

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * 18 SECURITIES AND EXCHANGE COMMISSION File No.* SR - 2015 - * 029
WASHINGTON, D.C. 20549
Form 19b-4 Amendment No. (req. for Amendments *) 1

Filing by Financial Industry Regulatory Authority
 Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial *	Amendment *	Withdrawal	Section 19(b)(2) *	Section 19(b)(3)(A) *	Section 19(b)(3)(B) *
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			Rule		
Pilot	Extension of Time Period for Commission Action *	Date Expires *	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="text"/>	<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) *	Section 806(e)(2) *
<input type="checkbox"/>	<input type="checkbox"/>
	Section 3C(b)(2) *
	<input type="checkbox"/>

Exhibit 2 Sent As Paper Document	Exhibit 3 Sent As Paper Document
<input type="checkbox"/>	<input type="checkbox"/>

Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * Adam Last Name * Arkel

Title * Associate General Counsel

E-mail * adam.arkel@finra.org

Telephone * (202) 728-6961 Fax (202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date 11/10/2015 Senior Vice President and Deputy General Counsel

By Patrice Gliniecki Patrice Gliniecki,

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

On July 31, 2015, Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (the “Commission” or “SEC”) proposed rule change SR-FINRA-2015-029 (the “original filing”), pursuant to which FINRA proposed to adopt FINRA Rule 3210 (Accounts At Other Broker-Dealers and Financial Institutions) in the consolidated FINRA rulebook and to delete NASD Rule 3050, Incorporated NYSE Rules 407 and 407A and Incorporated NYSE Rule Interpretations 407/01 and 407/02.

The Commission published the proposed rule change for public comment in the Federal Register on August 14, 2015¹ and received four comment letters.² FINRA is filing this Partial Amendment No. 1 to respond to the comments the Commission received on the Federal Register publication and to propose, in response to the comments, revisions to Supplementary Material .02 and Supplementary Material .03 of FINRA Rule 3210 as proposed in the original filing. With this Partial Amendment No. 1, FINRA is including (1) Exhibit 4 (see below), which reflects changes to the text of the proposed rule change pursuant to this Partial Amendment No. 1, marked to show additions to the text as proposed in the original filing; and (2) Exhibit 5 (see below), which reflects the changes to the current rule text that are proposed in the proposed rule change, as amended by this Partial Amendment No. 1.

A. Core Proposed Rule Requirements

As set forth more fully in the original filing, proposed FINRA Rule 3210(a) provides that no person associated with a member³ (“employer member”) shall, without the prior written consent of the member, open or otherwise establish at a member other

¹ Securities Exchange Act Release No. 75655 (August 10, 2015), 80 FR 48941 (August 14, 2015) (Notice of Filing of Proposed Rule Change; File No. SR-FINRA-2015-029).

² See Letter from Joseph C. Peiffer, President, Public Investors Arbitration Bar Association, to Robert W. Errett, Deputy Secretary, SEC, dated September 3, 2015 (“PIABA Letter”); Letter from Kevin Zambrowicz, Associate General Counsel & Managing Director, and Stephen Vogt, Assistant Vice President & Assistant General Counsel, Securities Industry and Financial Markets Association, to Robert W. Errett, Deputy Secretary, SEC, dated September 3, 2015 (“SIFMA Letter”); Letter from Eric Arnold and Clifford Kirsch, Sutherland Asbill & Brennan LLP, for the Committee of Annuity Insurers, to Robert W. Errett, Deputy Secretary, SEC, dated September 4, 2015 (“CAI Letter”); and, Letter from Michael J. Hogan, President and Chief Executive Officer, Foliofn Investments, Inc., to Robert W. Errett, Deputy Secretary, SEC, dated September 4, 2015 (“Folio Letter”).

