Does Continuing Education Deter Misconduct? Evidence from Investment Advisers[*]

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July 2025

Abstract

This study examines whether continuing education (CE) requirements deter investment adviser misconduct. Regulators often impose CE requirements to ensure professional service quality and protect clients from bad actors. Although CE requirements are widely used, causing firms to spend billions of dollars on CE each year, little is known about the effectiveness of CE. We exploit the staggered implementation of CE requirements by the North American Securities Administrators Association (NASAA) to examine the impact of CE. While we do not find evidence that CE requirements impact average investment advisers, we find that CE requirements significantly reduce misconduct among high-risk advisers. This reduction in misconduct is concentrated in rules-based misconduct. We also find that CE requirements remain effective within firm environments prone to misconduct. These findings suggest that CE can serve as an effective regulatory tool to discipline bad actors in financial markets and should interest regulators who are concerned with maintaining professional competency through continuing education requirements.

Keywords: continuing education, investment advisers, misconduct

[*] We thank Jesse Chan, Braiden Coleman, Tom Hagenberg, Eric Holzman, Ken Merkley, Brian Miller (Discussant), Joe Schroeder, Diana Weng, Ben Whipple, Celim Yildizhan (Discussant), and seminar participants at the University of Georgia, the 2025 Hawai'i Accounting Research Conference, the 2025 Mediterranean Accounting Conference, and the Emerging Scholars Brownbag Series for helpful comments and suggestions.

I. Introduction

In accounting and financial services, lapses in judgment or outdated knowledge by licensed professionals can result in significant harm to clients and firms. For example, in the investment advisory industry, the average alleged harm from such behavior is $280,000, substantially reducing a client's net worth (Charoenwong et al., 2019). To ensure service quality and protect clients from bad actors, regulators impose education and exam requirements before obtaining occupational license and continuing education (CE) requirements after obtaining an occupational license. Prior studies examine the effectiveness of one-time, pre-licensure education and exam requirements (Kowaleski et al., 2020; Barrios, 2022a). However, despite the widespread usage of CE requirements, which cost firms $61 billion in 2022, little is known about the effectiveness of these ongoing, post-licensure obligations that span a professional's career (Arizton, 2023). This study examines whether CE requirements reduce the likelihood of investment adviser misconduct, a critical detriment to service quality often perpetuated by bad actors.

The investment advisory industry provides a unique opportunity to examine the effectiveness of CE. A primary challenge in examining the effect of CE requirements is that all licensed professionals are obligated to satisfy the requirements, making it difficult to identify a counterfactual group (i.e., licensed professionals who do not have CE requirements). We overcome this challenge by exploiting the implementation of the Investment Adviser Representative (IAR) Continuing Education program, introduced by the North American Securities Administrators Association (NASAA). In 2020, the NASAA announced CE requirements for investment advisers, leaving the adoption of this requirement to the discretion of each state (NASAA, 2020b). This led to a staggered implementation of CE requirements in each adopting state. Consequently, this setting enables us to identify IARs subject to CE requirements and those who are not, allowing us to examine the impact of CE requirements on misconduct.

Investment adviser CE requirements can reduce the likelihood of misconduct for two reasons.[1] First, CE requirements can enhance individuals' knowledge of the industry and changes in the rules, enhancing their productivity and competency, and in turn, reduce the need to commit misconduct (the knowledge channel) (Becker, 1962). In other words, as professionals enhance their knowledge, the opportunity cost of committing misconduct also increases, thus reducing the likelihood of misconduct. Second, the ethical component of CE requirements can alter individuals' perceptions of misconduct, reducing the likelihood of unethical behavior (the ethics channel) (Becker, 1968; Warren et al., 2014; Kowaleski et al., 2020). Through these channels, CE requirements can reinforce both technical expertise and ethical standards of investment advisers, ultimately reducing the likelihood of misconduct.

While CE requirements can reduce misconduct among average investment advisers, the impact is likely stronger for bad actors, particularly those with prior misconduct and those with more experience. Advisers with prior misconduct are five times more likely to commit misconduct relative to the average adviser (Egan et al., 2019). Therefore, investment advisers with prior misconduct may have weaker or outdated knowledge of regulatory standards. These advisers may also have lower ethical standards than the average investment adviser. By keeping advisers with prior misconduct up-to-date and reminding them of their ethical duty, CE requirements could reduce the likelihood of misconduct for these advisers.

In addition, more years of experience is negatively associated with service quality, and more experienced advisers have more opportunities to commit misconduct (e.g., Carey and

[1] The IAR CE requirements consist of 12 credit hours and are designed to ensure ongoing knowledge and competency on (1) subjects related to investment products, strategies, standards, and compliance practices relevant to the investment advisory industry (Products and Practices component), and (2) subjects related to investment adviser representatives' duties and obligations to his/her clients including, but not limited to, issues related to fiduciary duty owed to each client (Ethics and Professional Responsibility component). Investment advisers registered in adopting states are required to complete these CE requirements annually, and failure to comply results in the loss of state registration (NASAA, 2021).

Simnett, 2006; Egan et al., 2019). Because more experienced advisers are farther removed from license exams, they are likely more susceptible to knowledge gaps and rule changes. Further, more experienced advisers can become desensitized to ethical concerns and are generally less risk averse (Egan et al., 2019; Gervais and Thanassoulis, 2023). Thus, CE requirements can be particularly beneficial for these more experienced advisers by not only updating their regulatory knowledge but also reshaping their perception of misconduct through ethics education.

However, CE requirements could have no impact on misconduct. Professionals may perceive continuing education as a compliance-driven experience in which the costs in terms of time and effort outweigh the benefits. This perceived costliness could lead professionals to take the continuing education requirements less seriously (Becker, 1962). In fact, recently, all Big 4 accounting firms have been found cheating on continuing education and training courses, raising concerns about the effectiveness of CE (e.g., SEC, 2019; SEC, 2022). Further, studies examining professionals outside of the financial markets, such as nurses and lawyers, provide little evidence supporting the effectiveness of CE for both rules-based compliance and ethical development, primarily due to the lack of active learning (e.g., Griscti and Jacono, 2006; Schein, 2020; Stenmark, 2025). If CE in the financial markets similarly lacks active learning, CE could have no impact on misconduct. Thus, whether CE requirements reduce the likelihood of investment adviser misconduct is an open question.

To address our research question, we use the SEC's Investment Adviser Public Disclosure (IAPD) and FINRA's BrokerCheck website as our primary data source. We obtain information about registered investment advisers, including employment history, qualifying exams, state licenses, office locations, and disciplinary events, to construct a balanced panel of investment

advisers from 2020 to 2023. We identify advisers subject to the CE requirements as those with an active state license in an adopting state.

Using a difference-in-differences design around the implementation of CE requirements, we do not find evidence of a difference between the misconduct rates of advisers who have CE requirements compared to advisers who do not have CE requirements. However, consistent with our expectation, we find that bad actors reduce misconduct after the implementation of CE requirements. Specifically, investment advisers with prior misconduct are about two times as likely to reduce misconduct relative to an increase in misconduct for advisers with prior misconduct who do not have CE requirements within the same firm-branch. Further, more experienced investment advisers who have CE requirements are about 5.7 times as likely to reduce misconduct relative to an increase in misconduct for more experienced advisers who do not have CE requirements within the same firm-branch. These results are robust to a variety of fixed effect specifications, such as state-year fixed effects, which help mitigate an alternative explanation that regulators in adopting states changed their regulatory practices after the implementation of CE requirements. Overall, the results suggest that CE requirements reduce misconduct among bad actors.

Next, we investigate why CE requirements affect the behavior of these bad actors. The knowledge channel suggests that the new educational training helps bad actors stay informed about rule changes and remain up to date with regulatory standards. Therefore, if the results are consistent with the knowledge channel, we would expect a reduction in misconduct related to rules violations. In addition, the ethics channel suggests that the perception of misconduct of the bad actors could have changed after the introduction of CE requirements. Thus, if the results are consistent with the ethics channel, we would expect a reduction in misconduct related to ethics violations. To examine these different channels, we separate misconduct into rules-based

misconduct and ethics-based misconduct (i.e., obvious misconduct), following Kowaleski et al. (2020). We find that the reduction in misconduct among bad actors is concentrated in rules-based misconduct. This suggests that CE requirements reduce misconduct by enhancing bad actors' awareness of rules and standards, supporting the knowledge channel.

In our main tests, we focus on advisers' individual characteristics in determining bad actors and assess how CE requirements influence their behavior, given that these requirements are targeted towards individuals. However, the firm environment can also impact an adviser's likelihood of misconduct. For instance, Egan et al. (2019) document the persistence of misconduct at the firm level, suggesting the prevalence of "bad firms" in the advisory market. Further, Dimmock et al. (2018) find that advisers can have a negative influence on one another. CE requirements may reduce the negative influence that coworkers have on one another, reducing misconduct. However, the negative influence could overcome the impact of CE, resulting in no change in misconduct. Motivated by this, we examine whether individual CE requirements interact with the firm environment. Specifically, we identify bad firms as firms that have a higher portion of advisers with prior misconduct and small firms. Small firms are more likely to have weaker controls and are less likely to discipline advisers for bad behavior (Dye, 1993; Gurun et al., 2021).

