

Special Notice

2023 Election Process Overview

April 25, 2023

Summary

FINRA conducts annual elections to fill positions on the Small Firm Advisory Committee (SFAC), Regional Committees, National Adjudicatory Council (NAC) and FINRA Board of Governors (Board). This *Notice* provides:

- ▶ a description of responsibilities for the various groups;
- ▶ an overview of each elected vacancy to be filled in 2023; and
- ▶ a summary of how eligible individuals can become candidates for election.

FINRA will issue an *Election Notice* describing the nomination and election procedures for each specific election at the start of each election cycle. Individuals interested in being considered for nomination to positions on the Regional Committees, SFAC, NAC or Board may submit an indication of interest through FINRA's online [Engagement Portal](#). A summary of the seats up for election in 2023 is contained in the Attachment.

FINRA is committed to promoting opportunities for a diversity of views and backgrounds on its committees. FINRA encourages those with diverse backgrounds and perspectives to consider running for the vacancies discussed in this *Notice*.

Questions concerning this *Notice* may be directed to:

- ▶ Jennifer Piorko Mitchell, Vice President and Deputy Corporate Secretary, at (202) 728-8949 or Jennifer.PiorkoMitchell@finra.org; or
- ▶ Kayte Toczykowski, Vice President, Member Relations and Education, at (215) 209-7087 or Kayte.Toczykowski@finra.org.

Background

FINRA is dedicated to protecting investors and safeguarding market integrity in a manner that facilitates vibrant capital markets. It engages with member firms, investors and other stakeholders in a variety of ways to cultivate a deep expertise in the securities industry to ensure that the markets work for everyone.

Suggested Routing

- ▶ Executive Representatives
- ▶ Senior Management

Due to its structure as a self-regulatory organization, FINRA consults with industry members and stakeholders directly in its deliberations and thus benefits from expertise on relevant matters, such as the different business models of firms and how they operate in practice, the complex and rapidly evolving securities markets in which they trade and the concerns of the wide range of investors they serve. FINRA accomplishes some of this interaction through feedback from its members and stakeholders serving on its various committees and the Board. Some members on these bodies are appointed and others are elected; this *Notice* provides an overview of the vacancies for elected positions in 2023.

Small Firm Advisory Committee (SFAC)

The [SFAC](#) is an advisory committee that provides guidance to FINRA staff, particularly regarding the potential effects of proposed regulatory initiatives on FINRA's small firms. The SFAC also ensures that issues of particular interest and concern to small firms are effectively communicated to and considered by the Board, including by reviewing and commenting on all new and amended FINRA rule proposals.

The SFAC meets primarily in person typically four times per year in advance of each Board meeting.

SFAC Composition

The SFAC comprises 10 members—five regional members elected by small firms¹ (one from each FINRA region) and five at-large members appointed by FINRA. Additionally, the Board's Small Firm Governors serve as *ex-officio*, non-voting members of the SFAC. SFAC members serve three-year terms. Once an individual has completed a full three-year elected term, he or she is ineligible to run for re-election for another three years.

The five elected regional members represent the following geographic regions:

- ▶ West Region (Districts 1 (San Francisco), 2 (Los Angeles) and 3 (Denver));
- ▶ Midwest Region (Districts 4 (Kansas City) and 8 (Chicago));
- ▶ South Region (Districts 5 (New Orleans), 6 (Dallas) and 7 (Atlanta and Boca Raton));
- ▶ North Region (Districts 9 (Philadelphia and Woodbridge) and 11 (Boston)); and
- ▶ New York Region (District 10 (Long Island and New York)).

2023 SFAC Vacancies

There are two elected seats to fill in 2023 for the **Midwest Region** and **South Region**. The term for these seats is January 2024 to December 2026.²

SFAC Member Eligibility and Election Process

Any senior member of a small firm is eligible to run for a regional seat on the SFAC representing the region in which his or her firm has its main office (as indicated in FINRA records). Senior members of firms include owners, chief executive officers, presidents, chief compliance officers, chief operating officers, the firm's FINOP or individuals of comparable status.