³ The terms “person associated with a member” and “associated person of a member” are defined in paragraph (rr) of Article I of the FINRA By-Laws.

than the employer member (“executing member”), or at any other financial institution,⁴ any account in which securities transactions can be effected and in which the associated person has a beneficial interest.⁵ Proposed FINRA Rule 3210(b) provides that any associated person, prior to opening or otherwise establishing an account subject to the rule, shall notify in writing the executing member, or other financial institution, of his or her association with the employer member. Proposed FINRA Rule 3210(c) provides that an executing member shall, upon written request by an employer member, transmit duplicate copies of confirmations or statements, or the transactional data contained therein, with respect to an account subject to the rule. (Proposed Supplementary Material .04 of Rule 3210 provides that, with respect to an account subject to the rule at a financial institution other than a member, the employer member must consider the extent to which it will be able to obtain, upon written request, duplicate copies of confirmations and statements, or the transactional data contained therein, directly from the non-member financial institution in determining whether to provide its written consent to an associated person to open or maintain the account.)⁶

As discussed more fully in the original filing, FINRA noted that the proposed requirement that executing members transmit the specified information upon written request by the employer member is based in large part on the longstanding approach of current NASD Rule 3050.⁷ FINRA noted that commenters writing in response to Regulatory Notice 09-22 (April 2009) (the “Notice”) suggested FINRA should retain the approach of the NASD rule.

With regard to the proposal as set forth in the original filing, the CAI Letter expressed support for retaining the approach of NASD Rule 3050. Similarly, the SIFMA Letter expressed general support for the proposal’s response to concerns raised by commenters writing in response to the Notice. By contrast, the PIABA Letter suggested that the proposed rule does not go far enough in requiring members to gather information sufficient to monitor associated persons’ trading activity in outside accounts. The PIABA Letter suggested the rule should require the employer member to obtain the

⁴ Proposed Supplementary Material .05 of Rule 3210 defines the term “other financial institution.” See Exhibit 5 in this Partial Amendment No. 1.

⁵ Proposed Supplementary Material .02 of Rule 3210, as amended by this Partial Amendment No. 1, addresses accounts with respect to which the associated person is presumed to have a beneficial interest. See further discussion in Section E in this Partial Amendment No. 1 below. FINRA noted in the original filing that “beneficial interest” is an established and well-understood standard. See 80 FR 48941, 48944. For example, FINRA Rule 5130(i)(1) defines “beneficial interest” to mean, in part, any economic interest, such as the right to share in gains or losses.

⁶ See Exhibit 5 in this Partial Amendment No. 1.

⁷ See 80 FR 48941, 48946.

specified information from the executing member. Similarly, the PIABA Letter raised concerns with respect to the requirement that the employer member must consider the extent to which it will be able to obtain, upon written request, the specified information directly from non-member financial institutions in considering whether to provide its written consent to an associated person to open or maintain the account. The PIABA Letter suggested that the proposed requirement is too vague to be effective and that the rule should require that the specified information be available for the employer member's review as a precondition to the opening of accounts at non-member financial institutions. As another alternative, the SIFMA Letter suggested that the proposed requirement should provide that if an employer member decides to permit accounts of its associated persons to be opened or maintained at a non-member financial institution, the employer member must at a minimum determine that the account activity can be monitored pursuant to the requirements of FINRA Rule 3110(d).⁸

In response, as discussed more fully in the original filing, the proposed requirement as to transmission of the specified information "upon written request" by the employer member is intended to provide employer members reasonable flexibility to craft appropriate supervisory policies and procedures according to their business model and the risk profile of their activities. This approach, based in large part on the approach of current NASD Rule 3050, as discussed above and as FINRA noted in the original filing, should facilitate the efficient use and conservation of supervisory resources.⁹ FINRA believes that achieving such efficiency is a hallmark of sound regulation and, accordingly, does not propose to modify the requirement. With respect to the concerns expressed in the PIABA Letter as to the sufficiency of information that would be available for supervisory monitoring, FINRA reminds members, again as noted in the original filing,¹⁰ that in permitting flexibility as to the crafting of appropriate supervisory policies and procedures, the rule in no way lessens the breadth and scope of members' supervisory obligations, which include, and, FINRA notes with respect to the suggestion in the SIFMA Letter, are not limited to, FINRA Rule 3110(d).¹¹ In particular, FINRA

⁸ FINRA Rule 3110(d) (Transaction Review and Investigation) sets forth requirements for supervisory procedures for members to comply with the Insider Trading and Securities Fraud Enforcement Act of 1988 ("ITSFEA") (Pub. L. No. 100-704, 102 Stat. 4677). Paragraph (d)(1) of the rule requires that a member's supervisory procedures must include a process for the review of securities transactions reasonably designed to identify trades that may violate the provisions of the Act, its regulations, or FINRA rules prohibiting insider trading and manipulative and deceptive devices that are effected for the accounts specified under paragraphs (d)(1)(A) through (d)(1)(D) of the rule.

