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VIA ELECTRONIC DELIVERY (pubcom@finra.org)

Ms. Marcia Asquith
Senior VP & Corporate Secretary
FINRA
1801 K Street, N.W., Suite 800
Washington, DC 20006-1500

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

Dear Ms. Asquith:

The Insured Retirement Institute appreciates the opportunity to provide comments in response to Regulatory Notice 10-25, "Registration and Qualification Requirements For Certain Operations Personnel" (the "Notice"), relating to the proposed new section of FINRA Rule 1230 (Registration Categories), and Rule 1250 (Continuing Education Requirements) ("the Proposed Rules").

We support FINRA's stated objective "to help ensure that investor protection mechanisms are in place in all areas of a member firm's business that could harm a customer, a firm, the integrity of the marketplace or the public." We understand and appreciate the proposal contained in this Notice represents a thoughtful and diligent effort to address these issues.

Because of the reasons set forth herein, we respectfully request that FINRA explore potential alternatives to the Proposed Rules that would achieve the same objectives of this important initiative in a much more simplified, clear manner and without imposing unnecessary and unproductive operational disruptions and costs on the industry that will ultimately be borne by American investors. We believe equally or more effective and workable investor protection alternatives exist. For example, one alternative would be to delegate each of the covered functions to registered principals of the firm and require written supervisory procedures to be developed by the firm for each of the covered functions. We believe this alternative will provide the same level of investor protection. The operational, financial and compliance governance and control environment is the key to achieving our shared goals.

Registration of senior management at the broker dealer may also be an alternative, particularly in corporate structures where the senior managers' primary responsibilities relate to the broker dealer and not other affiliated financial services companies, such as insurance companies. However, it is critical that any proposed rule clearly define which senior managers will be required to register as an Operations Professional and that the definition appropriately identifies only those senior managers who have supervisory responsibilities and authority that achieve the objectives of any proposed rule. In determining senior managers that should be registered, particular attention should be focused on a number of factors, including but not limited to whether an individual's primary roles and responsibilities relate to a broker dealer or other affiliates, and whether an individual's function is governed by another regulatory or licensing regime or other statutory requirements, such as those contained in Sarbanes-Oxley, which are aimed at achieving the same objectives as registration. The current Proposed Rule defines Operations Professionals too broadly in many respects and is unclear in other respects. Other comment letters address these issues and other scope issues in greater detail.

We are concerned that the registration and accompanying examination and continuing education requirements will create an even more complicated set of registration and examination requirements than exists today without a corresponding level of benefit to investor protection. Our members have indicated that the back office type functions covered by the Proposed Rule are highly controlled and leave little room for independent judgment. Operations personnel do not question instructions received from clients, as they are not the client's registered representative, and merely administratively take and execute instructions received from the client or the registered representative. Our members today have in place rigorous policy and procedures governing what these personnel can and cannot do, and these procedures can be audited. While the rule is intended to achieve registration of those persons who are setting the policies and procedures, for insurers, numerous insurance regulatory requirements, governance requirements and policies are in place that already provide the oversight with respect to these activities.

Similarly, with respect to the inclusion of finance personnel as Operations Personnel, these finance activities are already subject to significant regulatory oversight and licensing requirements, and at the broker-dealer, these functions are supervised by the financial and operations principal. An additional registration requirement for financial personnel would not advance the objectives of this initiative to any further degree than what is already present.

The Proposed Rules could also change the OSJ requirements relating to currently outsourced activities in light of the covered activities performed by insurers, which do not now necessitate an OSJ. This would place an additional burden on the insurance company where strict policies are in place to prohibit outsource staff, including supervisory staff, from engaging in activities with direct client contact. Under these arrangements, a new registration requirement is not necessary. Other comment letters have outlined a number of issues with the Proposed Rule that would be avoided by adopting an alternative approach, including:

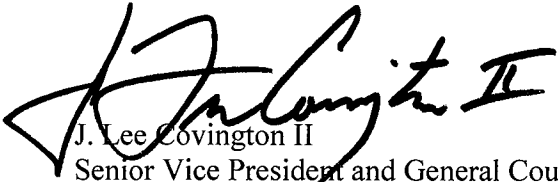
1. The difficulty in interpreting the reach of the proposed Rules and the possibility that the Proposed Rules will be interpreted too broadly to include persons performing functions at the insurance company versus the broker-dealer. The Proposed Rules appear to have the affect of including ongoing insurance company functions relating to the variable annuity contract (e.g., providing annual contract information, updating beneficiaries) as well as other

functions performed by insurance company staff (e.g. variable annuity pricing, policy loans, withdrawals and surrenders, receiving payments, contract issuance, and preparing separate account valuations).

2. The need for clarification that the Operations Professional should be the end of the chain in terms of FINRA oversight given many individuals required to register are likely to perform “shared services” for one or more affiliated companies and have limited interaction with the broker-dealer. Otherwise, the Proposed Rules will apply to a large number of individuals with a very limited relationship with the broker dealer without creating a corresponding level of investor protection.
3. The difficulty of clarifying the covered functions and providing guidance with respect to the applicability of these functions in context of variable annuity business.
4. Confusion with other registration categories, including the covered functions of “financial controller” and “financial regulatory reporting” and the functions supervised by the financial and operations principal, as well as the overlap with the proposed registration/designation of the Principal Operations Officer under Regulatory Notice 09-70.
5. The costs and burdens associated with a limited two (2) year look back period to qualify as an Operations Professional without a concomitant benefit, and the costs and operational disruptions created by the absence of a grace period for new employees or transfers.

As stated, because of the reasons set forth herein, we respectfully request that FINRA explore potential alternatives to the Proposed Rules that would achieve the same objectives of this important initiative in a much more simplified, clear manner and without imposing unnecessary and unproductive operational disruptions and costs. We believe equally or more effective and workable investor protection alternatives exist. Therefore, we ask FINRA to consider adoption of a rule requiring the delegation of each of the covered functions to registered principals of a firm and require written supervisory procedures to be developed by the firm for each of the covered functions. We believe this alternative will provide at least the same level of investor protection as the current proposal.

Best Regards,



J. Lee Covington II
Senior Vice President and General Counsel
Insured Retirement Institute