

**Michigan Office of Administrative Hearings and Rules**  
MOAHR-Rules@michigan.gov

**AGENCY REPORT TO THE  
JOINT COMMITTEE ON ADMINISTRATIVE RULES (JCAR)**

**1. Agency Information**

**Agency name:**

Licensing and Regulatory Affairs

**Division/Bureau/Office:**

Corporations, Securities, & Commercial Licensing

**Name of person completing this form:**

Mitchell Page

**Phone number of person completing this form:**

517-241-6659

**E-mail of person completing this form:**

PageM6@michigan.gov

**Name of Department Regulatory Affairs Officer reviewing this form:**

Elizabeth Arasim

**2. Rule Set Information**

**MOAHR assigned rule set number:**

2023-40 LR

**Title of proposed rule set:**

Securities

**3. Purpose for the proposed rules and background:**

The Corporations, Securities, and Commercial Licensing Bureau (CSCL) proposes to amend the Securities Rules (Rule 451.1.1 - 451.6.2) to incorporate model rules adopted by the North American Securities Administrators Association (NASAA) in 2022 and 2023. The model rules extend the validity of qualifications examinations for certain individuals registered under the Michigan Uniform Securities Act (MUSA) if they enroll in a program administered by the Financial Industry Regulatory Authority (FINRA) and/or NASAA, and complete continuing education applicable to their registration categories.

The two MUSA registration categories at issue are agents who effect securities transactions and register pursuant to MCL 451.2402, and investment adviser representatives (IAR or IARs) who advise clients about how to invest in securities and register pursuant to MCL 451.2404.

Agents generally must be registered with both a self-regulatory organization (often FINRA) and the states where they conduct business. In Michigan, agents must take and pass an examination or combination of examinations required by rule 451.4.9 to become registered.

IARs are generally only required to register with relevant state securities authorities where they do business, and in Michigan must take and pass an examination or combination of examinations

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required by rule 451.4.12.

Under the current rules 451.4.9 and 451.4.12 in Michigan, agents and IARs must have taken and passed relevant examinations no more than two years before the application for registration is filed with the administrator, unless the person qualifies for an examination waiver. For both agents and IARs, if the individual was registered in Michigan or another state with the same examination requirements within the two years prior to the application, then the individual is not required to comply with the examination requirements.

Under the current framework, an examination remains valid if the individual is registered with and employed by or associated with a broker-dealer (for an agent) or an investment adviser (for an IAR), and then for two years following termination of that employment. If the person re-applies for registration within two years of terminating prior employment, their examination will be considered valid; otherwise, they would need to re-take their relevant examinations or qualify for a waiver.

In March 2022, FINRA implemented its Maintaining Qualifications Program (MQP) to extend the validity of examinations for FINRA registration purposes from two years to five years under certain circumstances. By enrolling in the MQP and completing relevant continuing education each year, an agent's examinations will remain valid for five years without being employed by or associated with a broker-dealer, rather than two years without MQP participation. Where an agent does not successfully participate in MQP, their examination validity still expires two years after they terminate their employment with a broker-dealer.

In September 2022, NASAA promulgated a model rule available for state adoption to extend broker-dealer agent examination registration validity from two years to five under relevant state laws; a companion model rule made clear that MQP participation by an agent would not extend IAR examination validity. In April 2023, NASAA adopted another model rule to extend the validity of examinations for IARs who enroll in a NASAA-administered program and complete relevant continuing education.

Just like FINRA's MQP, the NASAA model rules do not eliminate the two-year validity of relevant examinations; rather, they provide an option for individuals to extend the validity to five years should the individual successfully participate in the relevant programs. Adoption of the NASAA model rules will align agent requirements with parallel FINRA requirements and ensure that IARs and agents are treated similarly in the examination validity space.

CSCL staff believes that adoption of these NASAA model rules extending examination validity for agents and IARs who successfully participate is beneficial for members of industry and for investors alike. Agents and IARs may leave employment with their firms for any number of reasons, including business reorganizations, career changes, and life events like caring for children or elderly parents, or pursuing additional education. Doing so for more than two years would require the person to retake their qualification examinations before re-associating with a broker-dealer or investment adviser to prove their knowledge of industry requirements. However, if the individual is incentivized to maintain their knowledge of industry standards, products, practices, and ethics during their disassociated period through approved and documented continuing education, then the investor protection concern is reduced, and the burden on the investment professional is minimized as well.

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Incorporation of these new NASAA model rules would involve amendments to Rule 451.4.9 and Rule 451.4.12, along with the addition of a new Rule 451.4.30.

### **4. Summary of proposed rules:**

The proposed rules incorporate model rules adopted by the North American Securities Administrators Association (NASAA) in 2022 and 2023 that extend the validity of qualifications examinations for certain individuals registered under the Michigan Uniform Securities Act (MUSA) if they enroll in a program administered by the Financial Industry Regulatory Authority (FINRA) and/or NASAA, and complete continuing education applicable to their registration categories. The rules would incentivize individuals to maintain their knowledge of industry standards, products, practices, and ethics during their disassociated period through approved and documented continuing education.

### **5. List names of newspapers in which the notice of public hearing was published and publication dates:**

The Ann Arbor News – April 14, 2024

The Grand Rapids Press – April 14, 2024

The Marquette Mining Journal – April 15, 2024

### **6. Date of publication of rules and notice of public hearing in Michigan Register:**

4/15/2024

### **7. Date, time, and location of public hearing:**

4/25/2024 11:00 AM at Sun Room , 2407 N Grand River Ave, Lansing, MI 48906

### **8. Provide the link the agency used to post the regulatory impact statement and cost-benefit analysis on its website:**

<https://ARS.apps.lara.state.mi.us/Transaction/RFRTransaction?TransactionID=1467>

### **9. List of the name and title of agency representative(s) who attended the public hearing:**

Stephen Brey (LARA)

Mitchell Page (LARA)

### **10. Persons submitting comments of support:**

No comments of support were submitted.

### **11. Persons submitting comments of opposition:**

No comments of opposition were submitted.

### **12. Persons submitting other comments:**

No other comments were submitted.

### **13. Identify any changes made to the proposed rules based on comments received during the public comment period:**

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	<b>Name &amp; Organization</b>	<b>Comments made at public hearing</b>	<b>Written Comments</b>	<b>Agency Rationale for Rule Change and Description of Change(s) Made</b>	<b>Rule number &amp; citation changed</b>
1					

**14.Date report completed:**

6/11/2024