⁹ See 80 FR 48941, 48946-48947.

¹⁰ See 80 FR 48941, 48947.

¹¹ See further discussion in Section B in this Partial Amendment No. 1 below.

notes that the rule, in permitting flexibility, does not limit the employer member's discretion to request from the associated person such transaction and account information as the member deems necessary to fulfill its supervisory obligations. Nor does the rule limit the employer member's discretion to set requirements with respect to the holding of outside accounts.¹² With respect to accounts at non-member institutions, again, FINRA believes that the approach reflected in the proposal rule should permit employer members the flexibility they need to carry out their supervisory responsibilities under FINRA rules. FINRA believes that specifying preconditions by rule for such accounts, as suggested by the PIABA Letter, would negate the flexibility the rule aims to achieve. Further, with respect to the approach suggested by the SIFMA Letter, FINRA believes the rule as proposed is sufficient on its own terms to imply, in light of the supervisory obligations that apply to all members, that members will consider whether activity in the account can be properly monitored when determining whether to provide their written consent to an associated person to open or maintain an account at a non-member financial institution. Accordingly, FINRA does not propose to modify the requirement.

B. Methodologies for Transmission and Review of Information

As discussed more fully in the original filing,¹³ in response to comments on the Notice, FINRA noted that it has determined not to specify any particular methodology for transmission of information pursuant to proposed FINRA Rule 3210. As such, paragraph (c) of the proposed rule provides in part for the executing member to transmit duplicate copies of confirmations and statements, "or the transactional data contained therein." Proposed Supplementary Material .04 of the rule contains comparable language.¹⁴ The CAI Letter, the Folio Letter and the SIFMA Letter suggested that the rule should permit flexibility as to how members are permitted to gather and review the specified information, such as permitting employer members to make use of electronic data feeds or electronic, "view-only" access to account information. The SIFMA Letter further requested clarification to the effect that the scope and frequency of data received by an employer member may be limited to securities transactions to be reviewed under FINRA Rule 3110(d).

In response, FINRA reiterates, as discussed in the original filing, that it is not FINRA's intent to specify any particular methodology as to transmission of the specified information. FINRA believes that the rule as proposed is sufficiently broad by its terms to permit members all reasonable flexibility as to the manner of obtaining and reviewing the specified information, whether by hard copy or electronic means. With respect to the

¹² Similarly, FINRA notes the rule does not limit the discretion of executing members to craft policies and procedures with respect to the account activity of persons associated with other firms.

¹³ See 80 FR 48941, 48948.

¹⁴ See Exhibit 5 in this Partial Amendment No. 1.

scope of the information reviewed by members, FINRA reminds members that, though the proposed rule, as discussed in the original filing, includes the objective of working in combination with FINRA Rule 3110(d),¹⁵ it is not FINRA's intent to suggest, with regard to the SIFMA Letter's suggestion, that the rule's scope is limited to reviews pursuant to that provision. Members may among other things need the information that they obtain pursuant to proposed Rule 3210 for purposes of helping manage conflicts of interest in their businesses.¹⁶ More broadly, members are responsible for establishing and maintaining systems for the supervision of their associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. As such, members' reviews of the outside transactions of their associated persons could relate to other facets of conduct under FINRA rules, not just FINRA Rule 3110(d).

C. Discretionary Authority

As discussed more fully in the original filing,¹⁷ the proposed rule eliminates among other things language in current NASD Rule 3050(b) that references accounts where the associated person has "discretionary authority." The PIABA Letter expressed concern that FINRA should retain the language so that employer members can be aware of outside accounts over which the associated person has discretionary authority. In response, FINRA notes, as discussed in the original filing, that the purpose of the language change is to demarcate more clearly the respective scope of FINRA Rule 3210, which is meant to address monitoring of personal and related accounts, versus FINRA Rule 3280 (former NASD Rule 3040), which addresses private securities transactions.¹⁸ To the extent associated persons make investment decisions or have discretionary

¹⁵ See 80 FR 48941, 48942.

