

**Michigan Office of Administrative Hearings and Rules**

**Administrative Rules Division (ARD)**

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**REGULATORY IMPACT STATEMENT  
and COST-BENEFIT ANALYSIS (RIS)**

**Agency Information:**

**Department name:**

Licensing and Regulatory Affairs

**Bureau name:**

Corporations, Securities, & Commercial Licensing

**Name of person filling out RIS:**

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**Rule Set Information:**

**ARD assigned rule set number:**

2023-40 LR

**Title of proposed rule set:**

Securities

**Comparison of Rule(s) to Federal/State/Association Standard**

**1. Compare the proposed rules to parallel federal rules or standards set by a state or national licensing agency or accreditation association, if any exist.**

The rules are based on model rules drafted by the North American Securities Administrators Association (NASAA), an association of state, provincial, and territorial securities regulators from the United States, Canada, Mexico, and Guam. NASAA's mission is to represent and serve its member jurisdictions through education, cooperation, coordination, communication, subject matter expertise, and advocacy. It advocates passage of strong, sensible, and consistent state securities laws and regulations and encourages consistency across jurisdictions through the drafting of model rules and legislation.

The proposed amendments to R 451.4.9 and new R 451.4.30 are based on model rules promulgated by NASAA after internal and public comment periods. The rules implement programs that allow broker-dealer agents and investment adviser representatives to extend the validity of a qualification examination by completing continuing education relevant to their professions. The rules were broadly supported by stakeholders in the NASAA public comment process.

States require broker-dealer agents and investment adviser representatives to take and pass qualification examinations to become registered. Those examinations are valid while the individual is employed by a broker-dealer firm or investment adviser firm, as applicable to the registration type, and for two years after the person disassociates from the firm. If the person associates with a new firm before two years elapses, then the person is not required to re-take the relevant qualifications examination. After two years of not being associated with a firm, the individual would need to re-take the relevant examination or qualify for an examination waiver to become registered.

The proposed rules would allow broker-dealer agents (under amendments to R 451.4.9) and investment adviser representatives (under new R 451.4.30) to maintain validity of the relevant qualification examinations for up to five years by signing up for the examination extension program, then completing and reporting relevant continuing

education each year.

The NASAA model rules were drafted and adopted in response to the Financial Industry Regulatory Authority's (FINRA) adoption of its "Maintaining Qualifications Program" or MQP in 2022. FINRA is a self-regulatory organization that broker-dealer agents generally must register with to engage in broker-dealer business in the United States; agents must also register with the states in which they conduct business. No parallel self-regulatory organization exists for investment adviser representatives, which are only required to register with the states where they conduct business.

On February 18, 2020, FINRA issued Regulatory Notice 20-05: Continuing Education Program Transformation seeking input on whether to implement certain recommendations of the Securities Industry/Regulatory Council on Continuing Education to FINRA's continuing education ("FINRA CE") program for broker-dealer agents. Among those changes, and relevant here, was a proposal to allow broker-dealer agents to maintain examination validity following termination from registration beyond the existing two-year validity period, so long as the individual met annual FINRA CE requirements.

Ultimately, FINRA submitted, and the United States Securities and Exchange Commission ("SEC") approved, changes to the FINRA CE program through amendments to FINRA Rules 1210 and 1240 that created the FINRA Maintaining Qualifications Program ("MQP"). MQP allows individuals who terminate certain FINRA registrations to maintain those registrations by completing annual FINRA CE. MQP allows individuals who opt into and comply with the requirements of the program a maximum of five years to reregister with a FINRA member without having to requalify by examination or having to obtain an examination waiver.

While the MQP was created by FINRA to allow individuals to extend FINRA examination validity, it did not extend the validity of broker-dealer agent exams required by state securities regulators. NASAA, in an effort to promote uniformity among federal, FINRA, and state requirements, promptly proposed and requested public comment on a proposed Model Rules to Extend the Validity Periods of Certain Examinations on June 22, 2022. The Model Rules to Extend the Validity Periods of Certain Examinations were ultimately adopted by the NASAA membership on September 18, 2022. This model rule is the basis for the amendments to R 451.4.9

In effort to treat agent and investment adviser representative examination standards the same, NASAA proposed the Investment Adviser Representative Examination Validity Extension Program Model Rule on December 2, 2022. This model rule was adopted by the NASAA Membership on April 17, 2023. This model rule is the basis for proposed R 451.4.30.

