



July 10, 2015

By Electronic Mail (rule-comments@sec.gov)

Robert W. Errett
Deputy Secretary
Securities and Exchange Commission
100 F Street, N.E., Washington, D.C. 20549-1090

Re: SR-FINRA-2015-017: FINRA Proposal to Establish Securities Trader and Securities Trader Principal Registration Categories

Dear Mr. Errett:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the Financial Industry Regulatory Authority’s (“FINRA”) proposed amendments to NASD Rule 1032(f) to replace the Equity Trader registration category and qualification examination (Series 55) with a Securities Trader registration category and qualification examination (Series 57) and NASD Rule 1022(a) to establish a Securities Trader Principal registration category (the “Proposal”).²

I. BACKGROUND

FINRA rules currently require a representative to register with FINRA as an Equity Trader if, with respect to transactions in equity (including equity options), preferred or convertible debt securities effected otherwise than on a securities exchange, such person is engaged in proprietary trading, the execution of

¹ SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over \$2.4 trillion for businesses and municipalities in the U.S., serving clients with over \$16 trillion in assets and managing more than \$62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. 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 <http://www.sifma.org>.

² See generally SR-FINRA-2015-017 (available at: http://www.finra.org/sites/default/files/rule_filing_file/FINRA-2015-017.pdf) [last visited June 30, 2015].

transactions on an agency basis or the direct supervision of such activities.³ There is an exception for transactions effected on behalf of certain registered investment companies.

The Series 55 examination currently qualifies an associated person to function as an Equity Trader. The Series 7 examination or Series 62 examination is a prerequisite to holding the Series 55.

FINRA and most of the national securities exchanges (the “Exchanges”) have different qualification standards for individuals engaged in or supervising securities trading activities. Most of the Exchanges use the Proprietary Trader examination (Series 56) instead of the Equity Trader examination (Series 55). In addition, most Exchanges require a person to register as a Proprietary Trader Principal if the person will supervise proprietary trading activities. FINRA, on the other hand, requires a person with such supervisory authority to hold the Series 55 examination but does not otherwise apply a specific principal registration category to such person’s supervisory activities.

II. FINRA’S SECURITIES TRADER & SECURITIES TRADER PRINCIPAL PROPOSAL

A. Securities Trader Examination (Series 57)

FINRA is proposing to amend NASD Rule 1032(f) to replace the Equity Trader registration category and qualification examination (Series 55) with a Securities Trader registration category qualification examination (Series 57). FINRA also proposes to amend NASD Rule 1022(a) to establish a Securities Trader Principal registration category. The new Series 57 examination will not include the Series 7 examination or Series 62 examination prerequisite that applies to the current Series 55.

FINRA further indicates that the Exchanges plan to replace the Series 56 with the new Series 57. SIFMA understands that the Exchanges will make separate rule filings with the Securities and Exchange Commission (“SEC”) to effect this rule change.

³ See NASD Rule 1032(f).

B. Securities Trader Principal Examination

FINRA also is proposing to create a new Securities Trader Principal category. Any principal with supervisory responsibility over the securities trading activities described in NASD Rule 1032(f) will have to register as a Securities Trader Principal. To qualify as a Securities Trader Principal, an individual must register as a Securities Trader and pass the General Securities Principal qualification exam.

A person registering as a Securities Trader Principal will be required to pass the General Securities Principal examination (Series 24) and the Securities Trader examination (Series 57), but will not be eligible to register as a General Securities Principal unless the person passes the appropriate prerequisite examination for General Securities Principal registration, such as the Series 7 examination. A person qualified and registered as a Securities Trader Principal, therefore, may only have supervisory responsibility over the activities specified in NASD Rule 1032(f).

C. Grandfathering of Existing Registered Persons & Implementation Date

FINRA proposes to grandfather into the new examination system existing registered persons. In particular, a person registered as an Equity Trader or a General Securities Principal and an Equity Trader in the Central Registration Depository ("CRD") system on the effective date of the Proposal will be grandfathered as a Securities Trader or a Securities Trader Principal, respectively.

An individual who was registered as an Equity Trader or a General Securities Principal and an Equity Trader in the CRD system prior to the effective date of the Proposal will be eligible to register as a Securities Trader or a Securities Trader Principal, respectively, without having to take any additional exams if no more than two years has passed between the date they were last registered and the date they register as a Securities Trader or a General Securities Principal.