¹⁶ See, e.g., Report on Conflicts of Interest (October 2013), available at: <<http://www.finra.org/sites/default/files/Industry/p359971.pdf>>.

¹⁷ See 80 FR 48941, 48944.

¹⁸ FINRA has adopted NASD Rule 3040 as FINRA Rule 3280 in the consolidated FINRA Rulebook without any substantive changes. See Securities Exchange Act Release No. 75757 (August 25, 2015), 80 FR 52530 (August 31, 2015) (Notice of Filing and Immediate Effectiveness of Proposed Rule Change; File No. SR-FINRA-2015-030). Rule 3280 sets forth specified notification requirements, prior to participating in a private securities transaction, that apply to associated persons with respect to the member with which they are associated. FINRA Rule 3280(e)(1) defines "private securities transaction" to include, in part, "any securities transaction outside the regular course or scope of an associated person's employment with a member" and excludes from the rule's notification requirements, among other things, transactions subject to the notification requirements of current NASD Rule 3050.

authority in contexts that involve private securities transactions within the scope of FINRA Rule 3280, then such transactions are subject to that rule's provisions, and other FINRA rules as applicable. As such, FINRA does not believe it is necessary to include language as to discretionary authority in the proposed rule.

D. Accounts Opened Before and After Implementation Date; Operation of Proposed Supplementary Material .01

The CAI Letter suggested that proposed FINRA Rule 3210, if approved by the Commission, should only apply prospectively to accounts that associated persons open after the rule's implementation date. The CAI Letter suggested the rule should not apply with respect to accounts already opened by associated persons with executing members before the implementation date. In response, FINRA notes that, as to the prior written consent and notification requirements under paragraphs (a) and (b) of the rule, the rule goes to accounts that the associated person opens or otherwise establishes. As such, paragraphs (a) and (b), by operation of their terms, would go to accounts opened or established on or after the new rule's implementation date. However, as discussed more fully in the original filing,¹⁹ FINRA reminds members that proposed Supplementary Material .01 of the rule addresses accounts opened or otherwise established prior to a person's association with the employer member. Specifically, Supplementary Material .01 provides that, if the account was opened or otherwise established prior to a person's association with the employer member, the associated person, within 30 calendar days of becoming so associated, must obtain the written consent of the employer member to maintain the account and must notify in writing the executing member or other financial institution of his or her association with the employer member.²⁰ FINRA notes that the Supplementary Material by its operation would apply, without regard to when the account was opened, whenever the associated person enters into a new association with a member.

Also with regard to proposed Supplementary Material .01, as discussed more fully in the original filing,²¹ FINRA, in response to comments on the Notice, expanded the specified 30-day timeframe in the Supplementary Material from 15 business days as originally proposed in the Notice. The SIFMA Letter suggested that 30 days may pose operational and supervisory challenges and that obtaining the employer member's consent for the account should not have to be within the specified 30-day window. FINRA disagrees. FINRA believes that employer members should be able to make a determination within the 30-day period.

¹⁹ See 80 FR 48941, 48944-48945, 48947.

²⁰ See Exhibit 5 in this Partial Amendment No. 1.

²¹ See 80 FR 48941, 48947.

E. Beneficial Interest

As discussed more fully in the original filing,²² proposed Supplementary Material .02 provides that, for purposes of the rule, the associated person shall be deemed to have a beneficial interest in any account that is held by: (a) the spouse of the associated person; (b) a child of the associated person or of the associated person's spouse, provided that the child resides in the same household as or is financially dependent upon the associated person; (c) any other related individual over whose account the associated person has control; or (d) any other individual over whose account the associated person has control and to whose financial support the associated person materially contributes.