SFAC elections begin in early September when FINRA publishes an *Election Notice* announcing vacancies on the SFAC and soliciting candidate nominations. This *Election Notice* sets forth the procedures for individuals to have their name added to the ballot.

Eligible candidates self-nominate by submitting to FINRA's Corporate Secretary a completed candidate profile form that includes basic information about the candidate, and a biography and personal statement section for voters to learn more about the candidate.

Individuals who meet the eligibility requirements will be certified as candidates and included on the ballot. Ballots are mailed in October to the executive representatives of firms eligible to vote in the election, with the voting period concluding in November. Elected SFAC members' terms begin the following January.

Regional Committees

FINRA [Regional Committee](#) members generally meet twice per year primarily in person and serve an important role in the self-regulatory process by, among other things:

- ▶ serving on disciplinary panels in accordance with FINRA rules;
- ▶ alerting FINRA to industry trends that could present regulatory concerns; and
- ▶ consulting with FINRA on proposed policies and rule changes.

In addition, serving on Regional Committees allows members to interact with firms from their region, FINRA staff and many of FINRA's senior executives. Regional Committee members also are often involved in FINRA's conferences and events as panelists, sharing industry knowledge and best practices with peers and regulators.

Regional Committee Composition

FINRA has five Regional Committees representing the geographical regions listed above, each comprising six elected members from each district within that committee's region, with the exception of the New York Region (its 12 members are all based in one district, District 10). Regional Committee members serve three-year terms beginning in January following their election. There is no limit on the number of terms that a Regional Committee member may serve, except that he or she may serve no more than two full terms consecutively.

2023 Regional Committee Vacancies

The Regional Committees' 2023 vacancies are as follows:

- ▶ West Region: Six Vacancies (2 seats each in Districts 1, 2 and 3)
- ▶ Midwest Region: Four Vacancies (2 seats each in Districts 4 and 8)
- ▶ South Region: Six Vacancies (2 seats each in Districts 5, 6 and 7)
- ▶ North Region: Four Vacancies (2 seats each in Districts 9 and 11)
- ▶ New York Region: Four Vacancies (all seats in District 10)

Regional Committee Member Eligibility and Election Process

The district-level Regional Committee elections begin with a call for candidate nominations in September of each year, when FINRA publishes an *Election Notice* listing the coming year's vacancies for each of FINRA's five Regional Committees. Eligible candidates self-nominate by submitting to FINRA's Corporate Secretary a completed candidate profile form that includes basic information about the candidate, and a biography and personal statement section where voters can learn more about the candidate.

To be eligible to run for election to a Regional Committee, individuals must:

1. be associated with a FINRA member firm eligible to vote in the FINRA district-level elections for the Regional Committees and registered with the FINRA member firm in the capacity of a branch manager or principal or denoted as a corporate officer of the firm; and
2. work for a FINRA member firm headquartered within the district the member will be representing on the Regional Committee (the individual must be working at the member firm's headquarters location).³

All candidates who submit their names and meet the eligibility qualifications will be certified as candidates. Ballots are mailed in October to the executive representatives of firms eligible to vote in the election, with the voting period concluding in November. Elected Regional Committee members' terms begin the following January.

National Adjudicatory Council (NAC)

The [NAC](#) is an adjudicatory body that reviews all disciplinary decisions issued by FINRA hearing panels and presides over disciplinary matters that have been appealed to or called for review by the NAC. The NAC also reviews statutory disqualification matters, considers appeals of membership proceedings, considers appeals of requests for exemptions and acts in other proceedings as set forth in the Code of Procedure. In addition, FINRA consults with the NAC on rule proposals related to the disciplinary process and recommended changes to the Sanction Guidelines, which address disciplinary fines and sanctions.