We find that, after the implementation of CE requirements, advisers with CE requirements at firms with prevalent misconduct are 18.4 percent less likely to commit misconduct relative to a decrease in misconduct for advisers who are not required to take CE courses within the same firm-branch. Further, we find advisers who are subject to CE requirements in small firms are about 1.8 times less likely to commit misconduct relative to an increase in misconduct for advisers who are not subject to CE requirements in small firms. These results suggest that CE requirements

effectively discipline adviser behavior, even in environments prone to misconduct, mitigating the negative influence that advisers can have on one another.

This study makes two contributions. First, we contribute to the literature on the intersection of education and occupational licensing (e.g., Barrios, 2022a; Shah 2025). Whereas prior studies focus on *ex-ante* education and testing requirements, our study focuses on continuing education requirements, which are imposed after a professional becomes licensed. To the best of our knowledge, our paper is the first archival study to examine how different components of continuing education requirements (i.e., rule-focused component and ethics-focused component) impact the behavior of individual licensed professionals in financial markets. We provide nuanced evidence on the effectiveness of CE requirements, showing that CE significantly reduces misconduct among high-risk advisers, even though their impact on average investment advisers is limited. Our findings highlight the role of continuing education in disciplining bad actors most prone to misconduct and should interest regulators focused on enhancing professional competency through continuing education. More specifically, we provide early evidence on the effectiveness of NASAA's IAR CE requirements, informing state regulators considering the adoption of this new rule.

Second, we contribute to the literature on investment adviser misconduct by showing that continuing education is an effective regulatory tool for reducing misconduct (Egan et al., 2019; Kowaleski et al., 2020; Honigsberg and Jacob, 2021; Sharma, 2025). Our results suggest that CE requirements primarily reduce rules-based violations among bad actors and in firm environments prone to misconduct. This directly complements Kowaleski et al. (2020), who find that pre-licensure exams are effective in curbing ethics-related misconduct, but are less impactful for high-risk individuals or those working in firms with pervasive misconduct. Together, these results

highlight the importance of both *ex-ante* and *ex-post* licensure requirements in ensuring the quality of professional service. While one-time pre-licensing exam requirements play a "priming" role in preparing the individuals to behave appropriately later (Kowaleski et al., 2020), ongoing reminders of rules changes throughout the professionals' careers are also crucial to reducing misconduct.

II. Background

2.1 Investment Adviser Continuing Education Requirements

Investment adviser representatives (IARs), or simply investment advisers, provide investors with access to the capital markets. Specifically, investment advisers offer investment advice to their clients through various channels such as in-person meetings, seminars, emails, or phone calls while maintaining a fiduciary duty. The investment advice includes financial planning and recommendations of different investment products for a fee. State securities regulators oversee all individual investment advisers, ensuring compliance with laws and regulations, and enforcing actions in cases of violations. State securities regulators also oversee investment adviser firms with less than $100 million assets under management (AUM). Those firms with over $100 million in AUM are under the oversight of the Securities and Exchange Commission (SEC).

The SEC discloses important information related to individual investment advisers and investment adviser firms via its Investment Adviser Public Disclosure (IAPD) and FINRA's BrokerCheck websites. The information includes (1) the adviser's registrations, licenses, and industry exams he or she passed, (2) the adviser's employment history, including the office location, in the financial service industry, and (3) any disclosures filed, including information about customer disputes, disciplinary events, and other financial matters. This information is gathered from data submitted by advisers, firms, and regulators.

The North American Securities Administrators Association (NASAA) is an important organization participating in the oversight of the investment advisory industry. The NASAA was formed by a voluntary association of securities regulators from the United States, Canada, and Mexico. Members of the NASAA include 68 state, provincial, and territorial securities administrators from all 50 states, the District of Columbia, the US Virgin Islands, Puerto Rico, Guam, Canada, and Mexico. The mission of NASAA is to protect investors from fraud, conduct investor education, support responsible capital formation, and help ensure the integrity and efficiency of financial markets.

In 2020, as part of their mission, the NASAA announced the adoption of a model rule for continuing education. The model rule is composed of a Products and Practices component and an Ethics and Professional Responsibility component. The CE requirements are designed to ensure ongoing knowledge and competency on (1) subjects related to investment products, strategies, standards, and compliance practices relevant to the investment advisory industry (Products and Practices component), and (2) subjects related to investment adviser representatives' duties and obligations to his/her clients including, but not limited to, issues related to fiduciary duty owed to each client (Ethics and Professional Responsibility component) (NASAA, 2021). An investment adviser must complete six credits of the Products and Practices component and six credits of the Ethics and Professional Responsibility component. Examples of the continuing education courses for each component are in Appendix A.

Each member state has the discretion over whether and when to implement the model rule. As such, some member states adopted the CE requirements, while other states did not.[2] Among

[2] Press releases and policy statements suggest two factors influencing differences in adoption: (1) state regulators' preferences and (2) the costs associated with implementing CE requirements. Notably, state regulators of Maryland and Vermont played pivotal roles in developing the NASAA CE model rule and were among the first three states to adopt the requirement (NASAA, 2022). Additionally, policy statements suggest that the costs of monitoring CE

the states that adopted the CE requirements, the timing of the implementation also differed as shown in Table 1. The investment advisers that are registered in the adopting state became subject to the CE requirements beginning on January 1st of the calendar year in the year of the jurisdiction's adoption. These differences in (1) whether to adopt the CE requirements and (2) when to implement the CE requirements allow us to examine the impact of CE requirements on investment adviser misconduct.

2.2 Prior Literature

A large body of literature studies occupational licensing (e.g., Kleiner, 2000; Kleiner and Krueger, 2010). In the financial markets, studies typically focus on the impact of occupational licensing on service quality, labor supply, and wage premiums. For example, Barrios (2022a) studies the impact of occupational licensing on the quality of certified public accountants and finds a decreased supply of candidates with no difference in quality. In addition, Cascino et al. (2021) studies the effect of removing occupational licensing barriers and finds that wages of accounting professionals decrease with no change in service quality after the removal of the barriers.

Another stream of literature studies misconduct in the financial advisory market. These studies identify individual characteristics that could impact an adviser's likelihood to commit misconduct. Specifically, advisers with prior misconduct are five times more likely to commit misconduct relative to the average adviser (Egan et al., 2019). In addition, more experienced advisers can be problematic, as these advisers typically have more opportunities to commit misconduct. Theory suggests that unethical advisers are most trustworthy at the beginning of their career, and the propensity to commit misconduct increases as they become more experienced (Gervais and Thanassoulis, 2023). These studies illustrate that certain bad actors pose a significant

compliance and the potential burden on small businesses as important considerations in deciding whether to implement the CE rule.

threat to their clients. Additionally, studies document factors surrounding advisers, such as coworkers and regulatory oversight, that can influence the propensity to commit misconduct (Dimmock et al., 2018; Charoenwong et al., 2019; Honigsberg et al., 2023).

Lastly, prior research examines ways to reduce such misconduct in the financial advisory market. Kowaleski et al. (2020) show that ethics-focused securities exams can reduce the likelihood of adviser misconduct. However, their effectiveness diminishes for high-risk advisers, particularly those with a history of misconduct and more experienced advisers. Sharma (2025) shows that increasing the transparency of advisers' disciplinary history reduces the likelihood of misconduct among more harmful advisers.

Our study is most closely related to the intersection of these literatures. We study how continuing education requirements, an important facet of occupational licensing, impact investment adviser misconduct. Prior studies have primarily focused on one-time, *ex-ante* licensing requirements, such as exam and college education requirements (Kowaleski et al., 2020; Barrios, 2022a). We complement these studies by examining continuing education, an *ex-post* licensing requirement that applies throughout a professional's career. In doing so, our study contributes to a broader understanding of the overall effectiveness of educational requirements involved in occupational licensing.

2.3 Conceptual Underpinnings

We examine whether continuing education reduces the likelihood of misconduct through the Becker (1962, 1968, 1993) framework. Specifically, continuing education can reduce the likelihood of misconduct through two primary channels: (1) the knowledge channel and (2) the ethics channel. First, through the knowledge channel, continuing education serves as an investment in human capital and can improve future productivity (Becker, 1962). In our setting, continuing

education can reduce the likelihood of misconduct by enhancing advisers' knowledge of the industry and rule changes. This enhancement of knowledge can be especially useful for bad actors, particularly advisers with prior misconduct and more experienced advisers. Specifically, to the extent that advisers with prior misconduct committed misconduct due to a lapse in knowledge, continuing education can fill the knowledge gap. Additionally, because more experienced advisers are farther removed from exams that cover technical knowledge, continuing education can remind them and keep them up to date of any rule changes. As the knowledge benefits from continuing education increase, the opportunity costs of committing misconduct increase, leading to a reduction in the likelihood of misconduct.

