



October 28, 2011

**VIA ELECTRONIC MAIL (rule-comments@sec.gov)**

Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

**Re: File No. SR-FINRA-2011-045; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Revise the Series 7 Examination Program**

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association<sup>1</sup> appreciates the opportunity to comment on the referenced rule filing, through which FINRA has filed with the Securities and Exchange Commission (“SEC”) for immediate effectiveness revisions to the General Securities Representative (Series 7) examination in order to “reflect changes to the laws, rules and regulations covered by the examination and to better reflect the functions and associated tasks performed by a General Securities Representative.”<sup>2</sup> According to the rule filing, FINRA will “divide the content outline into five major job functions performed by a General Securities Representative.”<sup>3</sup> Significantly, the revisions will de-emphasize specific product lines, particularly municipal securities, while broadening the scope of the exam with respect to the functions and duties of a General Securities Representative.

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<sup>1</sup> The Securities Industry and Financial Markets Association (“SIFMA”) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (“GFMA”). For more information, visit [www.sifma.org](http://www.sifma.org).

<sup>2</sup> Securities Exchange Act Release No. 65535 (September 20, 2011); 76 Fed. Reg. 59751 (September 27, 2011).

<sup>3</sup> *Id.* These functions are as follows: (1) Seeks Business for the Broker-Dealer through Customers and Potential Customers; (2) Evaluates Customers’ Other Security Holdings, Financial Situation and Needs, Financial Status, Tax Status, and Investment Objectives; (3) Open Accounts, Transfers Assets, and Maintains Appropriate Account Records; (4) Provides Customers with Information on Investments and Makes Suitable Recommendations; and (5) Obtains and Verifies Customer’s Purchase and Sales Instructions, Enters Orders, and Follows Up.

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We fully support FINRA's proposal to update the Series 7 in light of changes to applicable rules and regulations. We are concerned, however, about the apparent trend to de-emphasize the Series 7 as the core industry exam taken by most personnel. The Series 7 has long served as the examination used by regulators and the industry to ensure that personnel have an adequate level of proficiency with respect to major product areas, including municipal securities. By setting a standard benchmark, the Series 7 also allows large firms flexibility to manage a mobile workforce engaged in multiple product lines and businesses.

In recent years, however, self-regulatory organizations ("SROs") have adopted a number of limited purpose exams, such as the Series 79 (Investment Banking)<sup>4</sup> and the Series 56 (Proprietary Trading). FINRA's proposal will continue this trend by effectively shifting content to the Series 52, another limited-category examination.<sup>5</sup> This may have the unintended consequence of lessening the overall level of proficiency with respect to municipal securities among the wider group of General Securities Representatives, who will no longer be examined on the subject when they take the Series 7. In addition, FINRA's approach potentially will require many individuals (other than sales representatives) who effect transactions in corporate debt, structured products, public finance, and related products to take multiple exams – in some cases, the Series 7, the Series 52, *and* the Series 79. This would be unnecessary if the municipal securities content were permitted to remain in the Series 7.

Requiring passage of multiple limited category exams limits the ability of registered personnel to perform multiple roles, and also restricts the ability of firms to ensure adequate coverage. We submit that the Series 7 exam should continue to serve as the core securities exam, and that limited category exam requirements should only be imposed when necessary to foster an SRO's regulatory goals. That is simply not the case here.<sup>6</sup>

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<sup>4</sup> The Series 79 was originally intended to cover individuals engaged in the investment banking business, which is appropriate given the scale of, and unique expertise required to conduct, that business. The language in NASD Rule 1032(i) that was ultimately adopted, however, was broad and also captures certain individuals in equities and fixed income trading. ("(A) advising on or facilitating debt or equity securities offerings through a private placement or a public offering, including but not limited to origination, underwriting, marketing, structuring, syndication, and pricing of such securities and managing the allocation and stabilization activities of such offerings, or...")

<sup>5</sup> See Proposed MSRB Rule Change Regarding Professional Qualifications and Information Concerning Associated Persons (SR-MSRB-2011-17), Securities Exchange Act Release No. 65393 (September 26, 2011); 76 Fed. Reg. 60953 (September 30, 2011). **In that Proposal, the MSRB grandfathers those who pass the Series 7 prior to the effective date of the MSRB rule (proposed to be November 7, 2011), but does not waive the exam for new personnel who subsequently take the Series 7.**

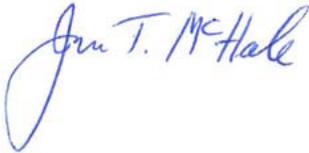
<sup>6</sup> In its release, FINRA simply notes that the MSRB is proposing to revise Rule G-3 to require individuals to pass the Series 52 exam in order to qualify as Municipal Securities Representatives, unless their activities are limited to sales to, and purchases from, customers. FINRA's reference to the MSRB's proposal—which the MSRB made in response to FINRA's own decision to change the focus of the Series 7—does not explain why it is necessary to remove municipal securities content from the General Securities Representative exam in the first place, or how such removal will foster the goal of promoting an educated workforce. Securities Exchange Act Release No. 65393 (September 26, 2011); 76 Fed. Reg. 60953 (September 30, 2011).

In sum, we urge FINRA and other SROs to pursue a more coordinated approach to the exam process generally, so as to limit whenever possible the need for multiple examinations.<sup>7</sup> Further, a coordinated approach could lead to a better understanding of FINRA's and other SRO's strategy with respect to licensing more broadly. This in turn could enable the industry to provide more constructive input, thereby minimizing the potential impact of unintended consequences, and at the same time enhancing the likelihood for successful implementation at member firms.

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SIFMA appreciates the opportunity to provide comments on FINRA's Series 7 revisions. Should the SEC or its Staff have questions or wish to discuss our comments in greater detail, please do not hesitate to contact me at (202) 962-7386 or [jmchale@sifma.org](mailto:jmchale@sifma.org).

Very truly yours,



James T. McHale  
Managing Director and Associate General Counsel

cc: Mr. David Shillman  
Ms. Katherine England  
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<sup>7</sup> Given the technology available today, the SROs, for example, could create a modular Series 7 exam with multiple parts.