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Integrated Management Solutions USA Inc. ("IMS") is pleased to have the opportunity to comment further on FINRA's proposed Rule 1210 (the "Rule"). In a previous letter we commented on some of the broad aspects of the Rule, focusing in general on the expiration of associated persons' registrations if the persons are beyond two years from the last time that they were registered.

With this letter, we are commenting on more specific aspects of the proposed Rule.

By way of background, IMS is one of the largest providers of financial accounting and compliance consultants to the securities industry. In our frequent role as compliance consultant, we assist our clients in meeting various FINRA filing deadlines and registration obligations. IMS provides these compliance services as well as accounting services for about 100 small-firm FINRA members. Based on this broad sample, IMS is in an advantageous position to comment on FINRA's proposals.

We have the following specific comments:

"Active" and "Inactive" Registration

We believe that FINRA desires to improve the current situation that results in associated persons having to re-qualify by examination after a mere two years away from the business. As stated in our previous letter, our belief is that the registration status of associated persons should not be lost upon departure from a securities firm. Provisions requiring the updating and refreshing of professional competence should be all that is necessary to retain one's ability to work within the regulated securities industry.

We think that FINRA recognizes the unnecessarily onerous aspects of the two-year standard and is moving little by little to remedy the situation. We would like to see this situation fixed now, but only if it is fixed completely.

In our previous letter, we stated our belief that FINRA should move towards requirements of other professions, which require the maintenance of proficiency but do not assume that a person needs to actively practice the profession to maintain his or her proficiency. Given that such a drastic shift in FINRA's position is unlikely over the near term, we are-- rather reluctantly -- in favor of the significantly narrower provisions in the proposed Rule. These would allow registrations to be maintained beyond a two-year period if the registrations were labeled "inactive" and the associated persons were engaged in bona fide business activities. We were pleased to see FINRA recognize that "the proposed rule allows members to develop a depth of associated persons with registrations in the event of unanticipated personnel changes and also encourage greater regulatory literacy." To us, these words represent a tremendous shift in FINRA's previous stance regarding individual registrations.

But….what is the practical change involved here? For example, current Rule 1021 allows firms to register persons under various principal categories:

> A member may, however, maintain or make application for the registration as a principal of a person who performs legal, compliance, internal audit, back-office operations, or similar responsibilities for the member or a person engaged in the investment banking or securities business of a foreign securities affiliate or subsidiary of the member.

This has been working, so why change it?

Retained Associate

We are also in favor of the proposed provisions that would allow firms to maintain the registration of a person who is engaged in the investment banking or securities business of an affiliate or subsidiary of the member. We have seen numerous cases of persons leaving a FINRA member to work in, say, an affiliated firm's investment advisory business, most of the time conducting virtually the same activities as when working for the member. Why should registrations be lost after two years at the new employment? We therefore welcome the establishment of the new category of Retained Associate.

And yet….the proposed category of Retained Associate only pertains to employment at affiliates. Why should it be limited in that way? Under the proposed Rule, a trader engaged in trading Goldman Sachs' proprietary funds could retain his registration if he moved to Goldman's London-based affiliate and conducted a similar activity. But if he went to work for UBS in London, transacting the very same type of business, he would lose his ability after two years to reregister without requalifying by examination.. Does this seem fair? In fact, it is downright anti-competitive because it creates a tremendous disincentive for leaving the current employing firm.

Too Complicated!

Unfortunately, as much as we are in favor in principle of the Active, Inactive and Retained Associate proposals contained in proposed Rule 1210, the baggage that comes along with the adoption of these proposals would, in our opinion, negate the related positive aspects.

For example, an associated person currently not engaged in an activity requiring Principal registration would be allowed to maintain his Series 24 registration if his Series 7 registration was active. The General Securities Principal registration would be considered active as well, even though the person would not be conducting activities requiring that registration. And the firm would have the responsibility to "appropriately supervise to ensure that the person was not acting outside the scope of his assigned functions." What is wrong with the current system that allows the firm to simply maintain the person's Series 24 registration?

In regard to the complex requirements surrounding the proposed category of Retained Associate, all we can say is "Who thought this up?" It would take a lawyer with years of training (and billable hours) to be able to calculate a person's Retained Associate eligible period. The convoluted provisions that FINRA has proposed add up to a plan doomed to failure at the outset. We do not know of any firm that will be willing to keep track of a Retained Associate's status once the status becomes active and a 12-month consecutive period is required in order that the 10-year overall period of Retained Associate eligibility remains intact. And don't forget that the 10-year period must be docked for every day of activity while in a registered capacity.

In short, the various notifications and calculations required are unnecessarily complicated and, in our opinion, can only lead to confusion. Firms will forget to notify FINRA of an associate's transformation from inactive status to active. They are likely to miscalculate the 12-month period during which a previously inactive registration must be maintained actively. Certainly over a ten-year span of time there will be mistakes made in the reporting of outside business activities. All of this could result in associated persons thinking that their registrations are intact, when during a review by FINRA examiners it is discovered that the registrations in fact expired. Worse yet, the contingent liability for selling securities without being licensed could be very threatening to the net worth and career of a person who inadvertently was not registered.

Conclusions

IMS is strongly in favor of allowing registered persons to maintain registration even if those persons are not currently performing the functions associated with those registrations – as long as there is periodic updating and refreshing of the professionals' knowledge base and skills.

We think that the ideal changes in this regard would not only move the registration process towards the standards embraced by most other professions, but would do so in a way that creates clarity and simplification. Proposed Rule 1210 is a half-way measure that could end up creating more problems than progress.

We strongly encourage FINRA to keep moving along the lines of registration eligibility retention, but to reformulate proposed Rule 1210 so that it is a more practical regulation.

Thank you for the opportunity to comment on this matter.

Sincerely,

Christine LaBastille

Christine LaBastille
Managing Director