



Office of the Corporate Secretary-Admin.

July 8, 2010

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

FINRA
Notice to Members

Dear Ms. Asquith:

I would like to comment on the Financial Industry Regulatory Authority's (FINRA) proposed rule, FINRA Rule 1230(b)(6)(A-E) (Proposed Rule) governing registration, qualification examination and continuing education requirements for operations professionals. On May 26, 2010, FINRA published Regulatory Notice 10-25 seeking comment on its proposal to expand FINRA's registration requirements to include individuals who are engaged in, or supervising, activities relating to sales and trading support and that handle customer assets. FINRA indicates that it has concerns about the potential for regulatory gaps in the area of licensing and educational requirements for these individuals performing "back office" operational functions at member broker-dealers.

After reading Regulatory Notice 10-25, there are many concerns that I have with the notice. They are:

- a) The testing component is unnecessary. FINRA can achieve the end result of the tracking individuals who supervise, manage and have discretion to commit the capital of firms through registration and continuing education. FINRA has indicated that the examination contemplated for operations professionals is not intended to be a competency exam. As a result, the exam requirement does not appear to serve an essential function and therefore should not be required.
- b) The covered functions are too broad and unclear. The covered functions appear to sweep in too many individuals at a firm and are not tailored to meet the objective of the rule proposed. Additionally, some of the covered functions should be clearly defined in an effort to avoid ambiguity in application of the Proposed Rule. Specifically, I believe there would be greater clarity in the Proposed Rule if FINRA were to define each of the items listed in the covered functions in more detail and with greater specificity.
- c) Please define "Approving or Authorized Work". With respect to a "covered person," I believe the Proposed Rule would be improved by clearly defining what it means to "approve or authorize work in furtherance of the covered functions." I believe this language could be subject to a variety of interpretations and,

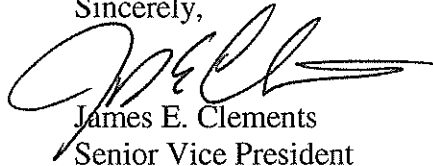
therefore, would benefit from a clear definition contained within the Proposed Rule.

d) Please define shared function situations. Many independent broker-dealers (IBDs) operate as fully disclosed introducing broker-dealer firms. These firms often share responsibility for operational business functions with their clearing firm(s). For example, from the list of fifteen covered functions, I believe that the following items may be “shared functions”: margin; prime brokerage; collection; maintenance; reinvestments (i.e. sweeps), and disbursement of funds; bank, custody, depository and firm account management and reconciliation. In these situations, I believe it will prove even more difficult for an IBD firm to determine which operations personnel have to register and take the operations examination.

e) The implementation period to start is too short. I believe that six to nine months is not enough time to comply with the requirements of the Proposed Rule. Firms will have to go through the exercise of 1) identify who is impacted by this rule proposal, 2) provide notice to the individuals impacted, 3) have those individual who are impacted study and prepare for the examination, and 4) have those individuals sit for the exam and if necessary re-test. I believe a more realistic time frame to complete these objectives would be eighteen months.

I appreciate the opportunity to comment of this Proposed Rule. If you need additional information or clarification on my comments please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Clements', with a long horizontal flourish extending to the right.

James E. Clements
Senior Vice President
Equity Services, Inc.