



July 30, 2010
VIA ELECTRONIC SUBMISSION

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

RE: FINRA Regulatory Notice 10-25 -- Registration and Qualification Requirements for Certain Operations Personnel

Dear Ms. Asquith,

The Association of Registration Management Incorporated ("ARM") appreciates the opportunity to comment on FINRA Regulatory Notice 10-25 ("Notice") which proposes to create new FINRA Rules establishing a registration category, qualification examination and continuing education requirements for certain operations personnel. We agree the rule as proposed would enhance controls and oversight responsibilities of a member firm by requiring those individuals with decision making and/or oversight authority in direct furtherance of the back-office operations to qualify as a registered Operations Professional.

Although ARM generally supports the proposed FINRA rule as outlined in the Notice, we believe it lacks clarity on certain points and requires further guidance and assistance in interpretation. Therefore, ARM respectfully requests clarification of certain covered functions, impacts to firms utilizing outsourcing within its current business structure as well as the proposed six to nine-month transition period.

We respectfully request that FINRA consider the points outlined below and offer additional guidance. Please note that our points are similar in scope with SIFMA and we are in agreement with their general concerns and recommendations.

Personnel Included

The Notice currently indicates that persons subject to the new operations professional registration category would be considered an "associated person" of a member firm regardless of their employment status and are therefore subject to all FINRA rules applicable to associated persons and/or registered persons. ARM requests guidance relative to the member firms' reporting, oversight and supervisory obligations with respect to the use of vendors and third party personnel and how the new requirements will affect the members'

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obligations. Specifically, ARM is concerned about firms in which covered functions are outsourced and fear the registration requirement may invoke dual employment (NYSE regulations) or multiple registration obligations. For example, FINRA Rule 3230 (and NYSE Rule 382) permits certain responsibilities to be allocated to a third-party through its service agreements or through a clearing agreement. The agreements must stipulate the obligations required of each firm with respect to requirements detailed in NASD Rule 3230(a), some of which are covered functions that can be designated to either party. It would not be a good business practice for these employees to become associated persons of one another pursuant to this Notice. ARM is aware that FINRA intends to address the outsourcing issue at a later date, however, we would encourage that it be taken into consideration in conjunction with this proposal as there will be similarities in issues presented.

ARM also believes unintended consequences could arise if covered persons will be considered associated persons of the member since this may inadvertently trigger a branch office registration requirement. The definition of "branch office" is any location where one or more associated persons of a member regularly conducts business. Rule 3010(g)(2)(B) states that, notwithstanding the general definition and exclusion, any location that is responsible for supervising the activities of associated persons at one or more non-branch locations is considered to be a branch office. If in fact back-office personnel will require registration, ARM requests confirmation that the exception from branch office registration will still exist for back-office locations.

Depth of Personnel

ARM requests further clarification with respect to the description of an "Operations Professional" as set forth in the Notice. Specifically, the Notice states:

"...persons with the authority or discretion to commit the firm's capital in direct furtherance of the covered functions or to commit the firm to any contract or agreement (written or oral) in direct furtherance of the covered functions (including, e.g., a person who has the discretion to commit the firm to any contract or agreement involving securities lending or borrowing activities)."

We note this particular reference lacks the indication of "supervision or management of"; references which were made in two other criteria descriptions.

ARM respectfully requests FINRA to amend the proposed aforementioned language to indicate registration requirements for "managers or supervisors with the authority or discretion to commit the firm's capital". We believe this will allow firms, as they prepare their analysis, to direct their focus to senior management, supervisors and control personnel (i.e. CFO, COO and Head of Departments).

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Transition Period and Implementation

ARM appreciates FINRA's proposal to enact a transition period; however, we believe the transition period should be extended and apply to existing firm employees who transition into a covered function. The Notice, as proposed, seems contradictory to the intent of Rule 1021(d)(1). ARM proposes that existing personnel who transition into a covered function and need to become qualified be provided a "grace period" of ninety days to allow them to function while undergoing examination preparation. We feel this grace period will allow firms the flexibility they need to appropriately allocate resources for coverage purposes.

Additionally, ARM believes the six-to-nine month transition period as proposed is insufficient and requests the period be extended to eighteen months in duration. ARM feels strongly that the extended time will allow firms sufficient time to better evaluate their individual business models to assess the implications of the new registration requirement and allow firms to coordinate the training and preparation, as well as the repositioning of already qualified personnel. Appropriate attention should be provided with respect to the availability of testing centers. The testing centers will need to meet the needs of what could potentially be thousands of operations personnel located both domestically and internationally and affected by the new requirement.

Conclusion

ARM is in agreement with FINRA's goal and supportive of its efforts to expand the knowledge base of back-office personnel. However, we ask FINRA to evaluate and consider the points discussed in this comment letter, and provide the requested guidance and clarification before implementation, so that firms may plan accordingly.

If you have any questions concerning these comments, please contact the undersigned at (617) 772-3058.

Respectfully Submitted,
On behalf of the ARM EXECUTIVE COMMITTEE

By: _____
Marian H. Desilets, President