



February 26, 2010

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1509

Re: FINRA Regulatory Notice 09-70

Dear Ms. Asquith,

The Association of Registration Management, Inc. ("ARM") appreciates the opportunity to comment on FINRA Regulatory Notice 09-70 ("Notice") which proposes to create new FINRA rules that replace and revise the existing rules governing registration and qualification requirements. The rule proposal would significantly broaden the current "permissive" registration categories to allow member firms to register (or maintain the registrations of) certain persons employed by the member firm or its financial services affiliates. FINRA has also proposed several other amendments to the qualification and examination requirements.

ARM is grateful that FINRA is undertaking to streamline and modernize existing rules regarding registration so that financial services professionals might now be registered and able to retain their registrations regardless of job function or where they may be employed within their global organizations. This allows greater flexibility for US registered broker dealers who may move global employees within their organizations for training and coverage purposes.

A. ARM supports the Rule proposal as follows:

- Proposal to extend the time period that such person may function as a principal prior to passing applicable exam to 120 days
- Proposal to maintain existing waiver provisions
- Proposal to require Research Principals to pass the General Securities Principal exam and the Series 86 & 87 or the Series 16 exam
- Proposal to require all Chief Compliance Officers on Schedule A of Form BD to register as Compliance Officers and pass the Compliance officer exam including grandfathering
- Proposal to require firms to designate a Principal Financial Officer and Principal Operations Officer who qualify by exam
- Proposal to permit a General Securities Sales Supervisor to supervise Options activities
- Proposal to eliminate the Options Representative category
- Proposal to permit a General Securities Sales Supervisor to approve Options accounts
- Proposal to permit a General Securities Sales Supervisor to approve retail communications and sales literature
- Proposal to eliminate experience acceptability requirement for Supervisory Analyst registration
- Elimination of Securities Lending Representative Agreement

B. ARM comments on other provisions of the Rule proposal

Proposed new FINRA Rule 1210 presents regulatory flexibility by expanding the existing registration categories to introduce three new statuses, namely "Active," "Inactive" and "Retained Associate". ARM takes the position that the intent of the rule can be accomplished with less complexity. ARM proposes that only two categories: "Active" and "Permissive" would fulfill the same intent of the proposed rule change. Any associated person who performs a function requiring registration for a broker-dealer should be considered "Active". Others, whether associated with a member firm or associated with financial services affiliate of the member firm, should be considered "Permissive". ARM strongly feels that using the terminology of Inactive to classify any registered individual could be confused with CE inactive status.

ARM further recommends the elimination of the 10-year limitation for Retained associates. The proposed ten-year duration for Retained associate to maintain registration is both an administrative burden and seems unfair. We suggest that you eliminate this expiration period. If registered associates continue to be in good standing with firms (i.e. current with Regulatory element and Firm Element Continuing Education requirements) their registration should not lapse. This is consistent with how inactive registrations or licenses are handled with many other professionals requiring licenses, for example those in the legal or accounting professions.

ARM proposes elimination of the forfeiture requirement if the retained associate obtains an Active or Inactive status for less than 12 months. FINRA suggests that the reason for this requirement is "to mitigate the risk of customer confusion." ARM would argue that no such confusion exists. Properly designating the registration status eliminates confusion; not a complex set of rules and requirements that will cause undue hardship, burdens, costs and confusion to member firms and investors.

ARM further recommends the elimination of the 30-day requirement for Retained associates to register with another firm after the submission of a full termination Form U5. We strongly believe that in the current economic environment the proposed 30-day requirement to become associated with another firm is not practical. It is not uncommon for an individual to be out of work for several months or up to a year. The two-year re-registration period that has been in effect for more than 50 years should continue.

Should the rule as proposed pass, we encourage FINRA to develop a method to accommodate the tracking process which the rule will require, i.e. adding fields to the Form U4 and CRD to indicate type of registration and effective date fields. The reconfiguring of internal data systems and procedures to adequately track the timing of "classification" of registration will take a significant amount of time and resources for our members. This must be taken into consideration.

ARM respectfully recommends no change to FINRA's current Rule 1100, regarding foreign associates. ARM does not agree that individuals who are foreign nationals dealing solely with foreign national clients need to pass a US qualification examination. As a branch of the US broker dealer the registered foreign associate would certainly be required to meet firm element CE training and thus remain up to date on regulatory changes and practices. We certainly agree that a foreign national working from a US registered branch office should become registered by passing an appropriate qualification examination if they are servicing US clients. Likewise we agree that a US citizen working in a foreign branch of the US broker dealer should pass an appropriate qualification examination.

C. ARM requests clarification

In addition to the foregoing, ARM also respectfully requests FINRA provide additional clarification and guidance with regard to several provisions in proposed Rule 1230:

- With regard to the Compliance Officer registration, both Notice 09-70 and the proposed rule have caused some confusion in interpretation amongst member firms. There is a need for clarification as to the proposed new compliance exam and grandfathering provisions particularly for those not listed as Chief Compliance Officer on Form BD as well as definition of "compliance official". Further, it is not clear as to what will happen with the Series 14 currently held by compliance officials.
- NASD Rule 1031(c) requires persons whose registrations have expired without reactivation for a period of two or more years to retake the appropriate representative and/or principal qualifying examinations in order to reinstate their licenses. As it relates to NYSE principal examinations (Series 14, Series 14A, Series 16), the NYSE does not have a two-year time period for principal examinations to be reactivated. With that said, if this proposal is approved, we believe that the WebCRD system will be incapable of recognizing individuals who are associated with a broker/dealer that is a FINRA member firm only and not a dual member with NYSE and an approval of registration will not be issued.
- Further clarification is also requested with regard to Research Principals. Will guidelines for the S86 waiver to satisfy "qualified" status still be accepted for waiver consideration? This is not clearly addressed.
- With regard to the proposal to require a representative to have an active registration for 18 months within the previous five years prior to being designated a principal, we assume the 18 month rule does not apply to principal exams that do not have a prerequisite. Please clarify. Further, does the 18-month experience requirement apply to being designated as a principal or only apply to the ability to function as a principal for 120 days prior to passing the qualifying exam?

D. Summary

ARM supports and commends FINRA for many of the positive changes being proposed. However, we believe FINRA can accommodate the expansion of permissive registration in a more simplified fashion. We do not believe that three categories of registration are necessary and will create more confusion for the investing public than is intended. Nor do we believe that the complex set of rules, requirements, tolling and forfeiture, as proposed, are required. We believe that the goal of expanding permissive registrations can be achieved by providing for two categories of registration (Active and Permissive) by allowing the broader population within financial services organization to maintain registrations; by requiring them to be current with CE and other requirements as included in the rule proposal and by requiring supervision as proposed in the rule proposal. We do not believe the approach being suggested by ARM creates any additional risk nor does it create any investor confusion. In fact we think our suggestions make things more clear. We also do not believe that the time and manner limitations being proposed for the Retained Associate "guard against abuse of the privilege" as FINRA suggests. They simply create a confusing and overly burdensome framework to allowing permissive registrations.

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We thank you for your consideration of these comments and welcome further discussion.

Respectfully submitted,

On behalf of Association of Registration Management, Inc.'s Executive Committee:

Marian H. Desilets

Marian H. Desilets, President