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Regulatory Policy
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Member FINRA/SIPC

May 1, 2017

Via e-mail: *rule-comments@sec.gov*

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street N.E.
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. Fields:

Wells Fargo Advisors (“WFA”) appreciates the opportunity to comment on the Financial Industry Regulatory Authority’s (“FINRA”) rule proposal to amend the qualification and registration requirements in the Consolidated FINRA Rulebook, restructure the representative-level qualification examinations and revise the continuing education requirements (the “Proposal”).¹

WFA is a dually registered broker-dealer and investment advisor that administers approximately \$1.5 trillion in client assets. We employ approximately 18,836 registered representatives in branch offices in all 50 states across the country.² WFA and its affiliates help

¹ FINRA File No. SR-FINRA-2017-007 – Notice of Filing of a Proposed Rule Change to Adopt Consolidated FINRA Registration Rules, Restructure the Representative-Level Qualification Examination Program and Amend the Continuing Education Requirements (April 10, 2017); available at: http://www.finra.org/sites/default/files/rule_filing_file/SR-FINRA-2017-007-federal-register-notice.pdf.

² “Wells Fargo Advisors” is the trade name for Wells Fargo Clearing Services, LLC (“WFCS”), a dually-registered broker-dealer and investment adviser, member FINRA/SIPC, and a separate non-bank affiliate of Wells Fargo. “First Clearing” is the trade name for WFCS’s clearing business, providing services to unaffiliated introducing broker-dealers. WFCS is affiliated with Wells Fargo Advisor Financial Network (“FiNet”), a broker-dealer also providing advisory and brokerage services. For the ease of this discussion, this letter will use WFA to refer to all of those brokerage operations.

millions of customers of varying means and investment needs obtain the advice and guidance they need to achieve their financial goals while offering a full range of investment products and services that retail investors need to pursue these goals.

I. EXECUTIVE SUMMARY

WFA is supportive of FINRA's effort to amend its rules relating to the registration, qualification examination and continuing education requirements. We applaud FINRA's leadership in reviewing these rules and working to develop a more thoughtful and efficient registration framework that promotes opportunities for prospective financial professionals without sacrificing investor protections. As we stated in 2015 when FINRA last proposed to update its qualification requirements,³ FINRA's goals to broaden the securities industry talent pool, eliminate redundancies within the qualification examinations and provide a reinstatement process to financial services professionals are all welcome and worthwhile.⁴

While we fundamentally support FINRA's framework contained in the Proposal, we believe there is an opportunity to make adjustments and additional clarifications that will further improve the Proposal. Specifically, the eligibility requirements of the Financial Services Affiliate ("FSA") waiver have the potential to restrict individuals from opportunities with an affiliate due to the required tenure and registration period, and the experience criteria that are proposed for the temporary Principal registration have the potential to eliminate candidates that otherwise prove to be the most qualified. We would recommend a more thoughtful approach so that the result of the Proposal is not to require arbitrary restrictions.

Lastly, infrastructure enhancements that are necessary to support the prescribed changes with internal systems that run parallel to the Central Registration Depository ("CRD") require alignment as well as enhanced internal oversight and control reporting. Consequently, we believe that additional time is needed for implementation and recommend a prescribed implementation period of no less than eighteen months from the final rule's effective date.

³ Regulatory Notice 15-20: Qualification Examinations Restructuring – FINRA Requests Comment on a Concept proposal to Restructure the Representative-level Qualification Examination Program (May 2015); *available at*: http://www.finra.org/sites/default/files/notice_doc_file_ref/Notice_Regulatory_15-20.pdf.

⁴ See Correspondence from Robert J. McCarthy, Director of Regulatory Policy at Wells Fargo Advisors, LLC, to Ms. Marcia E. Asquith, Office of the Corporate Secretary, FINRA, *regarding* Regulatory Notice 15-20: Qualification Examinations Restructuring (July 27, 2015) ("Wells Fargo July 27, 2015 Letter"); *available at*: http://www.finra.org/sites/default/files/notice_comment_file_ref/15-20_WellFargo_comment.pdf.

II. DISCUSSION

A. WFA supports the introduction of the Securities Industry Essential (SIE) Examination.

WFA is supportive of the introduction of the Securities Industry Essentials (“SIE”) examination as it dually provides opportunities for individuals and members. Individuals within and outside of the industry have an opportunity to demonstrate competency with the general knowledge and understanding of the markets and industry, and firms benefit from a broader and more diverse pool of qualified candidates. In short, without sacrificing qualification standards the SIE provides an entryway for a more diverse set of individuals to participate in our industry which will ultimately benefit not only member firms but the investing public.

