

STATE OF CALIFORNIA
DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

MODIFIED TEXT OF PROPOSED REGULATION
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 eContinuing eEducation content Course” means ~~the materials, written, oral, or otherwise, that have been a course approved by NASAA or its designee and which make up the educational program provided to an investment adviser representative under this rule.~~ at the time the IAR takes the course and that is approved in accordance with the process set forth on pages 20 through 27 of the NASAA IAR CE Program Handbook, January 2023 Edition, herein incorporated by reference with the following clarifications:
 - A. On page 21 of the NASAA IAR CE Program Handbook, January 2023 Edition, the terms “audience,” “behavior,” “condition,” and “degree” constitute elements that NASAA shall consider in determining whether a course has a defined objective and outcome, and have the following meanings:
 - i. “Audience” means the course identifies the intended recipients of the course material.
 - ii. “Behavior” means the course identifies the knowledge or skills that a student obtains at the completion of the course.
 - iii. “Condition” means the course identifies the conditions under which a student demonstrates knowledge or skills at the end of the course.
 - iv. “Degree” means the course includes measurable standards to assess a student’s performance.
- (2) “Authorized ~~p~~Provider” means a person that is authorized by NASAA ~~or its designee has authorized~~ to provide continuing education ~~content~~ courses required by this rule in accordance with the process set forth on pages 7 through 11 of the NASAA IAR CE Program Handbook, January 2023 Edition, herein incorporated by reference.
- (3) “CE ~~i~~Inactive” means a registration status that indicates the ~~i~~Investment ~~a~~Adviser ~~r~~Representative has not satisfied the continuing education requirement for the previous ~~r~~Reporting ~~p~~Period and serves as notice that the ~~i~~Investment ~~a~~Adviser ~~r~~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 in accordance with the process set forth on page 24 of the NASAA IAR CE Program Handbook, January 2023 Edition.
 - (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. Principal office and place of business means the location reported in the Central Registration Depository (CRD) database.
 - (7) “IAR ~~Ethics and~~ ~~Professional~~ ~~Responsibility~~ ~~content~~ Course” means approved IAR ~~Continuing~~ ~~Education~~ ~~content~~ Course that addresses an ~~Investment~~ ~~Adviser~~ ~~Representative~~’s ethical and regulatory obligations.
 - (8) “IAR ~~Products and~~ ~~Practice~~ ~~content~~ Course” means an approved IAR ~~Continuing~~ ~~Education~~ ~~content~~ Course 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~~ calendar year starting on January 1 and ending on December 31. An ~~Investment~~ ~~Adviser~~ ~~Representative~~’s initial reporting period with this state commences the first day of the first full ~~reporting period~~ calendar year after the individual is registered or required to be registered with this state.
 - (12) “Reporting Period for 2024” means the period starting on the date this rule becomes effective and ending on December 31, 2024.
- (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 in the Reporting Period for 2024 and each ~~Reporting~~ ~~Period~~ thereafter:
- (1) **IAR Ethics and Professional Responsibility Requirement.** An ~~Investment~~ ~~Adviser~~ ~~Representative~~ must complete six (6) Credits of IAR ~~Ethics and~~ ~~Professional~~ ~~Responsibility~~ ~~content~~ Courses 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~~ Courses 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 the FINRA continuing education ~~content~~ course also meets NASAA criteria set forth on pages 20 through 27 of the NASAA IAR CE Program Handbook, January 2023 Edition. ~~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 course provided by the credentialing organization during the relevant Reporting Period is an Approved IAR Continuing Education Content Course.~~
- (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 Representative 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 the same as the requirements in subdivisions (b)(1) and (b)(2) of this rule.
 - (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.