

BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO. S-23-0012
ORDER NO. S-23-0012-23-OR01

IN THE MATTER OF:

STEPHENS INC.

**ORDER GRANTING DISCRETIONARY WAIVER PURSUANT TO RULE 302.02(m)(7)
OF THE RULES OF THE ARKANSAS SECURITIES COMMISSIONER**

This Order is entered pursuant to the Arkansas Securities Act, Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”), the Rules of the Arkansas Securities Commissioner (“Rules”) promulgated under the Act, and the Arkansas Administrative Procedures Act, Ark. Code Ann. §§ 25-15-201 through 25-15-220.

FINDINGS OF FACT

1. Stephens Inc. (“Stephens”), CRD number 3496, is registered as a broker-dealer and investment adviser with the United States Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority (“FINRA”). Stephens is registered as a broker-dealer and notice filed as an investment adviser with the Arkansas Securities Department (“Department”), with its principal office location in Little Rock, Arkansas.
2. Stephens has petitioned the Arkansas Securities Commissioner (“Commissioner”) for a discretionary waiver pursuant to Rule 302.02(m)(7). The petition (“Petition”) requests a waiver of the investment adviser representative (“IAR”) continuing education requirements of Rule 302.02(m)(1)(A) as applied to Stephens research analysts and associates who are required to maintain the FINRA Representative-level Series 86 and 87 Research Analyst qualification exams and who are registered as IARs.

3. Stephens set forth the following facts to support its Petition for a waiver:
 - a. Stephens research analysts and associates are primarily responsible for the preparation of generic equity research reports. Stephens research analysts and associates do not provide individualized or bespoke research services or advice.
 - b. In accordance with FINRA Rules and state securities laws, Stephens research analysts and associates maintain the following qualifications (or their permissible equivalents): Securities Industry Essentials (SIE) Exam, Series 7 (General Securities Representative Exam), Series 63 (Uniform Securities Agent State Law Exam), and Series 86 and 87 (Research Analyst Exams). In addition, Stephens research analysts and associates are required by internal policy to maintain their Series 65 (Uniform Investment Adviser Law Exam) or Series 66 (Uniform Combined State Law Exam) IAR qualification exams, or a professional designation allowing the IAR qualification in lieu of the Series 65 or 66, as a result of the European Union's Markets in Financial Instruments Directive II ("MiFID II").
 - c. Stephens research analysts and associates affected by this Order are registered as broker-dealer agents ("Agents") and IARs in Arkansas with the Department. Stephens research analysts and associates are registered as IARs solely to avoid adverse business consequences resulting from the imposition of MiFID II on its clients, not to act as IARs in the traditional sense. Stephens research analysts and associates do not have access to client accounts, do not have the authority to trade in client accounts or make decisions related to client funds, and do not maintain custody of client funds. Stephens research analysts and associates do not communicate with retail clients,

unless accompanied by an IAR subject to the continuing education requirements of Rule 302.02(m).

- d. Stephens research analysts and associates registered as IARs must complete no fewer than two trainings annually in addition to the mandatory FINRA Firm Element and Regulatory Element continuing education programs. The training topics are narrowly tailored to issues relevant to research analysts and associates, including, but not limited to, identifying and escalating exposure to material nonpublic information, insider trading, and selective dissemination of confidential research analyst work product. These trainings are designed to ensure that Stephens research analysts and associates maintain the competency necessary to perform their job duties.

LEGAL AUTHORITY AND CONCLUSIONS OF LAW

4. Ark. Code Ann. § 23-42-302 sets forth the application renewal registration procedures for Department registrants, including investment advisers and IARs. Specifically, Ark. Code Ann. § 23-42-302(b) and (c) provide that the Commissioner may by rule set forth the form and content of the application and establish a procedure for renewal registration or initial registration, and states that the application shall contain whatever information the Commissioner by rule requires.
5. Rule 302.02 sets forth the form and content of applications and renewal registrations for investment advisers and IARs, pursuant to Ark. Code Ann. § 23-42-302(b) and (c).

6. Rule 302.02(m) specifies the IAR continuing education requirements for IAR applications and renewal registrations with the Department.
 - a. Rule 302.02(m)(1)(A) requires IARs to complete six (6) credits of IAR Regulatory and Ethics Content offered by an Authorized Provider, with at least three (3) hours covering the topic of ethics.
 - b. Rule 302.02(m)(1)(B) requires IARs to complete six (6) credits of IAR Products and Practice Content offered by an Authorized Provider.
 - c. Rule 302.02(m)(2) provides, in part, that IARs who are also registered as Agents of a FINRA member broker-dealer and who comply with FINRA's continuing education requirements are considered to be in compliance with Rule 302.02(m)(1)(B), IAR Products and Practice Requirement, for each applicable Reporting Period, which pursuant to Rule 302.02(m)(10) means one twelve-month period beginning on January 1 each year.
7. Stephens research analysts and associates are registered as Agents and IARs with the Department. Stephens is registered as a broker-dealer and notice filed as an investment adviser with the Department and is a FINRA member broker-dealer. Accordingly, Stephens IARs, including its research analysts and associates, are required to comply with Rule 302.02(m)(1)(A), and are deemed to be in compliance with Rule 302.02(m)(1)(B) as long as they meet FINRA's continuing education requirements, in order to complete the IAR continuing education requirements of Rule 302.02(m).
8. Rule 302.02(m)(7) allows the Commissioner, in their discretion, to waive any requirements of Rule 302.02(m).

OPINION

Pursuant to the Petition by Stephens, Stephens research analysts and associates do not provide individualized or bespoke research services or advice and receive no fewer than two annual trainings narrowly-tailored to issues relevant to research analysts and associates, in addition to the mandatory FINRA Firm Element and Regulatory Element continuing education programs. Accordingly, the intent of Rule 302.02(m) is not achieved as applied to Stephens research analysts and associates registered as IARs in Arkansas, and a waiver is granted. This waiver shall not apply to Stephens IARs who do not hold the qualifications described herein.

ORDER

IT IS HEREBY ORDERED that the requirements of Rule 302.02(m)(1)(A) are waived as applied to Stephens research analysts and associates, as described herein, required to maintain registrations as research analyst IARs in Arkansas in order to comply with MiFID II and who remain in good standing with the Department considering all material facts relating to their qualifications and registrations.

Pursuant to this Order, Stephens will provide a list of its research analysts and associates affected by this waiver to the Department by December 1 of each calendar year beginning in 2023.

This Order shall remain in effect until modified or vacated by the Commissioner.



J. Campbell McLaurin
Arkansas Securities Commissioner

July 25, 2023

Date

ACKNOWLEDGED BY:

Donald L. Chaney
SVP Chief Compliance Officer
Stephens Inc.

Date

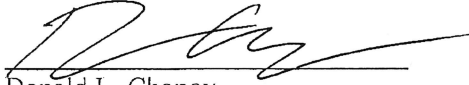
Amber E. Crouch

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General Counsel
Arkansas Securities Department

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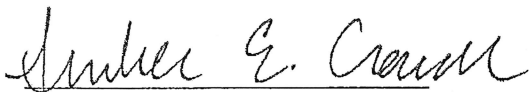
Date

ACKNOWLEDGED BY:



Donald L. Chaney
SVP Chief Compliance Officer
Stephens Inc.

07/25/2023
Date



Amber E. Crouch
General Counsel
Arkansas Securities Department

July 25 2023
Date