Second, through the ethics channel, the ethics component of the continuing education can alter the perception of acceptable behavior (Becker, 1968; Warren et al., 2014; Kowaleski et al., 2020). Kowaleski et al. (2020) show that ethics coverage on securities exams can increase the value of the adviser's reputation and increase the psychological costs of committing misconduct. Therefore, continuing education requirements focused on encouraging ethical behavior of advisers can decrease the likelihood of committing misconduct. This channel could be particularly effective for advisers with prior misconduct, who likely have lower ethical standards, and for more experienced advisers, who likely become less sensitive to ethical concerns and less risk averse over time (Gervais and Thanassoulis, 2023).

Overall, the different components of NASAA's IAR CE requirements can trigger distinct channels in reducing misconduct. Specifically, the Products and Practices courses can reduce rule-based misconduct through the knowledge channel. Additionally, the Ethics and Professional Responsibilities courses can reduce ethics-based misconduct through the ethics channel.

Although regulators often use continuing education as an important tool, continuing education may not be effective. Professionals may believe that the costs of continuing education in terms of time and effort outweigh the benefits (Becker, 1962). In other words, professionals may believe that continuing education is simply a compliance-driven exercise in which there are few, if any, benefits. If professionals perceive continuing education as too costly, they may not take the courses seriously, mitigating the effectiveness of continuing education. Recently, EY employees cheated on continuing education courses (SEC, 2022). Such behavior can undermine the regulator's intention behind the CE requirements and result in no change in adviser behavior. As such, whether CE requirements reduce the likelihood of investment adviser misconduct is an open question.

III. Data and Research Design

3.1 Data

We obtained data from the SEC's IAPD and FINRA's BrokerCheck websites in February 2024 and February 2025.[3] Because the CE requirements are specific to investment advisers, we only concentrate on those advisers who serve as investment advisers and do not currently serve as brokers.[4] Investment advisers provide financial advice to individuals and often are allowed to trade on behalf of individuals. The information we obtain includes advisers' employment history including the office location, qualifying exams, state licenses, and disciplinary events. All variables are defined in Appendix B.

[3] We collect the data in two batches for two reasons. First, because the IAPD dataset does not include previously active advisers, we collect data soon after our sample period ends to ensure that our panel includes advisers who were active in every year of the sample period. Specifically, we collected our initial data in February 2024 to form our panel of advisers. Second, because some misconduct cases can be pending (e.g., through the arbitration process or through regulators), we gather data again in February 2025. This update allows us to mitigate concerns around any lags in the reporting of misconduct.

[4] FINRA requires CE for brokers. By removing brokers from our sample, we mitigate potential confounding effects that FINRA's CE requirements could have.

We create a balanced adviser-year panel dataset using the information we obtained. Each adviser-year observation covers the period from January 1 through December 31. Using a balanced panel allows us to compare the same adviser's behavior before and after the CE requirements to advisers who do not have CE requirements during the same period. The balanced panel requires that each adviser is active as of December 31, 2020, and continue to be active through December 31, 2023. As a result, our sample consists of four adviser-year observations covering the following periods: (1) January 1, 2020 – December 31, 2020; (2) January 1, 2021 – December 31, 2021; (3) January 1, 2022 – December 31, 2022; and (4) January 1, 2023 – December 31, 2023.

Table 2 Panel A provides descriptive statistics for the misconduct sample. The sample contains 211,980 adviser-year observations, which consists of 52,995 investment advisers. Approximately, 0.266 percent of the observations include misconduct. The majority of misconduct is rules-based misconduct (e.g., misconduct involving recommending unsuitable or risky investments). The remaining portion is ethics-based misconduct (e.g., misconduct involving fraud, theft, or deception). Further, 5.5 percent of the sample committed misconduct prior to January 1, 2020. In total, 13.3 percent of the advisers (*Treat*) are registered in states that adopted CE requirements throughout the sample period. About 3.9 percent of the advisers (*CE*) become subject to CE requirements after the adopting state implemented the CE requirements. The average adviser's years of experience is 10.95 years. Most of the advisers in the sample have passed the Series 7 exam (57.6 percent), which qualifies them to sell general securities.

Using textual analysis on the misconduct allegations, we categorize and report the most common misconduct allegations in Table 2 Panel B. The misconduct allegations are not mutually exclusive. In our sample, the most common misconduct allegations include recommending unsuitable investments (32.5%), negligence (16.34%), breaching their fiduciary duty (13.85%),

and unauthorized activity (13.14%). For treated advisers, the most common misconduct allegations are recommending unsuitable investments, negligence, breaching their fiduciary duty, and misrepresentation. For control advisers, the most common misconduct allegations are recommending unsuitable investments, negligence, unauthorized activity, and breaching their fiduciary duty. Allegations categorized as "other" occur less frequently or are too vague to categorize.

3.2 Research Design

To examine whether CE requirements reduce investment adviser misconduct, we exploit states' adoption of the NASAA model rule on CE that was announced in 2020 (NASAA, 2020b). Table 1 reports each adopting state and the adopting year in our sample. Each adopting state adopted the CE requirement on January 1 of the applicable year. We compare the misconduct rate of advisers who hold licenses in these adopting states and are, therefore, subject to CE requirements to those advisers who do not hold licenses in these adopting states, and, thus, are not subject to CE requirements. Importantly, both advisers are likely comparable across other dimensions, with similar incentives to increase AUM.

Using a staggered difference-in-differences design, we examine the impact of CE requirements on investment adviser misconduct using the following OLS regression in Equation (1):

$$Misconduct = \beta_1 CE + \gamma Controls + \lambda AdviserFE + \delta YearFE + \varepsilon, \quad (1)$$

where *Misconduct* is an indicator variable that equals one if the adviser commits misconduct in the applicable year. We multiply this variable by 100, so the coefficients can be interpreted in percentage points. Following Egan et al. (2019), the misconduct indicator is based on the disciplinary disclosure information from the SEC and FINRA databases. Out of the 23 disclosure

categories, six are categorized as investment-related misconduct: civil-final, criminal-final disposition, customer dispute-award/judgment, customer dispute-settled, regulatory-final, and employment separation after allegations. *CE* is an indicator that equals one after the state in which the adviser is licensed requires CE. A negative β_1 is consistent with advisers reducing the likelihood of misconduct after the CE requirement relative to advisers without the CE requirements.

We also include a vector of controls for factors that influence the propensity of misconduct (e.g., Egan et al., 2019; Gurun et al., 2021). The controls include whether the adviser has prior misconduct (*PriorMisconduct*), the adviser's years of experience (*YearsExp*), and indicator variables for exams that the financial adviser has passed in the applicable year (*Series63, Series65, Series66, Series24, Series6,* and *Series7*). We also include the number of other exams passed by the adviser (*OtherExams*).

Further, we include adviser fixed effects and year fixed effects and cluster standard errors by adviser. Adviser fixed effects help absorb advisers' time-invariant personal characteristics, such as the adviser's criminal past, when the advisers started his or her career, or the adviser's gender (e.g., Law and Mills, 2019; Law and Zuo, 2021; Egan et al., 2022). Year fixed effects help absorb yearly changes in regulation or macroeconomic conditions. We also examine specifications that replace adviser fixed effects with state fixed effects or firm-branch fixed effects. State fixed effects help absorb any time-invariant differences between states, such as regulatory differences, in which the adviser is employed (i.e., the office location). Firm-branch fixed effects help absorb any time-invariant firm characteristics, such as the firm's business model, willingness to employ advisers with prior misconduct, and coworker influence (Dimmock et al., 2018).

Next, we examine whether CE requirements impact the likelihood of misconduct among bad actors. Specifically, we focus on two types of bad actors identified in prior research: (1) advisers with prior misconduct, and (2) more experienced advisers. Advisers with prior misconduct have a higher propensity to commit future misconduct (Egan et al., 2019). In addition, more years of experience is typically associated with worse service quality, and in the investment advisory industry, more experienced advisers generally have a greater opportunity to commit misconduct and are likely less risk-averse (Carey and Simnett, 2006; Egan et al., 2019; Gervais and Thanassoulis, 2023). This allows us to examine whether CE requirements achieve their goal of disciplining these bad actors (Cook, 2017).

To examine bad actors, we use the following OLS regression in Equation (2):

$$Misconduct = \beta_1 CE\ x\ Characteristic + \beta_2 CE + \beta_3 Characteristic + \gamma Controls + \lambda AdviserFE + \delta YearFE + \varepsilon, \quad (2)$$

where *Misconduct* and *CE* are defined as above. *Characteristic* consists of two variables: (1) advisers with prior misconduct (*PriorMisconduct*), and (2) more experienced advisers (*HighYearsExp*). *PriorMisconduct* is an indicator variable that equals one if the adviser engaged in misconduct before January 1, 2020, and zero if the adviser has not committed misconduct before January 1, 2020. Using January 1, 2020, as the cutoff date is advantageous because the variable requires that the adviser committed misconduct before the CE requirements were discussed.[5] *HighYearsExp* is an indicator variable that equals one if the adviser has above the median years of experience. We also include *Controls* as defined above. We include adviser fixed effects and year fixed effects, and cluster standard errors by adviser. A negative β_1 is consistent with advisers with

[5] The NASAA released the new rule proposal and requested public comments on February 13, 2020 (NASAA, 2020a).

prior misconduct or more experienced advisers reducing the likelihood of misconduct after the CE requirement relative to advisers without the CE requirements.

