ARM Association Of Registration Management, Inc.
Post Office Box 133, Bowling Green Station, New York, NY 10274

May 1, 2017

Robert W. Errett
Deputy Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: SR-FINRA-2017-007: Proposed Rule Change to Adopt Consolidated FINRA Registration Rules, Restructure the Representative-Level Qualification Examination Program and Amend the Continuing Education Requirements

Dear Mr. Errett,

The Association of Registration Management, Inc. ("ARM") graciously accepts the Securities and Exchange Commission's invitation to comment on the proposals by FINRA regarding the changes to registration rules, qualifying securities examinations, and continuing education. ARM has a strong history of great working relationships with FINRA on registration issues, and looks forward to working together to improve securities licensing and related functions.

As you may be aware, ARM is an organization that exists for the primary purpose of representing the financial services industry on issues concerning the registration and licensing functions. The organization, which started in 1975, has now provided that representation for over 40 years. ARM appreciates the opportunity to submit this letter and present feedback collected from the financial securities industry on these topics and the related issues.

ARM congratulates FINRA in their progress with the efforts included in this proposal, and generally views these updates as improvements upon the earlier suggestions raised initially in FINRA Regulatory Notice 09-70. The comments that follow indicate our support and/or our request for changes related to the proposals on: (1) permissive registrations; (2) the restructuring of qualification examinations, including the introduction of the Securities Industry Essentials exam; (3) registered persons functioning as principals for limited periods; (4) continuing

education; (5) the Financial Service Affiliate waiver process; (6) changes to registration categories; and (7) the proposed implementation date of the changes.

ARM applauds FINRA's plans for permissive registrations in proposed Rule 1210.02. The current NASD rules, 1021 and 1031, require significant efforts from firms to evaluate the appropriateness of registrations and often deny our associated persons the ability to complete securities examinations and obtain or retain related licenses. By allowing any associated person to obtain registrations, our personnel can increase their knowledge with the examination content and qualify that knowledge with recorded examination results and related registration approvals. This permission also allows member firms to "build our benches" with qualified personnel, or—as the proposal describes--"develop a depth of associated persons with registrations in the event of unanticipated personnel changes." Along with the increased demonstration of knowledge, as the Securities Industry and Financial Markets Association (SIFMA) noted, associated persons will also enjoy greater career mobility and opportunities. This expansion changes firms' evaluation process to a simple determination of whether registrations are being held for business purposes or as permissive licenses.

Additionally, ARM appreciates the explanation of the supervision requirements for these permissive registrations, to assist member firms in complying with Rule 3110(a)(5). Though, we are concerned about the apparent "dotted-line" reporting requirement between permissive registrants and the registered supervisor, and the need for the supervisor to ensure that the permissive registrants are not acting outside the scope of their assigned function. From a practical perspective, these dotted-lines tend to be artificial for the purpose of complying with the text of the rule, but not the spirit of the rule. ARM believes that the Firm's written supervisory procedures and compliance programs can serve to address concerns that permissive registrants are not acting outside the scope of their assigned function. However, if the SEC believes this provision must remain, then ARM asks that the proposal not require permissive principals to have a dotted-line to a principal, but rather allow for a registered representative to serve that function. ARM is mindful that when FINRA adopted the Operations Professional (OS) examination (Series 99), which is a representative level exam for supervisor, they accepted several of their existing examinations to qualify for OS registration. With the existence of the OS registration, and the "permitted categories" allowing for registration in NASD Rules 1021 and 1031, precedent has been set for permissive registrants to be supervised by registered representatives.