Neither the amendments to R 451.4.9 nor new R 451.4.30 would create requirements for registrants under the Michigan Uniform Securities Act; rather, individuals who choose to participate in an examination validity extension program would have the ability to voluntarily extend the validity of their relevant qualification examinations. Participation would be entirely voluntary on the part of registrants that might seek to extend examination validity.

**A. Are these rules required by state law or federal mandate?**

Amendments to R 451.4.9 and new R 451.4.30 are not required by state law or federal mandate.

**B. If these rules exceed a federal standard, please identify the federal standard or citation, describe why it is necessary that the proposed rules exceed the federal standard or law, and specify the costs and benefits arising out of the deviation.**

Amendments to R 451.4.9 and new R 451.4.30 do not exceed a federal standard or law.

**2. Compare the proposed rules to standards in similarly situated states, based on geographic location, topography, natural resources, commonalities, or economic similarities.**

The NASAA model rules are both recently adopted by NASAA members, and not yet widely adopted by states. To date, only Minnesota has adopted the model rule that would be incorporated the amendments to R 451.4.9. However, Securities and Audit Division staff within the Corporations, Securities, and Commercial Licensing Bureau believes that adoption will be widespread in the coming years.

**A. If the rules exceed standards in those states, please explain why and specify the costs and benefits arising out of the deviation.**

Proposed amendments to R 451.4.9 and new R 451.4.30 would be consistent with the model rules published by NASAA, and would create a voluntary program for individuals to participate in should they wish to extend the validity of their qualifications examinations.

**3. Identify any laws, rules, and other legal requirements that may duplicate, overlap, or conflict with the proposed rules.**

Proposed amendments to R 451.4.9 and new R 451.4.30 would not duplicate, overlap, or conflict with other rules, but would complement FINRA's MQP program for broker-dealer agents, and allow for investment adviser representatives to have similar opportunities to extend examination validity should they choose to do so.

**A. Explain how the rules have been coordinated, to the extent practicable, with other federal, state, and local laws applicable to the same activity or subject matter. This section should include a discussion of the efforts undertaken by the agency to avoid or minimize duplication.**

The proposed rules are based on NASAA Model Rules and are designed to work in conjunction with FINRA's MQP program. Extensive coordination in the NASAA rule drafting process was undertaken to ensure the model rules complemented rather than duplicated other requirements.

## **Purpose and Objectives of the Rule(s)**

**4. Identify the behavior and frequency of behavior that the proposed rules are designed to alter.**

Proposed amendments to R 451.4.9 and new R 451.4.30 are intended to create a voluntary path for broker-dealer agents and investment adviser representatives to extend the validity of their qualification examinations beyond the current two-year limit, up to five years. Currently, if an agent or an investment adviser representative is not employed by or associated with a broker-dealer firm (for agents) or an investment adviser firm (for investment adviser representatives), then their examination expires after two years of being unemployed. In that case, the individual would need to re-take the relevant qualification examination. Under the proposed rules, these individuals could voluntarily enroll in an examination validity extension program and take continuing education courses relevant to the appropriate registration category (or categories) and extend the validity of the examination for up to five years.

**A. Estimate the change in the frequency of the targeted behavior expected from the proposed rules.**

The NASAA model rules created for states to implement the examination validity extension programs are new, so it is difficult to estimate the frequency with which individuals will elect to enroll in an examination validity extension program. However, FINRA noted in an October 3, 2023 News Release that nearly 20,000 individuals nationwide had enrolled in its MQP program that proposed amendments to R 451.4.9 would complement. Staff believes that the examination validity extension programs would be widely used by agents and investment adviser representatives in Michigan as well.

**B. Describe the difference between current behavior/practice and desired behavior/practice.**

Under current rules, qualification examinations expire two years after an individual leaves employment with a broker-dealer or investment adviser firm. Under the proposed rules, individuals will be encouraged to maintain their knowledge and skills in the securities industry while not employed by completing hours of continuing education. By completing their continuing education and maintaining knowledge of the industry, they give themselves the option of extending the validity of their qualification examination for up to five years after leaving employment with a firm.

