required to be registered in Maryland for a state-registered or federal covered investment adviser will be subject to the CE requirements.

Registered IARs will be required to annually complete twelve hours of CE credits that have been approved by NASAA or its designee. Six of those credits must cover content that addresses an IAR's ethical and regulatory obligations, with at least three credits covering the topic of ethics. The other six credits must cover content that addresses an IAR's continuing skills and knowledge regarding financial products, investment features, and practices in the investment advisory industry.

A registered IAR who also is registered as a broker-dealer agent of a FINRA member and is in compliance with FINRA's CE program is considered to be in compliance with Maryland's products and practice content CE requirements if (1) FINRA's CE content focuses on compliance, regulatory, ethical, and sales practices standards; (2) FINRA's CE 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; and (3) FINRA's CE content requires that its participants demonstrate proficiency in the subject matter of the educational materials.

A registered IAR who currently holds a credential that qualifies for an exemption from the examination requirement is considered to satisfy Maryland's IAR CE requirements if the IAR completes the CE credits as a condition of maintaining the credential for the relevant reporting period, the CE credits completed during the reporting period are mandatory to maintain the credential, and the CE content provided by the credentialing organization during the relevant reporting period is approved IAR continuing education content.

Every registered IAR is responsible for ensuring that the authorized provider of their CE reports their completion of CE courses to the Division. The reporting will be made through CRD or IARD, the national registration databases for broker-dealer agents and investment adviser representatives.

Failure of an IAR to complete or report the IAR's completion of CE will result in the IAR's registration being set to "CE Inactive" at the end of the first year of non-compliance. An IAR who does not come into compliance by the end of the second year will not be eligible for registration or renewal of registration.

An IAR who completes CE credits in excess of the amount required for a reporting period is not able to carry over the excess credits to a subsequent reporting period.

An IAR who is registered as an IAR in his or her home state and complies with the home state's CE requirements will be considered to be in compliance with Maryland's CE requirements as long as the IAR's home state's CE requirements are as stringent as Maryland's CE requirements.

An individual who is applying for IAR registration in Maryland and who was previously registered as an IAR in Maryland is required to complete IAR CE for all reporting periods the IAR was not registered as an IAR in Maryland, unless the individual takes and passes the investment adviser examination or receives an examination waiver.

The Division also is amending Regulation .11 under COMAR 02.02.05 to eliminate the exemption from investment adviser representative registration for persons providing investment

advice on behalf of state-registered sole proprietors or sole proprietor equivalents; thus, those persons will be required to register as an investment adviser representative and comply with the CE requirements.

V. Frequently Asked Questions (FAQs)

Substantially taken from <https://www.nasaa.org/industry-resources/investment-advisers/resources/iar-ce-faq/>

Q. Who will the Investment Adviser Representative Continuing Education (IAR CE) program apply to?

A. The mandatory IAR CE program will apply to all registered IARs of both state-registered and federal covered investment advisers.

Q. Why is Continuing Education needed for IARs?

A. IARs are tested for knowledge before they are registered, but there is no mechanism to ensure that their level of knowledge and competence is maintained or expanded. Most other financial professionals are subject to CE requirements, including broker-dealer agents, insurance agents, and Certified Financial Planners. Given the important role that IARs play in the financial lives of their clients, state regulators believed it was necessary to create a CE program for IARs.

Q. Are IARs required to take specific courses?

A. No, IARs are free to select courses that appeal to their interests and business models as long as they meet the credit requirements and the courses are approved content for the IAR CE program. The program provides maximum flexibility for IARs to choose to complete their CE requirement by taking any approved course from any approved provider.

Q. Who reports course completion?

A. The course management vendor/authorized provider reports course completion.

Q. Is there a reporting fee?

A. Yes, the IAR CE course reporting fee, also sometimes referred to as the roster fee, is \$3 per credit hour.

Q. When is the reporting fee due and how is it paid?

A. When the course vendor/provider submits an IAR's completed course for credit, the \$3 per credit hour is due upon submission.

Q. When do IARs need to begin complying with the CE program?

A. Compliance will begin with the 2022 calendar year. CE credits must be reported by the end of each year. Newly registered IARs will be required to meet the annual IAR CE requirement by the end of the first full calendar year following the year in which they first become registered.

Q. How many credits/hours are required?

A. Beginning in 2022, IARs will need to attain twelve CE credits each year in order to maintain their IAR registration. A “credit” is a unit that has been designated by NASAA as at least 50 minutes of educational instruction. The twelve credits must include six credits of Products and Practices and six credits of Ethics and Professional Responsibility.