IV. Results

4.1 Continuing Education and Misconduct

We examine whether CE requirements reduce the likelihood of investment adviser misconduct using Equation (1). Table 3 Panel A reports results for estimating Equation (1). Columns (1) and (2) include state fixed effects and year fixed effects without and with controls. In Columns (1) and (2), we find a statistically insignificant coefficient on *CE* (-0.013, *t*-statistic = -0.22; -0.027, *t*-statistic = -0.45). Columns (3) and (4) include firm-branch fixed effects and year fixed effects without and with controls. In both columns, we continue to find a statistically insignificant coefficient on *CE* (-0.033, *t*-statistic = -0.50; -0.040, *t*-statistic = -0.61). Columns (5) and (6) include adviser fixed effects and year fixed effects without and with controls. Again, in both columns, the coefficient on *CE* is statistically insignificant (-0.057, *t*-statistic = -0.84; -0.056, *t*-statistic = -0.84).[6] Altogether, we do not find evidence that CE requirements are associated with misconduct among average investment advisers. These results suggest that there is no difference in misconduct rates for the average investment adviser with CE requirements relative to those without CE requirements.

Several control variables are statistically significant. For instance, the coefficient on *PriorMisconduct* is positive and statistically significant in Columns (2) and (4), suggesting that advisers with prior misconduct are more likely to commit misconduct. In addition, the coefficient

[6] Staggered difference-in-differences designs can lead to biased estimates (e.g., Baker et al., 2022; Barrios, 2022b). To ensure our estimates are not biased, we re-perform our analysis in two ways. First, we perform a stacked regression including adviser-cohort and year-cohort fixed effects, following Baker et al. (2022). We find a statistically insignificant coefficient on *CE* (-0.046, *t*-statistic = -0.59). Second, we perform the Goodman-Bacon decomposition (Goodman-Bacon, 2021). We find a statistically insignificant coefficient on *CE* (-0.056, *z*-statistic = -0.83). This suggests that our results are statistically insignificant after correcting for potential bias, consistent with Table 3 Panel A.

on *YearsExp* is positive and statistically significant in Columns (2) and (4). This suggests that more experienced advisers are more likely to commit misconduct.

Next, we examine whether CE requirements reduce misconduct among bad actors, particularly advisers with prior misconduct and more experienced advisers. First, we examine whether advisers with prior misconduct are differentially impacted by CE requirements using Equation (2). Table 3 Panel B reports results. Columns (1) and (2) include state fixed effects and year fixed effects without and with controls. Columns (3) and (4) include firm-branch fixed effects and year fixed effects without and with controls. Columns (5) and (6) include adviser fixed effects and year fixed effects without and with controls. In all columns, the coefficient on *CE x PriorMisconduct* is negative and statistically significant. Economically, using the results from Column (4), advisers with prior misconduct who are required to take CE courses are about twice as likely to reduce misconduct relative to an increase in misconduct for advisers with prior misconduct without CE requirements within the same firm-branch. The results suggest that advisers with prior misconduct are less likely to commit misconduct after they are required to take continuing education courses.

Second, we examine whether more experienced advisers are less likely to commit misconduct after the CE requirements using Equation (2). Table 3 Panel C reports results. Columns (1) and (2) include state fixed effects and year fixed effects without and with controls. Columns (3) and (4) include firm-branch fixed effects and year fixed effects without and with controls. Columns (5) and (6) include adviser fixed effects and year fixed effects without and with controls. In all columns, the coefficient on *CE x HighYearsExp* is negative and statistically significant. The result is also economically significant. Using the results in Column (4), which includes firm-branch fixed effects, year fixed effects, and controls, more experienced advisers who are required to take

CE are about 5.7 times as likely to reduce misconduct compared to an increase in misconduct less experienced advisers who also have CE requirements within the same firm-branch. The results suggest that more experienced advisers are less likely to engage in misconduct after CE requirements. Together, the results suggest that CE requirements reduce misconduct among bad actors.

4.2 Parallel Trends Assumption

Next, we examine the parallel trends assumption. An important assumption in our study is that, in the absence of CE requirements, the likelihood of misconduct is not different between advisers licensed in the adopting states and those licensed in the non-adopting states. Substantiating this assumption is particularly important, given that the timing of CE adoption by states may have been influenced by the presence of advisers with a higher propensity to commit misconduct. To test this, we augment Equation (1) by replacing *CE* with an indicator if the adviser is licensed in a state that adopted CE requirements during our sample people (*Treat*) and interacting the indicator with year indicators. Figure 1 reports results. Using 2020 as the baseline, we find statistically insignificant coefficients on *Treat x 2021*, *Treat x 2022*, and *Treat x 2023*. These results corroborate the parallel trends assumption and suggest that states that adopted the CE requirements do not have advisers with a higher propensity to commit misconduct.

Because our parallel trends assumption holds for Equation (1), we can draw stronger inferences when including individual adviser characteristics in Equation (2). Specifically, Olden and Møen (2022) find that, in triple difference designs such as Equation (2), two parallel trend assumptions are not required to hold. Instead, only one parallel trend assumption needs to hold, which we find in Figure 1.

4.3 Mechanism Tests: Knowledge Channel and Ethics Channel

We examine why CE requirements reduce the likelihood of investment adviser misconduct. The knowledge channel suggests that CE could reduce rules-based misconduct for bad actors, and the ethics channel suggests that CE could reduce ethics-based misconduct for bad actors. Therefore, we use textual analysis to separate *Misconduct* into *Rules-basedMisconduct* and *Ethics-basedMisconduct*. *Rules-basedMisconduct* is the difference between *Miscondudct* and *Ethics-basedMisconduct*. *Ethics-basedMisconduct* is misconduct that involves fraud, theft, or deception (i.e., obvious misconduct), following Kowaleski et al. (2020). To examine this, we augment Equation (2) by replacing *Misconduct* with *Ethics-basedMisconduct* and *Rules-basedMisconduct*.

Table 4 Panel A reports results for advisers with prior misconduct. In Columns (1) – (4), the dependent variable is *Rules-basedMisconduct*. In Columns (1) and (2), we use firm-branch fixed effects and year effects without and with controls, and in Columns (3) and (4), we use adviser fixed effects and year fixed effects without and with controls. In Columns (1) – (4), using *Rules-basedMisconduct* as the dependent variable, we find negative statistically significant coefficients on *CE x PriorMisconduct*. Specifically, using the results in Column (2), advisers with prior misconduct who have CE requirements are about two and a half times less likely to engage in rules-based misconduct relative to an increase in misconduct for advisers with prior misconduct who do not have CE requirements within the same firm-branch. This suggests that advisers with prior misconduct are less likely to commit rules-based misconduct, supporting the knowledge channel.

In Columns (5) – (8), the dependent variable is *Ethics-basedMisconduct*. In Columns (5) and (6), we use firm-branch fixed effects and year effects without and with controls, and in Columns (7) and (8), we use adviser fixed effects and year fixed effects without and with controls. In Columns (5) – (8), using *Ethics-basedMisconduct* as the dependent variable, we find statistically

insignificant coefficients on *CE x PriorMisconduct*. This suggests that the results related to advisers with prior misconduct do not support the ethics channel.

Table 4 Panel B reports results for more experienced advisers. In Columns (1) – (4), the dependent variable is *Rules-basedMisconduct*. In Columns (1) and (2), we use firm-branch fixed effects and year fixed effects without and with controls, and in Columns (3) and (4), we use adviser fixed effects and year fixed effects without and with controls. In Columns (1) – (4), using *Rules-basedMisconduct* as the dependent variable, we find negative statistically significant coefficients on *CE x HighYearsExp*. Specifically, using the results in Column (2), more experienced advisers who have CE requirements are about five and a half times less likely to engage in rules-based misconduct relative to an increase in misconduct for more experienced advisers who do not have CE requirements within the same firm-branch. This suggests that more experienced advisers are less likely to commit rules-based misconduct, supporting the knowledge channel.

In Columns (5) – (8), the dependent variable is *Ethics-basedMisconduct*. In Columns (5) and (6), we use firm-branch fixed effects and year fixed effects without and with controls, and in Columns (7) and (8), we use adviser fixed effects and year fixed effects without and with controls. In Columns (5) – (8), using *Ethics-basedMisconduct* as the dependent variable, we find statistically insignificant coefficients on *CE x HighYearsExp*. This suggests that the results related to more experienced advisers do not support the ethics channel.

Overall, our results suggest that advisers with prior misconduct and more experienced advisers reduce rules-based misconduct, supporting the knowledge channel. However, we do not find evidence that supports the ethics channel. This suggests that CE is effective in filling the knowledge gap for bad actors, particularly those with prior misconduct and those with more experience.

