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March 1, 2010

Via Electronic Filing

Marcia E. Asquith
Senior Vice President and Corporate Secretary
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1500

RE: Regulatory Notice 09-70 (Registration and Qualification Requirements)

Dear Ms. Asquith:

The Cornell Securities Law Clinic (the "Clinic") welcomes the opportunity to comment on the proposal to incorporate the National Association of Securities Dealers ("NASD") rules on registration and qualifications into the consolidated FINRA rulebook with certain changes pursuant to Regulatory Notice 09-70 (the "Rule Proposal"). The Clinic is a Cornell Law School curricular offering, in which law students provide representation to public investors and public education on investment fraud in the largely rural "Southern Tier" region of upstate New York. For more information, please see <http://securities.lawschool.cornell.edu>.

The Rule Proposal simplifies and streamlines NASD Rules 1021 and 1031, which govern registration requirements of representatives and principals. Under current rules, FINRA member firms must register individuals who engage in broker-dealer or investment banking business. FINRA member firms also may register individuals who engage in legal, compliance, internal audit, back-office operations, or similar responsibilities. The proposed revisions: (1) introduce the concept of "active" and "inactive" registration; and (2) expand the group of individuals permitted to register if they engage in "bona fide business purposes" of member firms. The revisions will relax the prohibition on the "parking" of registrations.

As set forth below, the Clinic does not oppose the Rule Proposal, but the Clinic believes the phrase "bona fide business purpose" as a requirement for inactive

registration is vague, and the Rule Proposal should address how FINRA and member firms will disclose the registration statuses of associated persons.

1. FINRA Should Clarify the Definition of “Bona Fide Business Purpose”

FINRA should offer guidance on the kinds of “bona fide business purposes” that will qualify for inactive registration. The phrase expands the group of individuals permitted to register. The Rule Proposal justifies the change for two reasons. First, FINRA members will be better prepared for unanticipated personnel changes. Second, the Rule Proposal resolves inconsistent rules that permit some but not all who engage in business purposes of the member to register.

While the Rule Proposal gives members more flexibility in defining registration requirements for business positions, the Clinic believes the phrase, “bona fide business purposes,” is vague. For example, different firms may require different registration statuses for the same business position. The lack of uniformity makes it difficult for a third-party to anticipate which employees hold inactive registrations and which do not.

Moreover, the Rule Proposal creates a loophole. Members may avoid limitations on customers’ interaction with non-registered persons by designating certain positions, which previously would not have required registration, as having “a bona fide business purpose.” In this manner, the customer contact restrictions currently applicable to non-registered person would not apply to inactive registrants. See NTM 00-50 (August 2000). By giving members sole discretion as to what constitutes a “bona fide business purpose,” FINRA is permitting members to bypass the limited contact restriction through inactive registration. Accordingly, the Clinic suggests that FINRA clarify which types of business roles serve “bone fide business purposes.”

2. FINRA Should Address the Method to Disclose “Active” and “Inactive” Registration Statuses

FINRA should provide guidelines on disclosing registration statuses. The Rule Proposal is silent on how FINRA and its members will disclose the different registration statuses to the public. Without disclosure, a third-party is inadequately informed of an employee’s business role in the member firm. For example, under the current scheme, FINRA BrokerCheck will inform a third-party whether a principal or a representative is registered, but it is unclear whether BrokerCheck will distinguish between active and inactive registrations should the Rule Proposal take effect.

FINRA should provide clear and explicit guidelines on how FINRA and its member firms will disclose registration statuses to the public. FINRA should further address the specific content of the disclosed information.

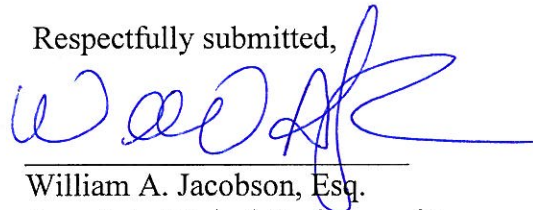
**3. The Clinic Supports Codifying Guidance on
Contact with Prospective Customers**

The Clinic supports codifying existing guidance on restricting unregistered persons' contact with customers, but suggests that FINRA consider whether these limitations also should apply to persons with inactive registration. (See discussion above.)

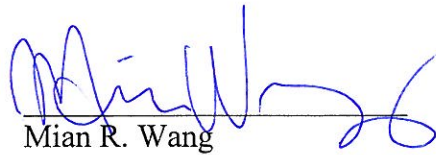
Conclusion

The Clinic greatly appreciates the opportunity to comment on this Rule Proposal. The Clinic suggests that the Rule Proposal be amended to address the ambiguity of the term "bona fide business purpose" and to specify requirements on notifying the public as to the type and meaning of different registration statuses.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'W. A. Jacobson', written over a horizontal line.

William A. Jacobson, Esq.
Associate Clinical Professor of Law
Director, Cornell Securities Law Clinic

A handwritten signature in blue ink, appearing to read 'Mian R. Wang', written over a horizontal line.

Mian R. Wang
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