**C. What is the desired outcome?**

The desired outcome of the proposed rules is to create an incentive for agents and investment adviser representatives to maintain their knowledge and competency in the securities industry while not employed by a broker-dealer or investment adviser firm. Doing so will ensure that when these individuals come back into the industry that they are competent to provide their services to investors in Michigan. Extending validity of examinations also removes a barrier to becoming employed when these individuals return to the industry, as they would not be required to retake examinations they previously passed.

**5. Identify the harm resulting from the behavior that the proposed rules are designed to alter and the likelihood that the harm will occur in the absence of the rule.**

The proposed rules would allow individuals to extend the validity of their qualifications examinations by taking continuing education courses to maintain and expand their knowledge of issues that exist within the securities industry. This would benefit individuals who may need to step away from their careers in the securities industry for any number of reasons, from taking care of an elderly relative, having a family, pursuing further education, or any other reason that one might leave a job. The individual would be able to complete continuing education to keep up on industry trends, and re-enter the industry within five years without having to retake their examinations. This would also benefit Michigan investors by ensuring that the financial professionals with whom they work are competent and up-to-date on the latest changes in the broker-dealer and investment adviser spaces.

**A. What is the rationale for changing the rules instead of leaving them as currently written?**

The proposed rules would ensure that Michigan's requirements are consistent with FINRA's MQP rules related to broker-dealer agent examination validity, and would ensure that investment adviser representatives and broker-dealer agents have the same examination validity standards. Additionally, as noted above, the policy underlying the examination validity extension programs is to make sure industry participants maintain knowledge for their own benefit and the benefit of the investors they serve; the outcome for agents and investment adviser representatives that do so is the extension of examination validity beyond the current two-year window.

**6. Describe how the proposed rules protect the health, safety, and welfare of Michigan citizens while promoting a regulatory environment in Michigan that is the least burdensome alternative for those required to comply.**

The proposed rules would ensure that broker-dealer agents and investment adviser representatives that choose to participate to extend the validity of their examinations will maintain and expand their knowledge of issues affecting the securities industry while not employed by or associated with a firm. This benefits the industry participants by allowing them to stay up-to-date on industry trends and requirements, and by not having to retake qualifications examinations upon re-entering the industry for up to five years. It benefits investors by ensuring that the professionals that they work with are maintaining their knowledge of the industry.

The proposed rules do not require participation by broker-dealer agents or investment adviser representatives. An individual may choose to forego participating in the examination validity extension programs implemented by these rules, and simply re-take the relevant qualification examinations upon deciding to re-enter the industry.

**7. Describe any rules in the affected rule set that are obsolete or unnecessary and can be rescinded.**

There are no rules in the affected rule set that are obsolete or unnecessary and can be rescinded.

## **Fiscal Impact on the Agency**

Fiscal impact is an increase or decrease in expenditures from the current level of expenditures, i.e. hiring additional staff, higher contract costs, programming costs, changes in reimbursements rates, etc. over and above what is currently expended for that function. It does not include more intangible costs for benefits, such as opportunity costs, the value of time saved or lost, etc., unless those issues result in a measurable impact on expenditures.

**8. Please provide the fiscal impact on the agency (an estimate of the cost of rule imposition or potential savings for the agency promulgating the rule).**

There would be minimal fiscal impact on the Corporations, Securities, and Commercial Licensing Bureau as a result of the proposed rules. Under MCL 451.2410, broker-dealer agents and investment adviser representatives pay fees on a per-application basis rather than a per-examination basis. Waiving the requirement for an individual to re-take an examination would not affect the Bureau's revenue at all.

**9. Describe whether or not an agency appropriation has been made or a funding source provided for any expenditures associated with the proposed rules.**

No agency appropriation has been made and no additional funding source is necessary as additional expenditures are not anticipated as a result of the proposed rules.

**10. Describe how the proposed rules are necessary and suitable to accomplish their purpose, in relationship to the burden(s) the rules place on individuals. Burdens may include fiscal or administrative burdens, or duplicative acts.**

The proposed rules are necessary and suitable to accomplish their purpose by coordinating Michigan's examination validity structure with the MQP program adopted by FINRA, and by coordinating with other states through the NASAA model rulemaking process. Participation in the programs implemented by the proposed rules is entirely voluntary for individuals, so the burden of the additional continuing education would also be voluntary. Individuals are free to allow their qualifications examinations to expire and then re-take those examinations should they decide to re-enter the securities industry at a later date.