The Folio Letter and the SIFMA Letter expressed concerns regarding the rule's reach to the accounts of spouses. The two commenters suggested that family arrangements are diverse and that, for example, an associated person may have difficulty complying with the rule in situations that involve pending separation or divorce from a spouse. The Folio Letter suggested that these concerns could extend for example to the accounts of a child of an associated person's spouse. The Folio Letter and the SIFMA Letter suggested that the rule should reach accounts over which the associated person has control.

FINRA is aware of and has reconsidered the potential difficulties that could arise with respect to spouse accounts as proposed in the original filing. In response, FINRA is proposing several revisions to the proposed Supplementary Material.²³ FINRA believes that these revisions should respond to commenters' concerns regarding the potential issues that could be posed by different family circumstances, while also helping to ensure that employer members can properly supervise accounts that are within the rule's intended scope:

- First, FINRA proposes to revise the phrase "the spouse of the associated person" in Supplementary Material .02(a) to read "the spouse of the associated person, provided that the spouse resides in the same household as the associated person."
- Second, FINRA proposes to revise the opening sentence of Supplementary Material .02. The phrase "shall be deemed to have a beneficial interest" would be revised to read "shall be presumed to have a beneficial interest." Accordingly, as revised, the sentence would read "For purposes of this Rule, the associated person shall be presumed to have a beneficial interest in any account that is held by . . ." ²⁴

²² See 80 FR 48941, 48947.

²³ See Exhibit 4 in this Partial Amendment No. 1.

²⁴ See Exhibit 4 in this Partial Amendment No. 1.

- Third, FINRA proposes to add to the end of Supplementary Material .02 a sentence that reads, “For purposes of this Rule, an associated person need not be presumed to have a beneficial interest in an account if the associated person demonstrates, to the satisfaction of the employer member, that the associated person derives no economic benefit from the account.”

FINRA believes that revising the rule to reach the accounts of spouses who reside in the same household as the associated person should help address situations involving divorce or separation that could potentially make compliance with the rule overly burdensome. Further, FINRA believes that, by revising the rule so that an associated person need not be presumed to have a beneficial interest in an account if the associated person demonstrates, to the satisfaction of the employer member, that he or she derives no economic benefit from the account, the rule should afford adequate flexibility for employer members to exclude accounts that pose little or no supervisory risk. In this regard, FINRA does not believe it is appropriate to limit the rule’s language as to spouse accounts by reference to whether the associated person exercises control. FINRA believes that, where a spouse resides with the associated person, it serves a legitimate purpose that there should be a presumption that the spouse’s accounts are subject to the rule, regardless of whether the associated person exercises control. More broadly, FINRA reminds members that the rule’s intent is to reach any account, as specified by the rule, in which the associated person has a beneficial interest.²⁵ As such, the rule could reach the account of a spouse who does not reside with the associated person or who is in the process of divorce or separation, if the account is otherwise subject to the rule and the associated person has a beneficial interest.

F. Transactions and Accounts Under Proposed Supplementary Material .03

Proposed Supplementary Material .03 of FINRA Rule 3210 provides that the requirement that the executing member provide the employer member, upon the employer member’s written request, with duplicate account confirmations and statements, or the transactional data contained therein, is not applicable to transactions in unit investment trusts, municipal fund securities as defined under MSRB Rule D-12, qualified tuition programs pursuant to Section 529 of the Internal Revenue Code and variable contracts or redeemable securities of companies registered under the Investment Company Act, as amended, or to accounts that are limited to transactions in such securities, or to Monthly Investment Plan type accounts. As discussed more fully in the original filing,²⁶ FINRA proposed the requirement largely as published in the Notice with the addition, in response to comments received on the Notice, of municipal fund securities and qualified tuition programs to the specified transactions and account types.

²⁵ Further, FINRA notes that the rule does not prevent the employer member from crafting policies and procedures that take a more expansive view of the accounts the associated person should disclose than is otherwise required by the rule.

²⁶ See 80 FR 48941, 48948.