The NAC meets primarily in person four times per year; in addition to attending the meetings, NAC members will also be requested to serve on appeals, which involves reading the record of the case and attending oral argument, and to participate in several conference calls to handle NAC matters.

NAC Composition

The NAC comprises 15 members—seven industry members and eight non-industry members. The seven industry members of the NAC include two at-large industry members and the following elected seats: two small firm seats, one mid-size firm seat, and two large firm seats.⁴ Of the eight non-industry NAC members, at least three are public members. NAC members serve single four-year terms beginning the January following their appointment. If a NAC member is appointed to fill a vacancy for a term of less than one year, the NAC member may serve a single four-year term following the expiration of the member's initial term.

2023 NAC Vacancies

There are two elected positions to fill in 2023—one mid-size firm seat and one large firm seat. Each newly elected NAC member will serve a four-year term beginning in January following his or her election.⁵

NAC Member Candidate Eligibility

The Board's Nominating & Governance Committee (Nominating Committee) nominates candidates to run for election or appointment to seats on the NAC.⁶ Individuals may also petition to become candidates for the five elected NAC seats designated by firm size category. Industry members of the NAC are generally individuals associated with a broker-dealer as an employee, officer, director or controlling person.⁷ In addition, individuals who own more than five percent of the equity securities of a broker-dealer, or provide professional services to a broker-dealer or SRO, may also only be eligible for an industry member seat.⁸

To be considered for nomination by the Nominating Committee as a FINRA candidate, interested persons should submit an indication of interest through FINRA's online [Engagement Portal](#).

NAC Election Process

The NAC election cycle begins in August when FINRA publishes an *Election Notice* announcing the upcoming vacancies and Nominating Committee's nominees to fill the vacancies, and describes the process by which eligible individuals who were not nominated may petition to be included as a candidate during the 45-day petition period.

At the close of the petition period, the Corporate Secretary reviews all submitted petitions and certifies candidates who submitted the required number of petitions in support of their candidacy. Petition candidates are included on the ballot, along with the Nominating Committee's nominees, which is mailed to firms in September or October. The voting period concludes in November. The newly elected NAC member's term begins the following January.

Board of Governors

The Board is the governing body of the corporation and is responsible for overseeing management in the administration of FINRA's affairs and the promotion of FINRA's welfare, objectives and purposes. The Board meets primarily in-person five times per year; the Board also occasionally has off-cycle virtual meetings.

Board Composition

The Board consists of 22 members, comprising 11 public governors and 10 industry governors and one seat reserved for FINRA's CEO. The 10 industry governors include three appointed governors—the Floor Member Governor⁹, an Independent Dealer/ Insurance Affiliate Governor¹⁰ and an Investment Company Affiliate Governor¹¹; and seven elected governors—three small firm governors, one mid-size firm governor and three large firm governors.

The Nominating Committee nominates candidates to run for election or appointment to all seats on the Board.¹² Individuals may also petition to become candidates for the seven elected governor seats on the Board designated by firm size category. To be eligible to serve as an elected small firm, mid-size firm or large firm governor, individuals must be registered with a member firm in that firm size category.¹³

These governors are elected for three-year terms by the firms eligible to vote for that category of governorship, and generally may not serve more than two consecutive terms.¹⁴

2023 Board Vacancies

There are two elected seats to fill in 2023: **one small firm seat** and **one large firm seat**. The term for these seats begins at FINRA's Annual Meeting in September 2023 and ends at the Annual Meeting in 2026.

Individuals interested in being considered for nomination for any of these positions may submit an indication of interest through FINRA's online [Engagement Portal](#).

Board Election Process

The annual Board election begins in May with the issuance of an *Election Notice* that announces the upcoming vacancies on the Board and the Nominating Committee's nominees to fill the vacancies, and describes the process by which eligible individuals who were not nominated may petition to be included as a candidate during the 45-day petition period.