FINRA intends for the Proposal to take effect on January 4, 2016.

III. SIFMA'S COMMENTS ON FINRA'S SECURITIES TRADER & SECURITIES TRADER PRINCIPAL PROPOSAL

A. SIFMA Supports the Proposal

SIFMA supports the Proposal. SIFMA believes the current qualification system for licensing persons engaged in or supervising securities trading activities includes a significant amount of duplication and generally is a fragmented

qualification regime that is confusing and costly to administer. SIFMA believes the Proposal should eliminate or reduce the inefficiencies found in the current qualification regime.

B. SIFMA Supports FINRA's Proposed Implementation Date

SIFMA supports FINRA's timeline for implementing the Proposal. SIFMA, however, requests that FINRA provide some flexibility in the timeline given the significant other initiatives that member firms are currently undertaking or will undertake in the near future. For example, firms currently are implementing FINRA's new background check rule⁴ and in the near future might have to implement a new Web CE requirement⁵ and a new licensing regime for algorithmic trading personnel.⁶ Many of these additional initiatives will involve the same firm personnel and will require various system and process changes.

C. SEC Review of FINRA's Proposal (Series 57) & the Exchanges' Separate Rule Filings (Series 56)

SIFMA encourages the SEC to review at the same time FINRA's Proposal and the Exchanges separate rule filings regarding their move to the Series 57 examination. The elimination of the Series 55 examination and Series 56 examination and the move to a common Series 57 examination will require coordination among FINRA, the Exchanges and the industry. FINRA's and the Exchange's respective rule filings start this process and, therefore, should line-up substantively and temporally.

D. FINRA Coordination with the Exchanges

SIFMA encourages FINRA and the Exchanges to closely coordinate their move to the Series 57 examination. SIFMA also encourages FINRA and the Exchanges to maintain an open dialogue with the industry through-out the implementation process.

⁴ See FINRA Regulatory Notice 15-05 (available at: <https://www.finra.org/industry/notices/15-05>) [last visited on July 7, 2015].

⁵ See SR-FINRA-2015-015 (available at: <http://www.finra.org/industry/rule-filings/sr-finra-2015-015>) [last visited on July 7, 2015].

⁶ See FINRA Regulatory Notice 15-06 (available at: <http://www.finra.org/industry/notices/15-06>) [last visited on July 9, 2015].

E. Coordination with FINRA's Separate Algorithmic Trading Proposal

In Regulatory Notice 15-06, FINRA is proposing to require the licensing of certain firm personnel engaged in algorithmic trading activities (“Algorithmic Trading Proposal”).⁷ FINRA is proposing to require persons covered by the Algorithmic Trading Proposal to hold a Series 55 license. SIFMA encourages FINRA to coordinate its Series 57 proposal and the Algorithmic Trading Proposal. Both proposals will require significant operational and procedural changes. Assuming that the Algorithmic Trading Proposal moves forward, SIFMA believes it would be more efficient and cost effective to initially implement the Series 57 regime and subsequently implement the Algorithmic Trading Proposal. Implementing the Algorithmic Trading Proposal before the change over to the new Series 57 regime will require firms to license all affected personnel under the Series 55 regime and then convert them to the new Series 57 regime.

F. Content of the New Examinations

FINRA indicates in its filing with the SEC that FINRA is developing the content for the new examinations contemplated by the Proposal.⁸ SIFMA encourages FINRA to solicit comment on the examination content through a Regulatory Notice to Members.

⁷ See FINRA Regulatory Notice 15-06 (available at: <http://www.finra.org/industry/notices/15-06>) [last visited on July 9, 2015].

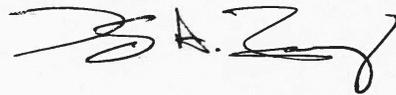
⁸ See SR-FINRA-2015-015 at 7 n. 4.

IV. CONCLUSION

SIFMA appreciates the opportunity to comment on the Proposal. Subject to the comments included in this letter, SIFMA supports the Proposal. SIFMA commends FINRA for undertaking a review of FINRA's securities trading qualification regime and for proposing to modernize the regime.

If you have any questions or require further information, please contact Kevin Zambrowicz, Associate General Counsel & Managing Director, SIFMA at [REDACTED]).

Very truly yours,

A handwritten signature in black ink, appearing to read 'K. Zambrowicz', is centered on the page.

Kevin Zambrowicz
Associate General Counsel &
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