4.4 Robustness Tests

One possible concern with our results is that *PriorMisconduct* and *HighYearsExp* are correlated. To alleviate this concern, we augment Equation (2) to include both *PriorMisconduct* and *HighYearsExp*, along with their interactions with *CE*. Table 5 reports results. Columns (1) and (2) use *Misconduct* as the dependent variable. Column (1) includes controls, firm-branch fixed effects, and year fixed effects. Column (2) includes controls, adviser fixed effects, and year fixed effects. In both columns, the coefficients on *CE x PriorMisconduct* and *CE x HighYearsExp* are negative and statistically significant. These results suggest that the results in Table 3 Panels B and C are distinct from one another. Columns (3) and (4) use *Rules-basedMisconduct* as the dependent variable. Column (3) includes controls, firm-branch fixed effects, and year fixed effects. Column (4) includes controls, adviser fixed effects, and year fixed effects. In Column (4), the coefficients on *CE x PriorMisconduct* and *CE x HighYearsExp* are negative and statistically significant. These results suggest that the results in Table 4 Panels A and B are distinct from one another. Altogether, the results suggest that the results related to advisers with prior misconduct and more experienced advisers are distinct from one another.

Another possible concern is that states that adopted CE requirements changed their regulatory practices after requiring CE, confounding our estimated treatment effects. We alleviate this concern in two ways. First, we re-examine Equation (1) and replace *Misconduct* with *RegMisconduct*. *RegMisconduct* is an indicator variable that equals one if the adviser commits misconduct related to a final regulatory ruling, which includes state securities agency violations. If adopting states changed their regulatory practices, we would expect to see a change in these types of misconduct violations. Table 6 reports results. Columns (1) and (2) include state fixed effects and year fixed effects without and with controls. Columns (3) and (4) include firm-branch

fixed effects and year fixed effects without and with controls. Columns (5) and (6) include adviser fixed effects and year fixed effects without and with controls. In all columns, the coefficients on *CE* are statistically insignificant. This result suggests that state security agencies in adopting states did not change their regulatory practices after the implementation of CE requirements.

Second, we directly control for yearly changes in the regulatory practices of states. Specifically, we re-examine Equation (2) and replace year fixed effects with state-year fixed effects. This allows us to control for time-varying trends at the state level, including any changes in the state's regulatory practices. Table 7 reports results. In Columns (1) and (2), we include controls, adviser fixed effects, and state-year fixed effects. In Column (1), we find a negative and statistically significant coefficient on *CE x PriorMisconduct* (-2.168, *t*-statistic = -3.26). In Column (2), we find a negative and statistically significant coefficient on *CE x HighYearsExp* (-0.434, *t*-statistic = -3.46). These results suggest that advisers with prior misconduct and more experienced advisers who are subject to CE requirements are less likely to engage in misconduct, even after controlling for regulatory conditions at the state-year level. Together, the results suggest that our main results are unlikely to be influenced by changes in regulatory practices by states that adopted CE.

4.5 Continuing Education and Misconduct: Firm Characteristics

In our main tests, we focus on individual adviser characteristics because the CE requirements are applied to individuals. In addition to individual characteristics, the firm environment can impact the propensity to commit misconduct. Specifically, coworkers can influence one another to commit misconduct (Dimmock et al., 2018). CE may reduce this influence between advisers, leading to a reduction in misconduct. However, this influence between

coworkers could be strong enough to overcome CE, leading to no change in misconduct. We examine how CE interacts with the firm environment to impact misconduct in two ways.

First, we replace *Characteristic* in Equation (2) with *FirmMisconduct*, defined as the ratio of the number of advisers who have committed misconduct prior to the current year to the total number of advisers at the firm. We remove the applicable adviser from the calculation to reduce the likelihood of a mechanical relation. Table 8 Panel A provides results. Columns (1) and (2) include state fixed effects and year fixed effects without and with controls. Columns (3) and (4) include firm-branch fixed effects and year fixed effects without and with controls. Columns (5) and (6) include adviser fixed effects and year fixed effects without and with controls. In all columns, the coefficients on *CE x FirmMisconduct* are negative and statistically significant. Using the results in Column (4), economically, our results suggest that for the same level of firm misconduct, advisers who must complete CE are 18.4 percent less likely to commit misconduct relative to a decrease in misconduct for advisers who are not required to take CE courses. This result suggests that CE requirements can help advisers overcome the negative influence of coworkers in firms where misconduct is prevalent.

Second, we focus on small firms. Small firms likely have weaker controls and are less likely to dismiss advisers for bad behavior (Dye, 1993; Gurun et al., 2021). To examine this, we replace *Characteristic* in Equation (2) with *SmallFirm*, an indicator that equals one if the firm has fewer than 100 advisers. Table 8 Panel B reports results. Columns (1) and (2) include state fixed effects and year fixed effects without and with controls. Columns (3) and (4) include firm-branch fixed effects and year fixed effects without and with controls. Columns (5) and (6) include adviser fixed effects and year fixed effects without and with controls. In Columns (1) and (2), the coefficient on *CE x SmallFirm* is statistically insignificant. However, in Columns (3) – (6), the

coefficient on *CE x SmallFirm* is negative and statistically significant. The results in Column (6) suggest that advisers who are subject to CE requirements in small firms are about 1.8 times less likely to commit misconduct relative to an increase in misconduct for advisers who are not subject to CE requirements in small firms. These results suggest that CE requirements are effective in small firms, which are likely more lenient towards misconduct. Overall, our results suggest that CE can reduce the likelihood of misconduct by bad actors in firms prone to misconduct and help these advisers overcome the negative influence coworkers can have on one another.

A possible concern is that firms where misconduct is prevalent and small firms are correlated. To alleviate this concern, we augment Equation (2) to include both *FirmMisconduct* and *SmallFirm* and their interactions with *CE*. Table 9 reports results. Columns (1) and (2) include state fixed effects and year fixed effects without and with controls. Columns (3) and (4) include firm-branch fixed effects and year fixed effects without and with controls. Columns (5) and (6) include adviser fixed effects and year fixed effects without and with controls. Similar to Table 8 Panel A, the coefficients on *CE x FirmMisconduct* are negative and statistically significant in all columns. Similar to Table 8 Panel B, the coefficients on *CE x SmallFirm* are negative and statistically significant in Columns (3) – (6). These results suggest that the results related to the prevalence of firm misconduct and small firms in Tables 8 are distinct from one another.

V. Conclusion

CE is a key component of occupational licensing for accounting and finance professionals. Regulators require CE to ensure that registered professionals remain knowledgeable of the current regulatory requirements and best practices. Despite the widespread usage of CE, little is known whether CE requirements impact professional service quality. We examine whether CE requirements improve professional service quality by reducing investment adviser misconduct.

Using the staggered implementation of NASAA's CE requirements, we find no evidence that the misconduct rate differs between advisers with CE requirements and those without CE requirements. However, we do find that CE requirements impact bad actors. In particular, we find that investment advisers with prior misconduct and more experienced investment advisers are less likely to commit misconduct after the implementation of CE requirements relative to those without CE requirements. Further, we find that the reduction in misconduct is primarily driven by rules-based misconduct, suggesting that CE effectively fills knowledge gaps and updates advisers on rule changes, consistent with the knowledge channel. In addition, we find that CE requirements help overcome the negative influence that coworkers can have on one another. Altogether, our results suggest that CE requirements are effective in reducing misconduct among the bad actors in the investment advisory industry.

Our results should interest regulators who are concerned with CE requirements and protecting clients from bad actors. Our results provide nuanced evidence to regulators by indicating that, although the average investment adviser is not impacted by CE requirements, those investment advisers who pose the most significant threat to the clients are impacted. The results suggest that regulators could undertake a more focused approach to continuing education by aiming the requirements at those who are most likely to engage in misconduct.

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Appendix A: Continuing Education Course Examples

Appendix A contains examples of continuing education courses from Kaplan, an educational services company.

Component	Course Name	Description
Ethics and Professional Responsibility	Creating and Maintaining a Code of Ethics	Because advisory clients entrust investment advisers and their representatives with their financial well-being, ethics play a pivotal role in the investment advisory industry. These professionals are counted on to provide guidance and to manage their clients' investments carefully. This comprehensive course delves into the intricate world of investment adviser ethics, exploring the principles, regulations, and standards governing the industry's ethical behavior. With a focus on client-centricity, fiduciary duty, conflicts of interest, disclosure requirements, and professional conduct, we will examine the essential components of ethical practices for investment advisers and their representatives. Furthermore, this course emphasizes the importance of upholding integrity and trust to foster long-term relationships with clients and to ensure the overall integrity of the financial services industry.
Ethics and Professional Responsibility	Ethics in Practice	With advisory clients entrusting their financial wellbeing to investment advisers and their representatives, playing by the rules is pivotal in the investment advisory industry. Among the various learning methods, case studies offer one of the best ways to simulate a hands-on experience. Our case studies, all based upon true SEC and state actions (names and other details have been modified for protection), will give you a more realistic opportunity to learn from the mistakes of others.
Ethics and Professional Responsibility	Ethics and Securities Transactions	This course constructs an ethical model for financial service professionals based upon government legislation and self-regulatory and regulatory practices. The content includes an introduction to ethical theory,

		ethics within the securities industry, and current ethical issues in the marketplace. The course concludes with a review of common ethical traps and techniques for avoidance.
Products and Practices	Asset Allocation	Explore the foundational concepts of asset allocation and practical implications of modern portfolio theory. This course also covers rebalancing and the risks that investors may encounter, an extensive history of the capital markets, and a section devoted to suitability and the benefits and disadvantages of wrap accounts.
Products and Practices	Financial Planning Process	Get clued into the financial planning process and the financial services industry. This course covers the basic analytic tools of the trade, income tax planning, risk management planning, retirement planning, wealth accumulation planning, estate planning, and business planning, and concludes with a look at the profession.
Products and Practices	Fundamental of Financial Analysis	Understanding the fundamentals of financial analysis is an important life skill as well as a requisite to providing sound investment advice to clients. Financial analysis was once considered only the language of Wall Street, but in today's world of IRA's and 401-k's, the general population is learning more and more about financial analysis in order to preserve and enhance the value of their investments. This course provides an overview of the fundamentals of financial analysis, its importance, and the tools used to understand financial statements. Finally the course speaks to the warning signs and qualitative factors in financial analysis that need to be considered in evaluating changes to an investment portfolio.