Similarly, the ability for member firms to further enhance their internal talent pool through the Permissive Registration proposal (1210.02) creates the potential for firms to allow more dynamic development possibilities to associated persons and greater flexibility for professional growth and career decisions.⁵ When paired, these changes support a high performing workforce that can more easily adapt to personnel changes via solutions-focus as associated persons registration status would not be restricted based on job function.

B. Requiring a certain level of experience prior to taking a principal examination is unnecessary.

As it relates to the “Requirement for Registered Persons Functioning as Principals for a Limited Period,” the extension of time to 120 calendar days is beneficial to members as the supervisory responsibilities at this level provide limited time for study.⁶ However, we respectfully request FINRA consider rescinding the proposed requirement that principals have eighteen months of registered representative experience (within a five year period). Firms have developed internal business practices and FINRA has established examination requirements to ensure that candidates chosen for principal roles have requisite skills to support the principal function. Thus, we believe that the prescribed length of time confers no additional benefit to the firm or added protections to the investing public.

We also request additional clarification for the principal designation requirements to apply to all registration categories “without exception.” Currently, the Financial and Operational Principals (FINOPS) do not require a prerequisite representative-level registration requirement. Clarification is requested as proposed FINRA Rule 1220(a)(4)(B) states that those individuals who would qualify and be registered as the Principal Operations Officer and Principal Financial Officer must have or obtain the FINOP, which is currently exempt from the Series 99 requirement.⁷

⁵ See *supra* note 1, p. 17338.

⁶ See *supra* note 1, p. 17341.

⁷ See *supra* note 1, p. 17347.

C. The FSA Waiver program is a good start but is unnecessarily burdensome.

Proposed FINRA Rule 1210.09, the FSA-waiver program, provides financial services industry members' career flexibility by allowing a registered individual to move between affiliates (subject to conditions) while retaining the securities industry qualifications upon re-registering.⁸ While the opportunities that are provided from the FSA-waiver are an important and welcome improvement over the "Retained Associate" concept proposed in FINRA Regulatory Notice 09-70, the eligibility requirements have the potential to introduce burdensome restrictions to an amendment that seeks to provide greater flexibility and growth opportunities for individuals and the industry.

Specifically, WFA requests FINRA to reconsider the FSA-waiver qualification standards set forth within the proposal as it is not clear how individual registration of five years (within a ten year period) supports a standard of competency for an individual to be eligible. Review of the administrative functions that would be required to be implemented by members to support the oversight of the waiver program should also be scrutinized for efficiencies. Further conversation between FINRA and its members is important to support the technology changes necessary to track and monitor the FSA-waiver designation, as firms will be required to identify individuals for eligibility and ensure that Regulatory Element requirements are completed.⁹

D. We believe Members should be provided sufficient time to implement the new requirements.

WFA has concerns in regards to the proposed March 2018 implementation date as FINRA, in coordination with its members, would need to adapt to the structural changes for the proposed registration changes as well as build, test, and implement modifications to the CRD system. Member Firm internal systems used to track and mirror the CRD system have to be updated to provide for the new bifurcated approach of registration examinations. Likewise, other systems utilized to support training would require updating as well. Since FINRA has indicated that they are "considering enhancements to the CRD system and BrokerCheck as part of a separate proposal," flexibility is requested as it relates to technology changes that support member registration(s).¹⁰ Therefore, WFA strongly encourages FINRA to consider the administrative burdens of its members to implement the changes to the systems and respectfully requests that FINRA consider a compliance date of at least eighteen months from the effective date of a final rule.

⁸ See *supra* note 1, pp 17343-17344.

⁹ See *supra* note 1, p. 17344.

¹⁰ See *supra* note 1, p. 17338.

Mr. Brent J. Fields

May 1, 2017

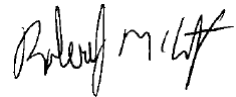
Page 5

III. CONCLUSION

We applaud FINRA's review of the qualification and examination criteria and believe the new framework will reduce duplication across various examinations and has the potential to broaden the talent pool of qualified applicants. WFA believes that FINRA has made great strides in achieving their stated goals and recommends additional minor changes be made to the Proposal to move even closer to achieving success.

We appreciate the opportunity to express our views. If you would like to discuss this matter further, please feel free to contact me directly at [REDACTED] [REDACTED] or [REDACTED].

Sincerely,



Robert J. McCarthy
Director of Regulatory Policy