The CAI Letter and the SIFMA Letter suggested that the specified transactions and account types under the proposed rule should be excepted from the requirements of proposed FINRA Rule 3210 altogether rather than be excepted only from the requirement that the executing member need provide the specified information upon the employer member's written request. The CAI Letter suggested that excepting the specified transactions and account types from the rule altogether is consistent with the approach of current NASD Rule 3050(f) as opposed to the approach of current NYSE Rule 407.12. The SIFMA Letter suggested that there is limited risk of manipulative activity with respect to the specified transactions and account types and that the proposed requirement would cause members to incur operational and supervisory costs without appreciable benefit. The CAI Letter further suggested that the specified transactions and account types should be expanded to include all insurance contracts that are securities and proffered suggested language to such effect.

In response, FINRA is aware of and has reconsidered the potential burdens that could arise from the information collection that employer members would be required to undertake vis-à-vis their associated persons under Supplementary Material .03 as proposed in the original filing. Accordingly, FINRA proposes to revise the Supplementary Material to provide that the specified transactions and accounts shall not be subject to the requirements of proposed FINRA Rule 3210. The Supplementary Material's opening phrase "The requirement under paragraph (c) of this Rule that the executing member provide the employer member, upon the employer member's written request, with duplicate account confirmations and statements, or the transactional data contained therein, shall not be applicable to . . ." would be revised to read "The requirements of this Rule shall not apply to . . ." ²⁷ As discussed more fully in the original filing, ²⁸ FINRA has noted its intention that members not be burdened with information collection where the specified transactions and account types pose limited risk from the standpoint of the rule's supervisory purposes. ²⁹ Further, the proposed revision is consistent with the longstanding approach of current NASD Rule 3050(f). However, FINRA does not propose to expand the scope of products addressed under the Supplementary Material to include broad categories of additional products. As discussed more fully in the original filing, ³⁰ FINRA has added to the Supplementary Material municipal fund securities and qualified tuition plans as these products are clearly identifiable and bear similarity to and are consistent with the rationale underlying the

²⁷ See Exhibit 4 in this Partial Amendment No. 1.

²⁸ See 80 FR 48941, 48945, 48948.

²⁹ FINRA notes that the rule does not prevent employer members from crafting policies and procedures that require associated persons to disclose the types of transactions and accounts specified under Supplementary Material .03 and to provide related information.

³⁰ See 80 FR 48941, 48945, 48948.

other products set forth in the rule. FINRA is not prepared at this time to broadly except insurance products from the rule's requirements, but will consider whether further exceptions are appropriate based on the attributes of specific insurance products.

G. Miscellaneous

The SIFMA Letter suggested that FINRA should coordinate the proposed rule with requirements of the Municipal Securities Rulemaking Board. While the comment is outside the scope of the proposed rule change, FINRA notes that it favors regulatory harmony where possible.

EXHIBIT 4

Exhibit 4 shows the changes proposed in this Partial Amendment No. 1, with the proposed changes in the original filing shown as if adopted. Proposed new language in this Partial Amendment No. 1 is underlined; proposed deletions in this Partial Amendment No. 1 are in brackets.

* * * * *

3000. SUPERVISION AND RESPONSIBILITIES RELATING TO ASSOCIATED PERSONS

* * * * *

3200. RESPONSIBILITIES RELATING TO ASSOCIATED PERSONS

3210. Accounts At Other Broker-Dealers and Financial Institutions

(a) through (c) No Change.

••• Supplementary Material: -----

.01 No Change.

.02 Beneficial Interest. For purposes of this Rule, the associated person shall be [deemed] presumed to have a beneficial interest in any account that is held by:

(a) the spouse of the associated person, provided that the spouse resides in the same household as the associated person;

(b) through (d) No Change.

For purposes of this Rule, an associated person need not be presumed to have a beneficial interest in an account if the associated person demonstrates, to the satisfaction of the employer member, that the associated person derives no economic benefit from the account.

.03 [Duplicate Account Confirmations and Statements] Transactions and Accounts Not Subject To This Rule. The requirements [under paragraph (c) of this Rule that the

executing member provide the employer member, upon the employer member's written request, with duplicate account confirmations and statements, or the transactional data contained therein,] of this Rule shall not [be applicable] apply to transactions in unit investment trusts, municipal fund securities as defined under MSRB Rule D-12, qualified tuition programs pursuant to Section 529 of the Internal Revenue Code and variable contracts or redeemable securities of companies registered under the Investment Company Act, as amended, or to accounts that are limited to transactions in such securities, or to Monthly Investment Plan type accounts.