ARM fully supports the restructuring of the qualification examinations and the introduction of the Securities Industry Essentials ("SIE") examination. Our member firms believe this examination will allow candidates interested in financial services positions to demonstrate their interest and their capabilities. Regarding this demonstration, ARM would like further clarification regarding the type of SIE results that would be available. FINRA's proposal indicates a "passing or failing result" would be provided. This language suggests the actual scores would not be provided as results. Many of our member firms use these scores as criteria for certain programs or to evaluate the effectiveness of test preparation courses, while others use

the scores to identify those individuals who may require further securities training. ARM also feels withholding the actual score from the test candidate prevents the individual from understanding just how well he/she knows the examination's subject matter. Regarding the Rules of Conduct and the required waiting period after a failed examination attempt, ARM supports the consistent approach that proposed Rules 1210.05 and 1210.06 have across the SIE, representative-level, and principal-level exams.

ARM appreciates FINRA's response to our earlier comment letter regarding the SIE's expiration period, and we request that further consideration be given to the request. Our member firms continue to believe that a five-year expiration period should apply for the specialized knowledge examinations and a six-year period for the SIE. However, instead of specific expiration periods, ARM would prefer an arrangement where individuals with inactive registrations—such as those people outside of, or temporarily away from, the securities industry—could keep their examinations valid through completing their Regulatory Element Continuing Education. Staying current on relevant subject matters was the very objective of a continuing education program. ARM is unaware of any other industry whose ability to maintain their professional credentials are predicated on being employed by a specific type of firm. Considering the ease of completion and tracking introduced in the CE Online program, our member firms strongly believe that qualified individuals should be able to continually demonstrate their competency and knowledge, and maintain the validity of the examinations that they worked so hard to successfully complete. ARM is encouraged by FINRA's comment that "more frequent CE" is being considered for this reason.

Our member firms also appreciate the SIE examination's impact on the other examinations and the qualifications for registration. The most obvious improvement relates to Research Analysts (RS), which will no longer depend on the Series 7 as a prerequisite. ARM looks forward to more information from FINRA regarding the pricing analysis referenced in the Economic Impact Assessment of the proposal. We hope the reduction in examination size will result in reduced examination fees, and the addition of the SIE does not increase the qualification costs for securities registrations.

ARM is also grateful for FINRA's response to our request for more detailed examination waiver guidelines. More specifically, ARM requested more detailed criteria to assist member firms in determining whether a candidate may qualify for a waiver of a specific examination. Our members appreciate the detailed explanation of the examinations on the updated FINRA.org website, and frequently use the descriptions, lists of permitted activities, and content outlines in discussions with our registered representatives and supervisory principals. ARM believes those pages can be further improved by adding explanations of waiver criteria specific to each examination. The publication of such information would save member firms from the time and effort of preparing waiver requests for individuals who may be clearly unqualified, and would save FINRA's Qualifications group from the time and effort of reviewing the requests of unqualified individuals. ARM is encouraged by FINRA's stated intention of "reaching out to the industry on the need for additional guidelines."

Regarding the requirements for registered persons functioning as principals for limited periods, ARM thanks FINRA for extending the time that individuals may act in that capacity prior to passing a principal examination from 90 to 120 days. However, ARM requests that FINRA re-consider the experience requirement included in proposed Rule 1210.04. As SIFMA noted, requiring 18 months of registered representative experience unnecessarily complicates the process. Our member firms believe that this requirement also fails to consider other qualifying knowledge and experience that may have adequately prepared a recently registered representative for a supervisory role, such as those individuals recently returning to, or entering, the US securities markets after holding a role similar to a supervisory principal in a foreign or other financial services markets.

ARM agrees with FINRA's approach for continuing education in proposed Rule 1210.07, and the concept that all registered representatives should demonstrate competency and increase knowledge through completion of CE, even if their licenses are being held as permissive registrations. However, we repeat our request to expand continuing education opportunities to individuals with inactive registrations as a means to keep qualifying examinations valid.