**A. Despite the identified burden(s), identify how the requirements in the rules are still needed and reasonable compared to the burdens.**

The proposed rules are necessary to coordinate Michigan's examination validity timeframes with FINRA's MQP program and the examination validity timeframes adopted thereunder. Additionally, it is expected that other jurisdictions will adopt these NASAA model rules on the subject soon.

## **Impact on Other State or Local Governmental Units**

**11. Estimate any increase or decrease in revenues to other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Estimate the cost increases or reductions for other state or local governmental units (i.e. cities, counties, school districts) as a result of the rule. Include the cost of equipment, supplies, labor, and increased administrative costs in both the initial imposition of the rule and any ongoing monitoring.**

The proposed rules should not result in any increase or decrease in revenues to other state or local governmental units.

**12. Discuss any program, service, duty, or responsibility imposed upon any city, county, town, village, or school district by the rules.**

The proposed rules should not result in any program, service, duty, or responsibility on any city, county, town, village, or school district.

**A. Describe any actions that governmental units must take to be in compliance with the rules. This section should include items such as record keeping and reporting requirements or changing operational practices.**

No actions must be taken by governmental units to comply with the proposed rules.

**13. Describe whether or not an appropriation to state or local governmental units has been made or a funding source provided for any additional expenditures associated with the proposed rules.**

No appropriation to state or local government units has been made and no funding source is required by additional expenditures as a result of the proposed rules.

## **Rural Impact**

**14. In general, what impact will the rules have on rural areas?**

The proposed rules would implement examination validity extension programs for broker-dealer agents and investment adviser representatives in all parts of Michigan, and would not impact rural areas any differently than urban ones.

**A. Describe the types of public or private interests in rural areas that will be affected by the rules.**

No public or private interests in rural areas would be specifically affected by the proposed rules.

## **Environmental Impact**

**15. Do the proposed rules have any impact on the environment? If yes, please explain.**

The proposed rules should not have any impact on the environment.

## **Small Business Impact Statement**

**16. Describe whether and how the agency considered exempting small businesses from the proposed rules.**

The Bureau did not consider exempting small businesses from the proposed rules because the rules will apply equally to all individuals who wish to participate in an examination validity extension program. Compliance with the rule is entirely voluntary on the part of an individual who may wish to extend examination validity by completing continuing education applicable to their registration category. Should an individual not participate, then they would re-take the relevant qualification examination upon attempting to re-enter the securities industry.

**17. If small businesses are not exempt, describe (a) the manner in which the agency reduced the economic impact of the proposed rules on small businesses, including a detailed recitation of the efforts of the agency to comply with the mandate to reduce the disproportionate impact of the rules upon small businesses as described below (in accordance with MCL 24.240(1)(a-d)), or (b) the reasons such a reduction was not lawful or feasible.**

The proposed rules are intended to be helpful for members of the securities industry and do not impose a required burden on small businesses. Instead, the proposed rules would help an individual extend the validity of a qualification examination under Michigan law similarly to the way that an individual could extend an examination for purposes of FINRA registration using MQP. An individual who chooses not to extend the validity of an examination has the option of re-taking the examination upon re-entering the securities industry.

**A. Identify and estimate the number of small businesses affected by the proposed rules and the probable effect on small businesses.**

The proposed rules apply to individuals associated with broker-dealer firms and investment adviser firms rather than to the firms themselves. It is unknown how many individuals will participate in the examination validity extension programs created by the proposed rules. However, as stated above, FINRA noted in an October 3, 2023 News Release that nearly 20,000 individuals had enrolled in its MQP program that proposed amendments to R 451.4.9 would complement.

**B. Describe how the agency established differing compliance or reporting requirements or timetables for small businesses under the rules after projecting the required reporting, record-keeping, and other administrative costs.**

There are not differing compliance or reporting requirements or timetables for small businesses under the proposed rules, as they will apply equally to all broker-dealer agents and investment adviser representatives that choose to participate in the programs implemented by the rules.

