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July 26, 2010

Via E-Mail

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

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

Dear Ms. Asquith:

This letter is in response to FINRA’s request for comment related to Regulatory Notice 10-25, which proposes new registration and qualification requirements for certain operations personnel. Northwestern Mutual Investment Services, LLC (“NMIS”)¹ has reviewed the Notice and understands that FINRA has “concerns about the potential for regulatory gaps in the area of licensing and education requirements for individuals performing operations functions.”

To address these concerns, FINRA “proposes expanding its registration requirements to include as qualified and registered persons certain individuals who are engaged in, or supervising, activities relating to sales and trading support and the handling of customer assets to enhance the regulatory structure surrounding a firm’s back-office operations.”

Although we understand FINRA’s objectives, there are three requirements in the proposed rule which, for the following reasons, we request that FINRA reconsider.

1. Exception to Operations Professional Examination Requirement (Proposed Rule 1230(b)(6)(D))

Individuals who are already registered with FINRA and exempt from the Operations Professional examination requirement should NOT be required to separately register as Operations Professionals.

¹ NMIS is a registered broker-dealer and wholly owned subsidiary of The Northwestern Mutual Life Insurance Company.

FINRA is proposing an exception to the Operations Professional qualification examination requirement for persons who currently hold certain registrations. However, these individuals would still be required to separately register as Operations Professionals, even though they would not be required to complete the Operations Professional qualification examination.

FINRA's stated goal is to ensure that those individuals with decision-making or oversight authority in direct furtherance of the covered functions are registered with FINRA and trained on industry practices. We question the necessity and benefit of separately registering individuals who are already registered with FINRA and subject to continuing education requirements. Furthermore, the cost incurred to make necessary internal system changes to track and monitor dual registrations may be significant for member firms.

As a result, we urge FINRA to change the proposal to require only those individuals who are **NOT** already registered with FINRA to be registered as an Operations Professional. This change to the proposal would eliminate the need for member firms to dually track and register individuals who are already registered with FINRA and trained on industry practices. The proposal would, however, still ensure registration of those individuals who are not otherwise registered and perform functions requiring Operation Professional registration.

2. Covered Functions – Information Technology (Proposed Rule 1230(b)(6)(B)(vi))

Covered functions relating to information technology should apply only to those individuals who “define and approve” business requirements for sales, trading and other systems, rather than individuals who “capture” such requirements.

One of the fifteen covered functions (proposed Rule 1230(b)(6)(B)(vi)) includes individuals engaged in the following activity:

- *Capturing the business requirements for sales and trading systems and any other systems related to the covered functions, and validation that these systems meet such business requirements.*

The proposed covered function is written so broadly that member firms will have to consider either registering multiple information technology personnel in anticipation that they may be involved in “*capturing business requirements*” or risk delays in beginning systems development until the selected information technology personnel working on the system complete the Operations Professional qualifying examination.

To address this concern, we request that FINRA modify the covered function to include only those individuals engaged in “defining and approving,” rather than “capturing,” the business requirements for sales and trading systems and any other systems related to the covered functions. We believe that, so long as the individuals who are responsible and accountable for defining and approving business requirements are registered as Operations Professionals, there is no need to also register information technology personnel involved in capturing and implementing those requirements.

This change would also make the covered function consistent with the other two covered functions (proposed Rules 1230(b)(6)(B)(vii) and (viii)) that relate to information technology, as shown below:

- *With respect to covered functions, defining and approving business security requirements and policies for information technology.*
- *Defining information entitlement policy in connection with covered functions.*

3. Operations Professionals Employed by Other Entities

Employees of a registered clearing firm with authority over covered functions performed on behalf of an introducing firm under a clearing agreement should NOT be considered associated persons of the introducing firm.

In the Notice, FINRA footnotes Notice to Members (NtM) 05-48 and states that “those persons subject to the new Operations Professional registration category would be considered associated persons of a firm irrespective of their employing entity and would be subject to all FINRA rules applicable to associated persons and/or registered persons.” However, NtM 05-48 provides an exception for an “arrangement between members and other registered broker-dealers with respect to such activities or functions (*e.g.*, clearing agreements executed pursuant to NASD Rule 3230).”

In providing this exception, FINRA recognized that regulatory concerns regarding registration and education are not present when clearing firm employees who perform activities requiring registration on behalf of introducing firms are registered with and supervised by the employing clearing firm. Without a similar exception in the proposed Operations Professional rule, multiple introducing firms would be required to register and supervise associated persons of their clearing firm, when supervision of those associated persons is best performed by the employing member.

We urge FINRA to provide a similar exception in the proposed rule for Operations Professionals. Specifically, employees of a clearing firm with authority over covered functions performed on behalf of an introducing firm under a clearing agreement executed pursuant to NASD Rule 3230 should be required to register with only the employing clearing firm.

Ms. Marcia Asquith
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We appreciate your consideration of our comments. If you have any questions, please contact me at 414.665.1924.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey B. Williams". The signature is written in a cursive style with a long horizontal line extending to the right.

Jeffrey B. Williams
Vice President and Chief Compliance Officer