

ARM Association
Of Registration
Management, Inc.

Post Office Box 133, Bowling Green Station, New York, NY 10274

July 21, 2017

Afshin Atabaki
Associate General Counsel
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506

Re: June 26, 2017 "Response to Comments" letter to Mr. Brent J. Fields, SEC

Dear Mr. Atabaki,

The Association of Registration Management ("ARM") would like to comment on your June 26, 2017 letter to Mr. Brent Fields of the US Securities and Exchange Commission ("SEC"), which was a response to the various comment letters regarding File No. SR-FINRA-2017-007, the Proposed Rule Change to Adopt Consolidated FINRA Registration Rules, Restructure the Representative-Level Qualification Examination Program, and Amend the Continuing Education Requirements. ARM appreciates the time and effort spent by the Financial Industry Regulatory Authority, Inc. ("FINRA") in reviewing these letters and addressing these issues, and we congratulate you on the July 7th SEC order that approved the proposed rule. However, we would like to clarify and expand on some of the points made in our May 1, 2017 letter to Mr. Robert W. Errett, Deputy Secretary, SEC.

As we stated in our earlier letter, 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 provided that representation for over 40 years.

While we believe that FINRA was clear on many of ARM's positions, there appears to be some significant confusion regarding our comments on the new proposed registration categories. FINRA is correct in stating that ARM believes that the addition of new registrations complicates the registration process and the related registration table on the Form U4. However, we believe that the suggestion of only addressing this problem through CRD changes misses part of the point. Considering that other regulators use the same qualification examinations and registrations, proposed rule changes regarding registrations, registration requirements, and/or the introduction of new registrations may create unintended consequences for those member firms that are also required to comply with the rules of other regulators. The introduction of the Securities Trader ("TD") registration, and the related Series 57 exam, as examples, created significant confusion and qualification changes at the Chicago Board Options Exchange ("CBOE"). As the Series 7 examination previously qualified individuals to obtain the old Proprietary Trader ("PT") registration with CBOE, the same examination served as a pre-requisite for the Series 24 and the related CBOE Trading Principal ("TP") registration. With the elimination of the PT category, CBOE no longer accepts the Series 7 as a qualifying pre-requisite for the PT. As CBOE does not offer a General Securities Principal registration, the regulator now requires all registered principals to qualify for the TD registration. ARM does not believe that FINRA and other regulators intended to force individuals who do not trade securities, or directly supervise the trading of securities, to complete the Series 57 examination, but the registration change created this new requirement. ARM believes that addressing the Form U4 registration process and related CRD problems in these letters and related regulatory notices are more important than just trying to correct the problem with CRD changes. This documentation process creates a historical record of FINRA's thoughts and intentions regarding proposed registration changes.

FINRA is also correct in presenting ARM's view that each qualification examination should only have one associated registration category. However, we disagree with the suggestion that ARM intended FINRA to "develop a qualification examination for each

registration category.” In our May 1st letter, ARM noted 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. We provided these numbers to demonstrate how unnecessarily complex the Form U4 and related registration process has become. We explained how our member firms have been the subject of regulatory examinations that suggest these organizations have violated SRO rules because they failed to manually check every appropriate box in the application process. More simply, our argument is that the registration forms and process have become too complicated.

ARM is asking for a reduction and simplification of registration categories, not an increase in qualification examinations. We agree with your comment that the development of new examinations would be an inefficient use of the time and resources of both FINRA and member firms. We also believe that adding new, unnecessary registration categories adds to the complexity of the Form U4. Our member firms feel that manually checking more SRO registration boxes and then defending those times when certain boxes were inadvertently omitted to regulatory examiners are also inefficient uses of their time and resources. Representatives from ARM member firms would be interested in working with FINRA in a review of the current registration categories, and their corresponding qualification exams, in effort to reduce unnecessary registrations and make the Form U4 application process more straightforward and efficient.

ARM would also like the opportunity to discuss the role of the registered supervisor of an individual who maintains a permissive registration as a principal, as would be allowed under Proposed FINRA Rule 1210.02. Your response letter recognizes our question and explains that the direct supervisor of such an individual is not required to be registered. It also states that “a registered supervisor is only required periodically to contact the direct supervisor of such an individual to verify that the individual is not acting outside the scope of his or her assigned functions.” ARM and our member firms understand this concept, and even agree with the idea that a registered principal is in the “best position” to fully understand the functions of a registered principal. However, based on the explanation of the registered supervisor’s role, we

do not believe that the registration should be limited to any particular level of registration. For example, consider the current role of compliance departments throughout the industry. These departments assist their organizations in following rules and regulations, including those that require the appropriate registrations for individuals performing principal-level activity. Individual compliance employees are not required to be principally registered to review for principal-level activities or advise on those functions that require principal registration-- and compliance employees perform this function continuously. Registered supervisors, based on the description provided, are only required to "periodically check" for this activity in individuals with permissive registrations as principals; we believe that any registered person should be considered qualified for the role. ARM also believes that requiring principal registration for the registered supervision of permissive registrations prevents the individuals with permissive registrations to act in the supervisory role. This requirement changes the registration from being permissive to being required for supervision.

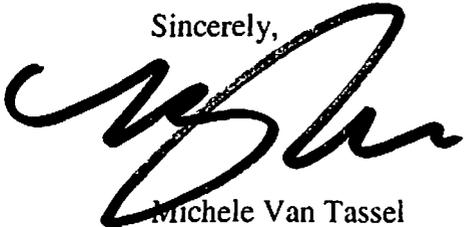
We appreciate the acknowledgement of our concern regarding Proposed FINRA Rule 1210.09, and the limited duration of the Financial Services Industry Affiliate ("FSA") designation. Your letter correctly represents our position that individuals with "additional experience working for a foreign affiliate is beneficial to firms," but we also believe that this additional experience allows individuals to better educate their clients in the investing public. Your response discusses how "firms regularly transfer more seasoned personnel to an affiliate for a limited period," but fails to recognize how longer periods of time at a foreign affiliate allows for even greater knowledge and understanding of global markets and products. By narrowly tailoring the FSA program to only allow these individuals with limited experience to return to the industry without requalifying by examination, the program is structured to force the more experienced, more accomplished, and often more senior personnel to re-take qualification exams. Furthermore, with the introduction of the Securities Industry Essentials ("SIE") exam, these seasoned individuals will be required to take a general knowledge examination in addition to their representative-level or other qualification examinations. ARM asks that FINRA reconsiders and re-reviews these scenarios, as we do not believe that it was FINRA's intention to have the most globally-experienced professionals take the same examination that is intended to "enable prospective securities industry professionals to demonstrate to prospective employers a

basic level of knowledge.”¹ Separately, our member firms appreciate your comment indicating that FINRA intends to use an acronym other than “FSA” in the future to avoid confusion with the former United Kingdom regulator.

ARM, along with our member firms, greatly appreciates the effort by FINRA to consolidate the registration rules and generally improve registration issues. *We recognize the years of work that were put into this rule proposal and the countless hours that were spent reviewing and analyzing all forms of feedback related to these issues. We appreciate your time and consideration in reviewing the issues that we have restated here.*

Please contact me if you wish to discuss any of these matters 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]
[REDACTED]

CC: Mr. Mario DiTrapani, FINRA
Mr. John Kalohn, FINRA
Mr. Brent J. Fields, Secretary, SEC
Mr. Robert W. Errett, Deputy Secretary, SEC
Mr. Eduardo A. Aleman, Assistant Secretary, SEC

¹ As described in File No. SR-FINRA-2017-007.