**C. Describe how the agency consolidated or simplified the compliance and reporting requirements for small businesses and identify the skills necessary to comply with the reporting requirements.**

The Bureau is adopting model rules that were coordinated between FINRA and other states by NASAA to ensure that the rule complements FINRA's MQP program and is consistent with the rules to be adopted by other states.

Participation in the program will be voluntary, but would require completion and reporting of continuing education should an individual wish to extend the validity of their qualification examinations.

**D. Describe how the agency established performance standards to replace design or operation standards required by the proposed rules.**

The proposed rules work with the FINRA MQP program and with the investment adviser representative continuing education program adopted by R 451.4.29. A broker-dealer agent that complies with its MQP obligations would be able to extend their qualification examination, while an investment adviser representative that signs up for the examination validity extension program and completes its continuing education under R 451.4.29 would be able to extend examination validity. Again, participation is voluntary, and an individual may choose to allow their examinations to expire and re-take them upon deciding to re-enter the industry.

**18. Identify any disproportionate impact the proposed rules may have on small businesses because of their size or geographic location.**

The proposed rules should not have any disproportionate impact on small businesses because of size or geographic location.

**19. Identify the nature of any report and the estimated cost of its preparation by small businesses required to comply with the proposed rules.**

The proposed rule would not require small businesses to prepare any reports.

**20. Analyze the costs of compliance for all small businesses affected by the proposed rules, including costs of equipment, supplies, labor, and increased administrative costs.**

The proposed rules would not impose equipment, supplies, labor, or administrative costs on small businesses. Individuals who choose to participate in the examination validity extension program would be required to sign up for the program, which costs \$35 for the agent program and \$35 for the investment adviser representative program, with each fee payable to NASAA. These fees fund administration of the program by NASAA.

Individuals would also need to take continuing education courses in order to extend examination validity should they so choose. Those courses range in cost, with some being offered for free by NASAA and individual states, or for a cost offered by private continuing education providers. There is also a \$3.00 per credit fee charged by FINRA in order for credits to be reported to CRD's FinPro system. An agent would be required to report 12 credits per year to extend examination validity, for a total of \$36.00 in reporting costs. Similarly, an investment adviser representative would need to pay \$3.00 per credit, for a total of \$36.00 per year in continuing education credit reporting fees to extend examination validity.

Should an individual choose to not extend examination validity, they could forego \$35.00 sign-up fee and the \$36.00 per year in reporting fees for each registration category.

**21. Identify the nature and estimated cost of any legal, consulting, or accounting services that small businesses would incur in complying with the proposed rules.**

An individual that chooses to participate in one or both of the examination validity extension programs implemented by the proposed rules would have pay a \$35.00 sign-up fee per registration category, would be required to take continuing education courses (which may be free of charge or come at a cost), and would be required to pay \$36.00 annually in reporting fees for each registration category.

**22. Estimate the ability of small businesses to absorb the costs without suffering economic harm and without adversely affecting competition in the marketplace.**

The Bureau believes that \$35.00 per registration category sign-up fee and the \$36.00 reporting fee per year, per registration category is an affordable means to extend the validity of an examination should an individual choose to do so. To the extent that an individual chooses not to extend the validity of their qualification examinations, then the individual would not incur the associated costs.

**23. Estimate the cost, if any, to the agency of administering or enforcing a rule that exempts or sets lesser standards for compliance by small businesses.**

The Bureau does not believe that a lesser standard would be appropriate or that any cost savings would result from implementing different standards.

**24. Identify the impact on the public interest of exempting or setting lesser standards of compliance for small businesses.**

The Bureau believes that the proposed rules should apply equally to all individuals, whether employed by a small business or a large broker-dealer or investment adviser firm. If an individual would like to take time away from the securities industry without having to re-take relevant qualification examinations, then the individual should be required to take continuing education courses to maintain knowledge of the industry in order to provide competent services to Michigan investors. If an individual chooses to not maintain knowledge through continuing education, then the individual should be required to re-take the relevant examination to demonstrate competency to provide those services to Michigan investors.

**25. Describe whether and how the agency has involved small businesses in the development of the proposed rules.**

NASAA requested public comments from industry stakeholders when it developed the model rules that were the bases for proposed amendments to R 451.4.9 and new rule 451.4.30. Industry and consumer group response was overwhelmingly positive with those who commented commending NASAA for putting forth the model rules.