Appendix B: Variable Definitions

Variable	Definition
Dependent Variables	
Misconduct	An indicator variable that equals one if the financial adviser engaged in misconduct during the applicable year. Misconduct is categorized as the following disclosures, following Egan, Matvos, and Seru (2019): Civil-Final, Criminal-Final Disposition, Customer Dispute-Award/Judgement, Customer Dispute-Settled, Regulatory-Final, and Employment Separation after Allegations. This variable is multiplied by 100. Source: BrokerCheck/IAPD.
Rules-basedMisconduct	An indicator variable that equals one if the adviser is involved in rules-based misconduct. This is the difference between *Misconduct* and *Ethics-basedMisconduct*. This variable is multiplied by 100. Source: BrokerCheck/IAPD
Ethics-basedMisconduct	An indicator variable that equals one if the adviser is involved in ethics-based misconduct. We use textual analysis to classify these cases as those involving fraud, theft, or deception as described in Kowaleski, Sutherland, and Vetter (2020). This variable is multiplied by 100. Source: BrokerCheck/IAPD
RegMisconduct	An indicator variable that equals one if the misconduct relates to the Regulatory-Final category. Source: BrokerCheck/IAPD
Independent Variables	
CE	An indicator variable that equals one after the state in which the adviser is licensed requires CE. Source: BrokerCheck/IAPD and NASAA
Treat	An indicator variable that equals one if the adviser is licensed in a state that requires CE during the sample period. Source: BrokerCheck/IAPD and NASAA
PriorMisconduct	An indicator variable that equals one if the adviser engaged in misconduct before January 1, 2020, and zero if the adviser has not committed misconduct before January 1, 2020. Source: BrokerCheck/IAPD
HighYearsExp	An indicator variable that equals one if the adviser has above the median years of experience. Source: BrokerCheck/IAPD
FirmMisconduct	The number of advisers who have committed misconduct prior to the current year divided by the total number of advisers at the firm. We remove the applicable adviser from the calculation to reduce the likelihood of a mechanical relation. Source: BrokerCheck/IAPD

SmallFirm	An indicator variable that equals one if the firm has fewer than 100 advisers. Source: BrokerCheck/IAPD
YearsExp	The number of years of experience the financial adviser has. Source: BrokerCheck/IAPD
Series63	An indicator variable that equals one if the financial adviser has passed the Series 63 exam by that year. The Series 63 exam qualifies an individual to become a broker representative. Source: BrokerCheck/IAPD
Series65	An indicator variable that equals one if the financial adviser has passed the Series 65 exam by that year. The Series 65 exam qualifies an individual to become an investment adviser representative. Source: BrokerCheck/IAPD
Series66	An indicator variable that equals one if the financial adviser has passed the Series 66 exam by that year. The Series 66 exam qualifies an individual as if they passed the Series 63 and Series 65 exams. Source: BrokerCheck/IAPD
Series24	An indicator variable that equals one if the financial adviser has passed the Series 24 exam by that year. The Series 24 exam qualifies an individual to serve as a principal of a broker-dealer. Source: BrokerCheck/IAPD
Series6	An indicator variable that equals one if the financial adviser has passed the Series 6 exam by that year. The Series 6 exam qualifies an individual to sell investment company products (i.e., mutual funds) and variable contract products. Source: BrokerCheck/IAPD
Series7	An indicator variable that equals one if the financial adviser has passed the Series 7 exam by that year. The Series 7 exam qualifies an individual to sell any general securities. Source: BrokerCheck/IAPD
OtherExams	The number of other exams the financial adviser has passed. Source: BrokerCheck/IAPD

Figure 1: Parallel Trends Assumption

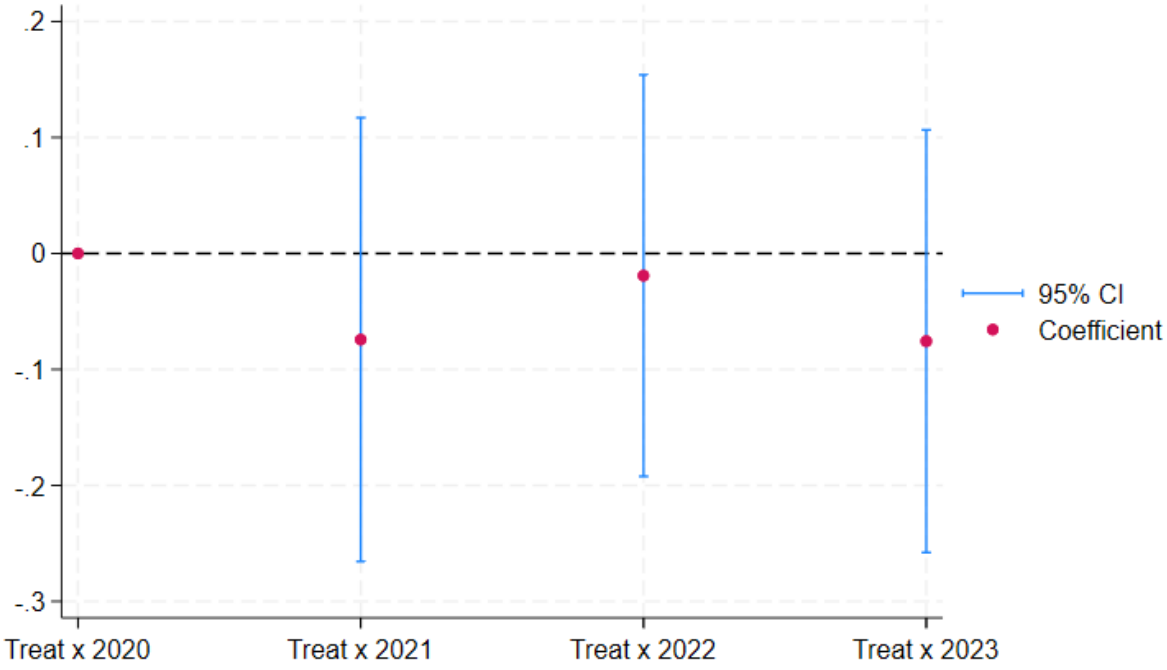

Figure 1 plots the interaction coefficient terms as well as their 95 percent confidence intervals after augmenting Equation (1) and interacting *Treat* with calendar year indicator variables. The regression uses 2020 as the baseline. The regression includes controls, adviser fixed effects, and year fixed effects. Standard errors are clustered by adviser. *Treat* advisers are insignificantly different from advisers who are not subject to CE requirements, verifying the parallel trends assumption.

Table 1:
Investment Adviser Representative CE Requirement Adoption by NASAA Members

Jurisdiction	Effective Year
Maryland	2022
Mississippi	2022
Vermont	2022
Arkansas	2023
Kentucky	2023
Michigan	2023
Oklahoma	2023
Oregon	2023
South Carolina	2023
Washington, D.C.	2023
Wisconsin	2023

Table 1 reports the jurisdictions that adopted the IAR CE requirements during our sample period and the year that they implemented the requirements.

Table 2: Descriptive Statistics

Table 2 provides descriptive statistics for the variables used in our analysis. Panel A provides descriptive statistics. Panel B provides descriptive statistics for misconduct allegations. All variables are defined in Appendix B. The sample consists of adviser-years from 2020-2023.