.04 through **.05** No Change.

* * * * *

EXHIBIT 5

Exhibit 5 shows the text of the proposed rule change, as amended by this Partial Amendment No. 1. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

3000. SUPERVISION AND RESPONSIBILITIES RELATING TO ASSOCIATED PERSONS

* * * * *

3200. RESPONSIBILITIES RELATING TO ASSOCIATED PERSONS

3210. Accounts At Other Broker-Dealers and Financial Institutions

(a) No person associated with a member (“employer member”) shall, without the prior written consent of the member, open or otherwise establish at a member other than the employer member (“executing member”), or at any other financial institution, any account in which securities transactions can be effected and in which the associated person has a beneficial interest.

(b) Any associated person, prior to opening or otherwise establishing an account subject to this Rule, shall notify in writing the executing member, or other financial institution, of his or her association with the employer member.

(c) An executing member shall, upon written request by an employer member, transmit duplicate copies of confirmations and statements, or the transactional data contained therein, with respect to an account subject to this Rule.

••• Supplementary Material: -----

.01 Account Opened Prior to Association With Employer Member. If the account was opened or otherwise established prior to the person’s association with the employer

member, the associated person, within 30 calendar days of becoming so associated, shall obtain the written consent of the employer member to maintain the account and shall notify in writing the executing member or other financial institution of his or her association with the employer member.

.02 Beneficial Interest. For purposes of this Rule, the associated person shall be presumed to have a beneficial interest in any account that is held by:

(a) the spouse of the associated person, provided that the spouse resides in the same household as the associated person;

(b) a child of the associated person or of the associated person's spouse, provided that the child resides in the same household as or is financially dependent upon the associated person;

(c) any other related individual over whose account the associated person has control; or

(d) any other individual over whose account the associated person has control and to whose financial support the associated person materially contributes.

For purposes of this Rule, an associated person need not be presumed to have a beneficial interest in an account if the associated person demonstrates, to the satisfaction of the employer member, that the associated person derives no economic benefit from the account.

.03 Transactions and Accounts Not Subject To This Rule. The requirements of this Rule shall not apply to transactions in unit investment trusts, municipal fund securities as defined under MSRB Rule D-12, qualified tuition programs pursuant to Section 529 of the Internal Revenue Code and variable contracts or redeemable securities of companies

registered under the Investment Company Act, as amended, or to accounts that are limited to transactions in such securities, or to Monthly Investment Plan type accounts.

.04 Accounts At a Financial Institution Other Than a Member. With respect to an account subject to this Rule at a financial institution other than a member, the employer member shall consider the extent to which it will be able to obtain, upon written request, duplicate copies of confirmations and statements, or the transactional data contained therein, directly from the non-member financial institution in determining whether to provide its written consent to an associated person to open or maintain such account.

.05 Other Financial Institution. For purposes of this Rule, the terms “other financial institution” and “financial institution other than a member” include, but are not limited to, any broker-dealer that is registered pursuant to Section 15(b)(11) of the Exchange Act, domestic or foreign non-member broker-dealer, investment adviser, bank, insurance company, trust company, credit union and investment company.

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**Text of NASD Rule to be Deleted in its
Entirety from the Transitional Rulebook**

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[3050. Transactions for or by Associated Persons]

Entire text deleted.

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**Text of Incorporated NYSE Rules and NYSE Rule Interpretations to be
Deleted in their Entirety from the Transitional Rulebook**

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Incorporated NYSE Rules

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[407. Transactions - Employees of Members, Member Organizations and the Exchange]

Entire text deleted.

[Rule 407A. Disclosure of All Member Accounts]

Entire text deleted.

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NYSE Rule Interpretations

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[Rule 407. TRANSACTIONS – EMPLOYEES OF MEMBER ORGANIZATIONS AND THE EXCHANGE]

[/01 Account of Spouse]

Entire text deleted.

[/02 Majority Stock Ownership]

Entire text deleted.

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