**A. If small businesses were involved in the development of the rules, please identify the business(es).**

No small businesses were involved in the development of the proposed rules.

**Cost-Benefit Analysis of Rules (independent of statutory impact)**

**26. Estimate the actual statewide compliance costs of the rule amendments on businesses or groups.**

A broker-dealer agent would be required to pay a \$35.00 sign-up fee and \$36.00 per year to report credits to FINRA's CRD along with the cost of relevant continuing education. An investment adviser representative would be required to pay a \$35.00 sign-up fee and \$36.00 per year to report credits to FINRA's CRD along with the cost of relevant continuing education. The cost of continuing education credits varies from provider to provider, with some courses offered for free.

**A. Identify the businesses or groups who will be directly affected by, bear the cost of, or directly benefit from the proposed rules.**

Broker-dealer agents and investment adviser representatives who elect to participate in the examination validity extension program would bear the cost of and directly benefit from the proposed rules. Michigan investors would benefit from their investment professionals maintaining and expanding their knowledge of the securities industry by completing continuing education as well.

**B. What additional costs will be imposed on businesses and other groups as a result of these proposed rules (i.e. new equipment, supplies, labor, accounting, or recordkeeping)? Please identify the types and number of businesses and groups. Be sure to quantify how each entity will be affected.**

No additional costs beyond the cost of signing up for the program and completing and reporting continuing education would result from the proposed rules.

**27. Estimate the actual statewide compliance costs of the proposed rules on individuals (regulated individuals or the public). Include the costs of education, training, application fees, examination fees, license fees, new equipment, supplies, labor, accounting, or recordkeeping.**

An individual would pay a \$35.00 sign-up fee and \$36.00 per year to report the credits that they take to extend the validity of an examination as a broker-dealer agent. Similarly, an investment adviser representative would pay a \$35.00 sign-up fee and \$36.00 per year to report the credits required to extend the validity of an examination.

Courses that qualify for continuing education credits vary in cost, including the availability of some free course credits.

**A. How many and what category of individuals will be affected by the rules?**

It is unclear how many individuals would choose to participate in the examination validity extension programs implemented by the proposed rules. FINRA noted in an October 3, 2023 News Release that nearly 20,000 individuals had enrolled in its MQP program that proposed amendments to R 451.4.9 would complement. Bureau staff anticipates that many agents and investment adviser representatives would take advantage of the opportunity to extend their examination validity by participating in the programs implemented by the proposed rules.

**B. What qualitative and quantitative impact do the proposed changes in rules have on these individuals?**

The proposed rules would allow individuals to extend the validity of their qualification examinations for up to five years if they complete continuing education relevant to their registration category or categories. This would allow individuals to step away from their careers for any number of reasons that life may present, to keep up with industry trends and requirements by completing and reporting continuing education, and to re-enter the industry without having to re-take the relevant qualification examination. This would benefit the individuals that choose to participate in the program by keeping up their competency in the securities industry and saving them from re-taking the examinations; additionally, it would benefit Michigan investors by helping their investment professionals stay informed about how to best serve them.

**28. Quantify any cost reductions to businesses, individuals, groups of individuals, or governmental units as a result of the proposed rules.**

Individuals that choose to participate in the program would save themselves the time and costs associated with studying for and re-taking relevant qualification examinations to become registered as broker-dealer agents or investment adviser representatives.

**29. Estimate the primary and direct benefits and any secondary or indirect benefits of the proposed rules. Please provide both quantitative and qualitative information, as well as your assumptions.**



The primary benefit of the proposed rules is to allow broker-dealer agents and investment adviser representatives to complete continuing education to extend the validity of their qualification examinations while not employed by a firm. This benefits the individual investment professionals by saving them from having to retake their examinations when they re-enter the industry within five years, and benefits Michigan investors by ensuring that the professionals they work with are qualified to provide competent investment services. Additionally, since broker-dealer agents generally must also be registered with FINRA under its MQP program, adoption of the amendments to R 451.4.9 would harmonize Michigan's rules on the topic with those enforced by FINRA, maximizing regulatory consistency.