At the close of the petition period, the Corporate Secretary reviews any submitted petitions and certifies all candidates who submitted the requisite number of petitions in support of their candidacy. Petition candidates are included on the proxy, along with any FINRA-nominated candidates, and the election begins in early August. The voting period concludes at FINRA's Annual Meeting in early September, and the newly elected Board members' terms begin immediately following the Annual Meeting.

Attachment

Seats up for Election in 2023

	FINRA Board	NAC	Regional Committees	SFAC
Elected Seat Vacancies in 2023	<ul style="list-style-type: none"> • One small firm seat • One large firm seat 	<ul style="list-style-type: none"> • One mid-size firm seat • One large firm seat 	<ul style="list-style-type: none"> • West Region: 6 Vacancies (2 seats each in Districts 1, 2 and 3) • Midwest Region: 4 Vacancies (2 seats each in Districts 4 and 8) • South Region: 6 Vacancies (2 seats each in Districts 5, 6 and 7) • North Region: 4 Vacancies (2 seats each in Districts 9 and 11) • New York Region: 4 Vacancies (4 seats in District 10) 	<ul style="list-style-type: none"> • One Midwest Region seat • One South Region seat
Term Length	3-year terms 2 consecutive terms limit	4-year terms 1 term limit	3-year terms 2 consecutive terms limit	3-year terms 1 term limit (eligible to run again three years after term ends)
Timing	Nominees and petition procedures announced in May; election begins in August and concludes in September.	Nominees and petition procedures announced in August; election begins in September or October and concludes in November.	Self-nomination procedures announced in September; election begins in October and concludes in November.	Self-nomination procedures announced in September; election begins in October and concludes in November.
How to Become a Nominee for an elected Position	Nomination by the FINRA Nominating Committee or Submit the requisite number of valid petitions in support of your nomination by the petition due date.	Nomination by the FINRA Nominating Committee or Submit the requisite number of valid petitions in support of your nomination by the petition due date.	Every individual who submits a Candidate Profile Form and meets the eligibility requirements will be included on the ballot.	Every individual who submits a Candidate Profile Form and meets the eligibility requirements will be included on the ballot.
Firm Voting Eligibility	Firms are eligible to vote for one of the candidates running for a seat in the same size category as their own firm.	Firms are eligible to vote for one of the candidates running for a seat in the same size category as their own firm.	Firms are eligible to vote for candidates running for the seat on the Regional Committee corresponding to the district in which the firm is headquartered.	FINRA small firms are eligible to vote for candidates running for the SFAC seat representing the region corresponding to the district to which they are assigned in CRD.

Endnotes

1. A small firm employs at least one and no more than 150 registered persons. *See* FINRA By-Laws, Article I(ww).
2. In addition to the upcoming two SFAC elected vacancies, there will be two appointed at-large seat vacancies in 2023.
3. A FINRA member is headquartered where it designates its main address on the member's Form BD. *See* FINRA Regulation By-Laws, Article VIII, Sec. 8.2(a)(2).
4. FINRA Regulation By-Laws, Article V, Sec. 5.2(a).
5. In addition to the two NAC elected vacancies, there will be two appointed vacancies in 2023: one non-industry appointed seat and one at-large industry appointed seat.
6. FINRA Regulation By-Laws, Article V, Sec. 5.3.
7. FINRA Regulation By-Laws, Article I(w). To be eligible to serve as an elected small firm, mid-size firm or large-firm member, individuals must also be registered with a member firm in that size category. FINRA Regulation By-Laws, Article I(kk), (aa), (y).
8. FINRA Regulation By-Laws, Article I(w).
9. FINRA By-Laws, Article I(n).
10. FINRA By-Laws, Article I(r).
11. FINRA By-Laws, Article I(w).
12. In addition, FINRA's 11 public governors are appointed by the Board from candidates nominated by the Nominating Committee.
13. FINRA By-Laws, Article I(xx), (dd), and (z).
14. If a governor is elected to fill a vacancy for a term of less than one year, the governor may serve up to two consecutive terms after the expiration of the governor's initial term.