Q. What is the Products and Practices component of IAR CE rule?

A. The Products and Practices component is designed to ensure ongoing knowledge and competency related to investment products, strategies, standards, and compliance practices relevant to the investment advisory industry.

Q. What is the Ethics and Professional Responsibility component of IAR CE rule?

A. The Ethics and Professional Responsibility component is designed to ensure ongoing knowledge and competency related to an IAR’s duties and obligations to his or her clients including, but not limited to, issues related to the fiduciary duty owed to each client.

Q. Who is the course management vendor (CMV)?

A. The CMV is [Prometric LLC](#), (Prometric), which was chosen by NASAA based on its experience and reputation regarding assessment programs.

Q. If an IAR earns more than twelve CE credits in a year, can he or she carry the excess credits over to the next year?

A. No. An IAR who completes more CE credits than are required for the year may not carry forward excess credits into a subsequent year. However, excess CE credits will be recorded in the IAR’s course transcript section of the [Central Registration Depository](#) (CRD).

Q. Can an IAR complete the same course in two successive renewals?

A. CRD tracking will include duplicate courses in the course transcript section, but duplicate courses will not count toward the IAR CE requirement, even if completed in another year. However, a duplicate course that has been updated with a new course number will provide the IAR with CE credit for that course.

Q. What if an IAR changes firms mid-year?

A. If an IAR begins taking courses during a calendar year, then changes firms mid-year, the credits completed before the switch will appear in the IAR's course transcript in CRD and will apply toward the annual CE requirement.

Q. If an IAR terminates their registration and then seeks to re-register twenty-three months later with a different IA, is there a policy with respect to how the IAR CE requirements should be addressed? Does the individual need to make up missed CE credits?

A. Yes. To re-register during the two year exam window, the IAR would need to complete any missed CE. For instance, if the IAR leaves the industry in December 2022 without completing the twelve hours of CE for 2022, and then attempts to re-enter in 2024, the IAR would need to complete (before becoming registered) twelve hours for 2022 and twelve hours for 2023. The twelve hours for 2024 would be due by December 31, 2024. The CE for 2022 and 2023 need not be completed within those years but can be done on a catch up basis in 2024. Alternatively, the IAR can re-take and pass the Series 65 or 66 (or if eligible receive a state exam waiver) in lieu of completing the missing CE.

Q. Does an IAR need to make up missed CE credits?

A. Yes. Courses completed in the current year will apply to the current year and the past year if there is a deficiency to be resolved. Completed IAR CE credits completed in any year will first be applied to the previous year, if the IAR did not complete the previous year's requirement, and then to the current year's requirement.

Example: Joe failed to complete his IAR CE requirement for 2022 by December 31, 2022. Any IAR CE courses he completes in 2023 will first be applied to the 2022 deficiency until that requirement is completed. Excess credits in 2023 will not be applied to the 2024 IAR CE requirement.

Q. Who will provide CE that meets the requirements of the IAR CE program?

A. IARs are required to take NASAA-approved CE courses from approved course providers. NASAA has developed standardized criteria under which potential IAR CE content providers and individual CE courses will be approved. Any vendor, firm, individual, or state may provide CE as long as the provider and course are approved. NASAA expects a wide range of vendors to offer IAR CE courses.

Q. Who is eligible to submit courses for approval?

A. Anyone can submit courses for approval once they are an approved provider. They are required to submit an application with their course materials and meet the established course criteria, which will be reviewed and approved by Prometric. Broker-dealer and investment adviser firms may apply for course approvals themselves to expose their registered representatives and IARs to education content they feel is most relevant to their practice.

Q. What is the process for obtaining approval of providers and courses?

A. NASAA has retained Prometric to review and approve both providers and courses in accordance with criteria established by NASAA's IAR CE Committee.

Q. What criteria will be used to assess potential IAR CE providers and course content?

A. Potential IAR CE providers, courses and content will be assessed on criteria including, but not limited to:

- Ability to meet the learning objectives and goals of IAR CE;
- Quality of the instructors and materials;
- Qualifications of the instructors;
- Experience in delivering educational content, such as training or CE;
- Prior customer/student evaluations;
- Timeliness of content;
- Ability to track and report course/content completion; and
- Prior experience in the financial services industry.

Q. What if a firm wants approval of course materials that include proprietary information?

A. A firm will need to go through the same approval process as other providers. A firm specific class would be accessible only by associated persons of that firm.