**30. Explain how the proposed rules will impact business growth and job creation (or elimination) in Michigan.**

Promulgation of the proposed rules would remove a barrier to re-entry to the securities industry for individuals that choose to maintain their examination validity and ease the process of becoming registered again. By removing barriers to becoming registered and getting employed with a broker-dealer or investment adviser, the rules would help to improve job creation in Michigan.

**31. Identify any individuals or businesses who will be disproportionately affected by the rules as a result of their industrial sector, segment of the public, business size, or geographic location.**

The proposed rules would affect broker-dealers, broker-dealer agents, investment advisers, federal covered investment advisers, investment adviser representatives, and Michigan investors that rely on these investment firms and professionals.

**32. Identify the sources the agency relied upon in compiling the regulatory impact statement, including the methodology utilized in determining the existence and extent of the impact of the proposed rules and a cost-benefit analysis of the proposed rules.**

The Bureau relied on information from FINRA related to its MQP program which is available online at: <https://www.finra.org/registration-exams-ce/continuing-education/CE-transformation/mqp>.

The Bureau also relied on information from NASAA related to its administration of the Examination Validity Extension Program which is available online at: <https://www.nasaa.org/exams/exam-validity-extension-program/evpe-overview/>.

**A. How were estimates made, and what were your assumptions? Include internal and external sources, published reports, information provided by associations or organizations, etc., that demonstrate a need for the proposed rules.**

Estimates were not made because it is unknown how many individuals might take advantage of the opportunity to voluntarily extend the validity of their qualification examinations by signing up for the programs implemented by the proposed rules. As noted, FINRA reported that nearly 20,000 individuals nationwide have signed up for MQP; as a result, Bureau staff believes that the program would garner interest in Michigan as well.

## **Alternative to Regulation**

**33. Identify any reasonable alternatives to the proposed rules that would achieve the same or similar goals.**

One reasonable alternative is to leave in place the status quo, wherein examination validity for broker-dealer agents and investment adviser representatives expires two years after the individual leaves employment in the industry. The individual would then be required to re-take the relevant examination in order to re-enter the industry after two years. This will still be the case for individuals that do not rely on an examination validity extension program implemented by the proposed rules; however, Bureau staff believes that many individuals will choose to enroll in the programs implemented by the proposed rules to avoid having to re-take the relevant qualification examinations again in the future.

**A. Please include any statutory amendments that may be necessary to achieve such alternatives.**

No statutory amendments would be required to achieve the alternative discussed above.

**34. Discuss the feasibility of establishing a regulatory program similar to that proposed in the rules that would operate through private market-based mechanisms. Please include a discussion of private market-based systems utilized by other states.**

FINRA and NASAA are both not-for-profit entities with which state securities regulators collaborate and coordinate to implement various regulatory programs, which would include implementation of the examination validity extension programs. NASAA and FINRA operate the programs implemented by the proposed rules.

Bureau staff is not aware of a private market-based system utilized in any other state; however, Minnesota has already adopted the NASAA model rule that is the basis for amendments to R 451.4.9.

**35. Discuss all significant alternatives the agency considered during rule development and why they were not incorporated into the rules. This section should include ideas considered both during internal discussions and discussions with stakeholders, affected parties, or advisory groups.**

The Bureau did not consider significant alternatives during the development of the proposed rules, so no such alternatives could be incorporated into the proposed rules.

Bureau staff notes that during the NASAA public comment periods for the model rules which are the bases for the proposed rules, significant public support was provided by industry groups and consumer protection groups alike. The model rule proposals were broadly popular, and Bureau staff believes that adoption in Michigan would be similarly welcomed.

### **Additional Information**

**36. As required by MCL 24.245b(1)(c), please describe any instructions regarding the method of complying with the rules, if applicable.**

Broker-dealer agents and investment adviser representatives would need to sign up for the relevant examination extension program or programs with NASAA according to instructions on the NASAA webpage, [www.nasaa.org](http://www.nasaa.org). Thereafter, the individual would need to complete and report relevant approved continuing education content for each year that the individual wishes to extend examination validity, for up to five years.

Individuals are not required to participate in the program and would not face adverse consequences if they elect not to participate. The only consequence would be needing to re-take relevant qualification examinations should the examination's validity expire before the individual re-enters the securities industry.