ARM acknowledges the consideration that FINRA has made for multi-national firms with the waiver of examinations for individuals working for a financial services industry affiliate of a member in proposed Rule 1210.09, and agrees that this approach is an improvement over the "Retained Associate" concept originally introduced in Regulatory Notice 09-70. However, our member firms have expressed concern over the criteria for the Financial Services Affiliate ("FSA") waiver. Most specifically, we request a review of the "single, fixed seven-year period" of eligibility noted in footnote 40 of the proposal notice. ARM would like clarification as to why this waiver is available only once in the career of a registered representative. This limitation appears to discourage individuals from gaining extensive experience in foreign markets or participating in more than one foreign engagement. Our member firms believe that this type of education and understanding is beneficial to clients, and that the eligibility limitation would place unnecessary barriers in front of professionals who wish to seek such experiences. ARM also believes that FINRA should revise the language regarding "pending or adverse regulatory matters" as part of the conditional requirements for FSA eligibility. Our member firms believe that this language should be limited to regulatory findings, and not pending matters which may not result in any action taken against a registered representative. Additionally, ARM believes that our member firms will require more training and information about the criteria required to better understand the FSA waiver process and how related information may appear in WebCRD. Especially with the complexity of the eligibility in this process, ARM again requests detailed waiver guidelines in this process to establish evaluation criteria that can be used by our member firms and to manage the expectations of their registered representatives. As both FINRA and our member firms gain experience with this new process, ARM believes that FINRA will continue its tradition of open dialogue with the industry to evaluate the effectiveness of this proposed arrangement. Finally, ARM also echoes SIFMA's request to change the abbreviation "FSA" to avoid confusion with the Financial Services Authority, the former UK regulator.

ARM appreciates the detailed review of the registrations included in proposed Rule 1220, and applauds FINRA's efforts toward rule consolidation. However, ARM would like to take the opportunity to address some common issues and concerns expressed by our member firms regarding these registrations:

- Regarding the General Securities Principal (GP), ARM requests that FINRA re-evaluate the examination content to eliminate the product scope limitations. As noted in the questions section of FINRA.org's Series 24 examination page, there is consistent confusion among registered representatives about the differences between the General Securities Sales Supervisor (SU) and the GP. Our member firms explain the GP functions, and note that the registration does not allow for the supervision of municipal security and/or options activity. They also explain that the SU is limited to sales activity, but features a larger product scope range, including options and municipal securities. To reduce this confusion, and to make the GP a wider-covering status, we request that FINRA considers adding options and municipal security content to the Series 24.
- Regarding the CCO requirements, ARM requests that FINRA discusses establishing reciprocity with the NYSE regarding the GP and the Compliance Professional Examination. ARM has appreciated FINRA's view that the Series 14 examination was deemed as an acceptable qualifier for FINRA registered Compliance Officials, but the NYSE has failed to recognize the GP to meet their requirements. Any effort to agree upon common criteria would be greatly appreciated by member firms who still feel the burden of these differing requirements.
- Regarding the proposal to eliminate certain registration categories, ARM appreciates this consolidation in light of the examination changes and the recognition that individuals with certain non-US registrations may be eligible for a waiver of the SIE. Our member firms also appreciate that individuals currently registered with these statuses will be allowed to maintain them after their elimination. However, ARM requests that FINRA does not remove any of these qualifications from the prerequisite criteria for other registration statuses, including principal registrations. Our member firms want to ensure that this change does not unnecessarily limit these individuals from becoming principally registered.

In our analysis of the proposed updates to principal registrations, ARM believes that some of the planned changes create unnecessary and unintended administrative burdens that over-complicate licenses and the license application process specifically. The most significant example of these increased difficulties appears to be the connection between qualifying examinations and different registration categories, specifically for principals. Previously, ARM member firms have highlighted concerns about the interface for selecting registration in Section 4 of the Form U4 on the WebCRD system. The current process requires the manual selection of each individual registration available with each individual exchange or self-regulatory organization ("SRO")—checking a box for each license. As the number of SROs increase each year, the process becomes increasingly onerous and the potential for clerical application error

becomes greater and greater. Increasing the numbers of possible registration categories related to the same qualifying exams, or combinations of those exams, only expands the possibilities of these errors and the related problems.