Q. Are there required courses?

A. No, other than the requirement that the twelve hours of CE must include six credits of Products and Practices and six credits of Ethics and Professional Responsibility. IARs will self-manage finding and completing CE courses, which will enable them to tailor their CE to their interests and business models. The courses may be offered by various vendors. Resources will be available on www.nasaa.org to help find information regarding CE requirements, including approved vendors and courses.

Q. Is there flexibility with course content taking into consideration, for example, combining an ethics course in another topic or streamlining courses most applicable to a specific business model?

A. Providers will indicate the total number of credits per course and whether the courses may cover both types of required content.

Q. What if the IAR's home state has not adopted the NASAA model rule or a rule as stringent as the NASAA model rule and the IAR seeks to maintain his or her registration in Maryland?

A. If the IAR's home state has not adopted the NASAA model rule or a rule as stringent as the NASAA model rule, the IAR would need to comply with Maryland's IAR CE requirements.

Q. Is the Maryland IAR CE rule as stringent as the NASAA model rule?

A. Yes, the Maryland IAR CE rule is substantially equivalent to the NASAA model rule and, thus, is as stringent as the NASAA model rule.

Q. Will an IAR receive reciprocity in other states if the IAR meets the CE requirements of his or her home state?

A. An IAR registered in another state who is also registered as an IAR in his or her home state is considered to be in compliance if the home state has CE requirements that are at least as stringent as the NASAA model rule and the IAR is in compliance with the home state's IAR CE requirements.

Q. What if an IAR is registered in multiple states and there is a variation in the CE requirements?

A. An IAR registered in multiple states that have adopted the NASAA model rule will be required to comply with each state's CE requirements. However, the IAR will be in compliance with the CE requirements of other states as long as the IAR's home state has CE requirements that are at least as stringent as the NASAA model rule and the IAR has satisfied those requirements.

Q. What if the IAR's home state has not adopted the model rule, the IAR is registered in multiple states, and there is a variation in the states' CE requirements?

A. In the absence of home state adoption of the model rule, the IAR will be in compliance with the CE requirements of the other states in which the IAR is registered, and which have adopted the model rule, if the IAR is in compliance with the CE requirements of at least one state that has CE requirements that are at least as stringent as the NASAA model rule and the IAR has satisfied those requirements.

Q. If an IAR has an active IA registration in a state and adds another state, will the current year IAR CE completion requirement apply to the new state?

A. Yes. If an IAR has an active IA registration in a state and adds another state, the current IAR CE completion requirement will apply to the new state.

Q. For dual registrants, can the CE required by FINRA for BD agents meet any of the CE requirements for IARs?

A. An IAR who is also a registered agent of a FINRA member broker-dealer and who complies with FINRA's CE requirements is considered to be in compliance with the requirement to report six credits of Products and Practices content, as long as the FINRA CE content continues to meet certain baseline criteria as determined by NASAA.

Q. Does FINRA Firm Element training count toward IAR CE requirements?

A. Yes, if the training is approved by NASAA. Anyone, including a broker-dealer, can seek approval to provide CE that meets the criteria established by NASAA.

Q. Does FINRA Regulatory Element training count toward IAR CE requirements?

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

Q. Are any IARs exempt from CE requirements based on factors such as length of experience and/or professional designations?

A. No. There are no exemptions or waivers available based on experience or other qualifications.

Q. Can the CE required to maintain certain professional designations meet some or all of the CE requirements for IARs?

A. Yes, as long as the provider and course have been approved through Prometric for IAR CE purposes.

Q. What happens if an IAR does not complete the CE requirements in a timely manner?

A. If an IAR does not complete the CE requirement by the annual deadline, CRD will set his or her IAR registration status to “CE Inactive,” which is the status that will then appear in the Investment Adviser Public Disclosure (IAPD) and in BrokerCheck.

Q. What happens if an IAR is CE Inactive during registration renewal season?

A. An IAR who fails to comply with CE requirements by the end of a twelve-month reporting period will renew as “CE Inactive” at the close of the calendar year until the IAR completes and reports all required IAR CE credits for the reporting period. An IAR who is CE inactive at the close of the next calendar year is not eligible for IAR registration or renewal of an IAR registration.

Q. How does a CE Inactive IAR become current with the CE requirement?

A. Courses completed in the current year will apply to the past year if there is a deficiency to be resolved. Completed IAR CE credits completed in any year will first be applied to the previous year and then to the current year’s requirement.