Panel A: Sample Statistics

Variable	Observations	Mean	Std	25th	Median	75th
Misconduct x 100	211,980	0.266	5.147	0.000	0.000	0.000
RulesBasedMisconduct x 100	211,980	0.227	4.758	0.000	0.000	0.000
EthicsBasedMisconduct x 100	211,980	0.039	1.966	0.000	0.000	0.000
RegMisconduct x 100	211,980	0.091	3.008	0.000	0.000	0.000
CE	211,980	0.039	0.194	0.000	0.000	0.000
Treat	211,980	0.133	0.340	0.000	0.000	0.000
PriorMisconduct	211,980	0.055	0.228	0.000	0.000	0.000
HighYearsExp	211,980	0.500	0.500	0.000	0.000	0.000
FirmMisconduct	168,891	0.051	0.137	0.000	0.000	0.042
SmallFirm	211,980	0.807	0.395	1.000	1.000	1.000
YearsExp	211,980	10.950	8.126	4.696	8.811	15.438
Series63	211,980	0.447	0.497	0.000	0.000	1.000
Series65	211,980	0.558	0.497	0.000	1.000	1.000
Series66	211,980	0.272	0.445	0.000	0.000	1.000
Series24	211,980	0.104	0.306	0.000	0.000	0.000
Series6	211,980	0.192	0.403	0.000	0.000	0.000
Series7	211,980	0.576	0.511	0.000	1.000	1.000
OtherExams	211,980	0.652	0.891	0.000	0.000	1.000

Panel B: Misconduct Allegations

Misconduct	Total Sample	Treat = 1	Treat = 0
Unsuitable Investments	32.50%	34.62%	32.16%
Negligence	16.34%	15.38%	16.49%
Fiduciary Duty	13.85%	15.38%	13.61%
Unauthorized Activity	13.14%	6.41%	14.23%
Fee/Commission Related	12.08%	5.13%	13.20%
Misrepresentation	11.01%	11.54%	10.93%
Risky Investments	9.06%	10.26%	8.87%
Omission of Key Facts	4.80%	6.41%	4.54%
Fraud	1.07%	1.28%	1.03%
Churning/Excessive Trading	0.89%	0.00%	1.03%
Other	43.16%	48.72%	42.27%

Table 3: Continuing Education and Investment Adviser Misconduct

Table 3 provides results on the impact of CE requirements on investment adviser misconduct. Panel A provides results from Equation (1) using OLS regression. Panel B provides results from Equation (2) using OLS regression for advisers with prior misconduct. Panel C provides results from Equation (2) using OLS regression for more experienced advisers. All variables are defined in Appendix B. *t*-statistics are reported in parenthesis, and standard errors are clustered by advisers. *, **, *** indicate statistical significance (two-sided) at the 0.1, 0.05, and 0.01 levels, respectively.

Panel A: Continuing Education and Misconduct

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	*Misconduct*	*Misconduct*	*Misconduct*	*Misconduct*	*Misconduct*	*Misconduct*
CE	-0.013	-0.027	-0.033	-0.040	-0.057	-0.056
	(-0.22)	(-0.45)	(-0.50)	(-0.61)	(-0.84)	(-0.84)
PriorMisconduct	-	1.477***	-	0.856***	-	-
		(9.52)		(5.34)		
YearsExp	-	0.013***	-	0.018***	-	-
		(6.22)		(7.15)		
Series63	-	-0.094**	-	-0.044	-	0.143
		(-2.15)		(-0.97)		(1.31)
Series65	-	0.019	-	0.027	-	-0.332
		(0.70)		(0.86)		(-0.61)
Series66	-	0.068	-	0.017	-	0.779
		(1.39)		(0.35)		(1.08)
Series24	-	0.018	-	0.004	-	-0.163
		(0.26)		(0.06)		(-0.40)
Series6	-	0.144***	-	0.042	-	-0.521
		(3.15)		(0.83)		(-1.38)
Series7	-	0.175***	-	0.089**	-	-0.152
		(4.12)		(2.01)		(-0.60)
OtherExams	-	0.066***	-	0.019	-	0.108
		(3.10)		(0.90)		(0.93)
Observations	211,958	211,958	208,139	208,139	211,980	211,980
Adjusted R-squared	0.001	0.007	0.179	0.180	0.132	0.132
State FE	Yes	Yes	No	No	No	No
Firm-Branch FE	No	No	Yes	Yes	No	No
Adviser FE	No	No	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Advisers with Prior Misconduct

VARIABLES	(1) *Misconduct*	(2) *Misconduct*	(3) *Misconduct*	(4) *Misconduct*	(5) *Misconduct*	(6) *Misconduct*
CE x PriorMisconduct	-1.435***	-1.447***	-1.942***	-1.941***	-2.169***	-2.162***
	(-3.93)	(-3.97)	(-3.15)	(-3.15)	(-3.28)	(-3.27)
CE	0.053	0.049	0.061	0.058	0.054	0.054
	(0.87)	(0.81)	(1.07)	(1.01)	(0.89)	(0.90)
PriorMisconduct	1.734***	1.529***	1.108***	0.932***	-	-
	(10.74)	(9.57)	(6.65)	(5.60)		
YearsExp	-	0.013***	-	0.018***	-	-
		(6.23)		(7.13)		
Series63	-	-0.094**	-	-0.045	-	0.132
		(-2.17)		(-1.00)		(1.21)
Series65	-	0.019	-	0.027	-	-0.341
		(0.69)		(0.85)		(-0.63)
Series66	-	0.068	-	0.016	-	0.771
		(1.38)		(0.32)		(1.06)
Series24	-	0.018	-	0.004	-	-0.142
		(0.27)		(0.05)		(-0.35)
Series6	-	0.145***	-	0.043	-	-0.495
		(3.17)		(0.85)		(-1.31)
Series7	-	0.175***	-	0.090**	-	-0.142
		(4.13)		(2.04)		(-0.56)
OtherExams	-	0.066***	-	0.019	-	0.114
		(3.11)		(0.93)		(0.99)
Observations	211,958	211,958	208,139	208,139	211,980	211,980
Adjusted R-squared	0.006	0.008	0.180	0.181	0.132	0.132
State FE	Yes	Yes	No	No	No	No
Firm-Branch FE	No	No	Yes	Yes	No	No
Adviser FE	No	No	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel C: More Experienced Advisers

VARIABLES	(1) *Misconduct*	(2) *Misconduct*	(3) *Misconduct*	(4) *Misconduct*	(5) *Misconduct*	(6) *Misconduct*
CE x HighYearsExp	-0.314***	-0.312***	-0.295***	-0.293***	-0.446***	-0.447***
	(-3.28)	(-3.26)	(-2.63)	(-2.61)	(-3.56)	(-3.56)
CE	0.144*	0.135*	0.116*	0.112*	0.174**	0.175**
	(1.85)	(1.75)	(1.79)	(1.72)	(2.34)	(2.34)
HighYearsExp	0.324***	0.007	0.313***	0.051	-	-
	(12.08)	(0.15)	(9.82)	(1.11)		
PriorMisconduct	-	1.476***	-	0.858***	-	-
		(9.52)		(5.35)		
YearsExp	-	0.013***	-	0.016***	-	-
		(3.46)		(4.20)		
Series63	-	-0.094**	-	-0.044	-	0.134
		(-2.15)		(-0.99)		(1.23)
Series65	-	0.019	-	0.026	-	-0.337
		(0.70)		(0.83)		(-0.62)
Series66	-	0.068	-	0.013	-	0.771
		(1.39)		(0.26)		(1.06)
Series24	-	0.018	-	0.005	-	-0.153
		(0.26)		(0.07)		(-0.38)
Series6	-	0.144***	-	0.040	-	-0.517
		(3.15)		(0.79)		(-1.37)
Series7	-	0.176***	-	0.087**	-	-0.152
		(4.18)		(1.98)		(-0.59)
OtherExams	-	0.066***	-	0.021	-	0.119
		(3.09)		(0.98)		(1.03)
Observations	211,958	211,958	208,139	208,139	211,980	211,980
Adjusted R-squared	0.002	0.007	0.179	0.180	0.132	0.132
State FE	Yes	Yes	No	No	No	No
Firm-Branch FE	No	No	Yes	Yes	No	No
Adviser FE	No	No	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 4: Rules-based and Ethics-based Misconduct

Table 4 provides results from augmenting Equation (2) using OLS regression. Panel A provides results for advisers with prior misconduct. Panel B provides results for more experienced advisers. All variables are defined in Appendix B. *t*-statistics are reported in parenthesis, and standard errors are clustered by advisers. *, **, *** indicate statistical significance (two-sided) at the 0.1, 0.05, and 0.01 levels, respectively.

Panel A: Advisers with Prior Misconduct

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	*Rules-Based Misconduct*	*Rules-Based Misconduct*	*Rules-Based Misconduct*	*Rules-Based Misconduct*	*Ethics-Based Misconduct*	*Ethics-Based Misconduct*	*Ethics-Based Misconduct*	*Ethics-Based Misconduct*
CE x PriorMisconduct	-2.013***	-2.012***	-2.246***	-2.239***	0.070	0.070	0.078	0.076
	(-3.83)	(-3.83)	(-3.96)	(-3.94)	(0.22)	(0.22)	(0.23)	(0.23)
CE	0.047	0.044	0.034	0.034	0.014	0.014	0.020	0.021
	(0.87)	(0.82)	(0.59)	(0.59)	(0.78)	(0.74)	(1.01)	(1.03)
PriorMisconduct	0.913***	0.768***	-	-	0.195***	0.164**	-	-
	(6.26)	(5.27)			(2.99)	(2.50)		
Controls	No	Yes	No	Yes	No	Yes	No	Yes
Observations	208,139	208,139	211,980	211,980	208,139	208,139	211,980	211,980
Adjusted R-squared	0.145	0.146	0.083	0.083	0.176	0.176	0.130	0.130
Firm-Branch FE	Yes	Yes	No	No	Yes	Yes	No	No
Adviser FE	No	No	Yes	Yes	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: More Experienced Advisers