As an example, please see proposed Rule 1220(a)(2)(A), which requires each principal—as defined in proposed Rule 1220(a)(1)—to register as a GP with limited exceptions, including Investment Banking Principals, Research Principals, and Securities Trader Principals. Yet ARM notes that proposed Rules 1220(a)(5), 1220(a)(6), and 1220(a)(7), define the qualification criteria for the Investment Banking Principal, the Research Principal, and the Securities Trader Principal, respectively. In each case, a different specialized function examination is paired with the same GP examination (Series 24).

ARM is unclear how these specific principal categories provide value or benefit to FINRA, our member firms, their clients, and/or other regulators. These rules create additional registration categories that rely on a single examination, which then creates additional boxes in Section 4 of the Form U4, and increased opportunities for manual selection errors. Our member firms do not have any current difficulties assigning appropriately registered GPs to properly supervise our Investment Banking, Research and Securities Trader teams by looking through their specialized function examinations and related representative-level licenses. ARM believes that individuals should be deemed properly registered as an Investment Banking Principal, a Research Principal, or a Securities Trader Principal upon being licensed in the appropriate corresponding representative level category of registration while being registered as a GP. ARM member firms are particularly concerned about this proposed change, given their experience with the introduction of the Securities Trader (TD) and Securities Trader Principal (TP) registrations and the related Series 57 examination. When these registrations first appeared on WebCRD in January 2016, all registered representatives with FINRA General Securities Representative (GS) and Equity Trader (ET) registrations were automatically transitioned to the new TD category. However, FINRA required each firm to manually apply for every individual who qualified for the TP license. This administrative burden required significant manual effort from our member firms to submit form filings requesting TP registrations, while the qualified individuals already had the TD and GP licenses. Furthermore, the creation of the TP has caused some confusion with the principal registration requirements from other securities exchanges and regulators, which has required several firms to involve outside counsel for TP-related matters—adding expensive financial burdens on top of the manual effort requirements.

ARM notes that the current version of Section 4 of the Form U4 features 57 registration categories across 22 different Self-Regulatory Organizations (SROs), which creates a grid of over 1,200 possible boxes to be checked in the application process. This section of the Form U4 has become practically unmanageable. Appropriately qualified, licensed securities professionals are often unknowingly non-compliant with registration rules because one or more of these boxes were missed. Our member firms have been the subject of regulatory examinations, and have examination findings for this same type of accidental omission. Because of these system and form limitations, and because of the unnecessary complexity added through the creation of

specific registration categories with different qualifying examination combinations, ARM urges FINRA to reconsider these proposed changes. ARM does not believe that FINRA, or any other regulator, should create additional unique registration categories that do not have unique qualification examinations. Each qualifying examination should only have one registration category. Our member firms are willing to work with FINRA to demonstrate how appropriate supervisory qualifications can be determined through a review of representative-level qualification examinations. ARM also looks forward to more details on plans for improved WebCRD functionality, including any plans to include "Completeness Checks" to identify any possible missed boxes in Section 4 of the Form U4. Furthermore, ARM encourages FINRA to work with other regulators to minimize the examples of multiple registration categories that are all related to a single examination.[1]

Finally, ARM requests that FINRA re-visit the target dates for the implementation of the proposed changes. The proposal lists an effective date of March 2018. Our member firms are concerned that this target date does not allow the firms, their representatives, and the regulators adequate time to update the policies, procedures, systems, and teams necessary to take all the necessary actions related to these changes. ARM would like to discuss this matter further with FINRA, suggesting November 2018 as a possible target.

ARM thanks FINRA for their dedicated efforts and collaborative work process. Our member firms appreciate your time and consideration. Please contact me if you wish to discuss the matter in more detail, if you have any questions, or if I can assist any further.

Sincerely,

Michele Van Tassel
President, Association of Registration Management
[redacted]

[1] On the current Form U4, there are five (5) different unique registration categories related to the Series 57 exam, and three (3) categories related to the Series 7. The Series 9 & 10, the Series 14, and the Series 24 all have two (2) registration categories related to each examination.