VARIABLES	(1) *Rules-Based Misconduct*	(2) *Rules-Based Misconduct*	(3) *Rules-Based Misconduct*	(4) *Rules-Based Misconduct*	(5) *Ethics-Based Misconduct*	(6) *Ethics-Based Misconduct*	(7) *Ethics-Based Misconduct*	(8) *Ethics-Based Misconduct*
CE x HighYearsExp	-0.227**	-0.225**	-0.383***	-0.380***	-0.068	-0.068	-0.063	-0.066
	(-2.22)	(-2.21)	(-3.30)	(-3.27)	(-1.43)	(-1.42)	(-1.28)	(-1.34)
CE	0.063	0.059	0.117	0.116	0.053*	0.053*	0.057*	0.059*
	(1.08)	(1.02)	(1.64)	(1.63)	(1.71)	(1.68)	(1.69)	(1.74)
HighYearsExp	0.256***	0.041	-	-	0.057***	0.010	-	-
	(8.79)	(0.94)			(5.09)	(0.72)		
Controls	No	Yes	No	Yes	No	Yes	No	Yes
Observations	208,139	208,139	211,980	211,980	208,139	208,139	211,980	211,980
Adjusted R-squared	0.145	0.145	0.083	0.083	0.176	0.176	0.130	0.130
Firm-Branch FE	Yes	Yes	No	No	Yes	Yes	No	No
Adviser FE	No	No	Yes	Yes	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Table 5: Continuing Education, Advisers with Prior Misconduct, and More Experienced Advisers

Table 5 provides results from augmenting Equation (2) using OLS regression. All variables are defined in Appendix B. *t*-statistics are reported in parenthesis, and standard errors are clustered by advisers. *, **, *** indicate statistical significance (two-sided) at the 0.1, 0.05, and 0.01 levels, respectively.

	(1)	(2)	(3)	(4)
VARIABLES	*Misconduct*	*Misconduct*	*Rules-Based Misconduct*	*Rules-Based Misconduct*
CE x PriorMisconduct	-1.882***	-2.053***	-1.978***	-2.156***
	(-3.07)	(-3.12)	(-3.78)	(-3.81)
CE x HighYearsExp	-0.172*	-0.303***	-0.098	-0.230**
	(-1.69)	(-2.66)	(-1.02)	(-2.12)
Controls	Yes	Yes	Yes	Yes
Observations	208,139	211,980	208,139	211,980
Adjusted R-squared	0.181	0.132	0.146	0.083
Firm-Branch FE	Yes	No	Yes	No
Adviser FE	No	Yes	No	Yes
Year FE	Yes	Yes	Yes	Yes

Table 6: Continuing Education and Regulatory Misconduct

Table 6 provides results from augmenting Equation (1) using OLS regression. All variables are defined in Appendix B. *t*-statistics are reported in parenthesis, and standard errors are clustered by advisers. *, **, *** indicate statistical significance (two-sided) at the 0.1, 0.05, and 0.01 levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	*RegMisconduct*	*RegMisconduct*	*RegMisconduct*	*RegMisconduct*	*RegMisconduct*	*RegMisconduct*
CE	0.011	0.006	-0.014	-0.016	-0.026	-0.027
	(0.29)	(0.16)	(-0.30)	(-0.35)	(-0.61)	(-0.63)
PriorMisconduct	-	0.585***	-	0.312***	-	-
		(6.89)		(3.63)		
YearsExp	-	0.003***	-	0.004***	-	-
		(3.28)		(3.33)		
Series63	-	-0.009	-	-0.020	-	-0.057
		(-0.37)		(-0.85)		(-1.01)
Series65	-	0.002	-	-0.002	-	0.254
		(0.11)		(-0.11)		(0.81)
Series66	-	0.014	-	-0.020	-	-0.852
		(0.55)		(-0.68)		(-1.39)
Series24	-	0.013	-	-0.054*	-	-0.063
		(0.38)		(-1.66)		(-0.14)
Series6	-	0.057**	-	0.043*	-	-0.289
		(2.26)		(1.66)		(-1.20)
Series7	-	0.050**	-	0.027	-	0.089
		(2.17)		(1.10)		(0.94)
OtherExams	-	-0.003	-	0.013	-	0.098
		(-0.25)		(1.03)		(0.80)
Observations	211,958	211,958	208,139	208,139	211,980	211,980
Adjusted R-squared	0.000	0.003	0.115	0.115	0.034	0.034
State FE	Yes	Yes	No	No	No	No
Firm-Branch FE	No	No	Yes	Yes	No	No
Adviser FE	No	No	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 7: Continuing Education and Investment Adviser Misconduct: Additional Fixed Effects

Table 7 provides results from augmenting Equation (2) using OLS regression. All variables are defined in Appendix B. *t*-statistics are reported in parenthesis, and standard errors are clustered by advisers. *, **, *** indicate statistical significance (two-sided) at the 0.1, 0.05, and 0.01 levels, respectively.

	(1)	(2)
VARIABLES	*Misconduct*	*Misconduct*
CE x PriorMisconduct	-2.168***	-
	(-3.26)	
CE x HighYearsExp	-	-0.434***
		(-3.46)
Controls	Yes	Yes
Observations	211,958	211,958
Adjusted R-squared	0.133	0.132
Adviser FE	Yes	Yes
State x Year FE	Yes	Yes

Table 8. Continuing Education and Firm Characteristics

Table 8 provides results from augmenting Equation (2) using OLS regression. Panel A examines firms with a higher proportion of advisers with prior misconduct. Panel B examines small firms. All variables are defined in Appendix B. *t*-statistics are reported in parenthesis, and standard errors are clustered by advisers. *, **, *** indicate statistical significance (two-sided) at the 0.1, 0.05, and 0.01 levels, respectively.

Panel A: Firm Misconduct

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	*Misconduct*	*Misconduct*	*Misconduct*	*Misconduct*	*Misconduct*	*Misconduct*
CE x FirmMisconduct	-1.872***	-1.766***	-3.014**	-3.022**	-3.405***	-3.398***
	(-6.43)	(-5.99)	(-2.42)	(-2.43)	(-2.96)	(-2.95)
CE	0.034	0.018	0.030	0.026	0.033	0.034
	(0.53)	(0.27)	(0.46)	(0.40)	(0.46)	(0.47)
FirmMisconduct	1.692***	1.224***	-2.953***	-2.552***	0.535	0.539
	(7.15)	(5.53)	(-8.95)	(-5.58)	(0.78)	(0.79)
Controls	No	Yes	No	Yes	No	Yes
Observations	168,872	168,872	166,123	166,123	167,946	167,946
Adjusted R-squared	0.003	0.009	0.177	0.177	0.148	0.148
State FE	Yes	Yes	No	No	No	No
Firm-Branch FE	No	No	Yes	Yes	No	No
Adviser FE	No	No	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Panel B: Small Firms

VARIABLES	(1) *Misconduct*	(2) *Misconduct*	(3) *Misconduct*	(4) *Misconduct*	(5) *Misconduct*	(6) *Misconduct*
CE x SmallFirm	-0.189	-0.166	-0.353**	-0.348**	-0.578***	-0.585***
	(-1.01)	(-0.89)	(-2.08)	(-2.05)	(-2.68)	(-2.71)
CE	0.147	0.112	0.274*	0.263*	0.421**	0.427**
	(0.79)	(0.60)	(1.76)	(1.68)	(2.04)	(2.07)
SmallFirm	-0.112***	-0.048	-	-	0.322***	0.328***
	(-2.79)	(-1.16)			(3.35)	(3.38)
Controls	No	Yes	No	Yes	No	Yes
Observations	211,958	211,958	208,139	208,139	211,980	211,980
Adjusted R-squared	0.001	0.007	0.179	0.180	0.132	0.132
State FE	Yes	Yes	No	No	No	No
Firm-Branch FE	No	No	Yes	Yes	No	No
Adviser FE	No	No	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes

Table 9. Continuing Education, Firm Misconduct, and Small Firms

Table 9 provides results from augmenting Equation (2) using OLS regression. All variables are defined in Appendix B. *t*-statistics are reported in parenthesis, and standard errors are clustered by advisers. *, **, *** indicate statistical significance (two-sided) at the 0.1, 0.05, and 0.01 levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	*Misconduct*	*Misconduct*	*Misconduct*	*Misconduct*	*Misconduct*	*Misconduct*
CE x FirmMisconduct	-1.884***	-1.775***	-3.026**	-3.034**	-3.449***	-3.441***
	(-6.41)	(-5.96)	(-2.43)	(-2.44)	(-2.98)	(-2.98)
CE x SmallFirm	-0.122	-0.109	-0.253**	-0.251**	-0.465**	-0.475**
	(-0.75)	(-0.67)	(-2.19)	(-2.17)	(-2.30)	(-2.35)
Controls	No	Yes	No	Yes	No	Yes
Observations	168,872	168,872	166,123	166,123	167,946	167,946
Adjusted R-squared	0.003	0.009	0.177	0.177	0.148	0.148
State FE	Yes	Yes	No	No	No	No
Firm-Branch FE	No	No	Yes	Yes	No	No
Adviser FE	No	No	No	No	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes