

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

Initial <input type="checkbox"/>	Amendment <input checked="" type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) <input checked="" type="checkbox"/>	Section 19(b)(3)(A) <input type="checkbox"/>	Section 19(b)(3)(B) <input type="checkbox"/>
			Rule		
			<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<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)	

Exhibit 2 Sent As Paper Document <input type="checkbox"/>	Exhibit 3 Sent As Paper Document <input type="checkbox"/>
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Description
Provide a brief description of the proposed rule change (limit 250 characters).

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 proposed rule change.

First Name	<input type="text" value="Erika"/>	Last Name	<input type="text" value="Lazar"/>
Title	<input type="text" value="Senior Attorney"/>		
E-mail	<input type="text" value="erika.lazar@finra.org"/>		
Telephone	<input type="text" value="(202) 728-8013"/>	Fax	<input type="text" value="(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 officer.

Date	<input type="text" value="02/05/2010"/>
By	<input type="text" value="Gary Goldsholle"/>
	(Name)
	<input type="text" value="Vice President and Associate General Counsel"/>
	(Title)

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 EFFS 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 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

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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 21, 2009, FINRA filed with the Securities and Exchange Commission (“SEC” or “Commission”) SR-FINRA-2009-047, a proposed rule change to adopt FINRA Rule 3160 (Networking Arrangements Between Members and Financial Institutions). The proposed rule change would adopt NASD Rule 2350 into the consolidated FINRA rulebook as FINRA Rule 3160, subject to certain amendments to streamline the rule and to reflect applicable provisions of the Gramm-Leach-Bliley Act of 1999 and Regulation R. In response to comments received by the Commission, FINRA is amending the proposal to require that oral disclosures only be provided at or prior to the time that a customer account is opened on the premises of a financial institution by a member that is a party to a networking arrangement with the financial institution. Written disclosures would still be required as set forth in the original proposal. FINRA believes that this change will retain the benefits of applying the rule to member conduct on or off the premises of a financial institution without imposing potentially unnecessary oral disclosures to customers whose account openings may be wholly unrelated to the networking arrangement.

The amendment to the proposed rule change is set forth below. FINRA is including with this Partial Amendment No. 1 an Exhibit 4 that shows the changes from the original rule text set forth in the proposed rule change. Exhibit 5 shows the changes from the current rule. Proposed new language is underlined; proposed deletions are bracketed.

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 additions in this Partial Amendment No. 1 appear underlined; proposed deletions in this Partial Amendment No. 1 appear in brackets.

* * * * *

3000. SUPERVISION AND RESPONSIBILITIES RELATING TO ASSOCIATED

PERSONS

3100. SUPERVISORY RESPONSIBILITIES

* * * * *

3160. Networking Arrangements Between Members and Financial Institutions

(a) Standards for Member Conduct

Except as otherwise provided in this Rule, a member that is a party to a networking arrangement under which the member conducts broker-dealer services on or off the premises of a financial institution is subject to the following requirements:

(1) Setting

A member that conducts broker-dealer services on the premises of a financial institution shall:

(A) be clearly identified as the person providing broker-dealer services and shall distinguish its broker-dealer services from the services of the financial institution;

(B) conduct its broker-dealer services in an area that displays clearly the member's name; and

(C) to the extent practicable, maintain its broker-dealer services in a location physically separate from the routine retail deposit-taking activities of the financial institution.

(2) Networking Agreements

(A) Networking arrangements between a member and a financial institution shall be governed by a written agreement that sets forth the responsibilities of the parties and the compensation arrangements and include all broker-dealer obligations, as applicable, set forth in Rule 701 of Regulation R. Independent of their contractual obligations, members shall comply with all broker-dealer obligations, as applicable, under Rule 701 of Regulation R.

(B) The member shall ensure that the written agreement stipulates that supervisory personnel of the member and representatives of the SEC and FINRA will be permitted access to the financial institution's premises where the member conducts broker-dealer services, as applicable, in order to inspect the books and records and other relevant information maintained by the member with respect to its broker-dealer services.

(3) Customer Disclosure

(A) At or prior to the time that a customer account is opened by a member that is a party to a networking arrangement, the member shall disclose[, orally and] in writing[,] to each customer that the broker-dealer services are being provided by the member and not by the financial

institution, and that the securities products purchased or sold in a transaction are:

([A]i) not insured by the Federal Deposit Insurance Corporation (“FDIC”);

([B]ii) not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and

([C]iii) subject to investment risks, including possible loss of the principal invested.

(B) The disclosures required by paragraph (a)(3)(A) of this Rule also shall be made orally by a member that is a party to a networking arrangement for any customer account opened on the premises of a financial institution.

(4) Communications with the Public

(A) All member confirmations and account statements shall indicate clearly that the broker-dealer services are being provided by the member.

(B) Advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts, Automated Teller Machine (“ATM”) screens, billboards, signs, posters and brochures, that announce the location of a financial institution where broker-dealer services are provided by the member or promote the name or services of the financial institution or that are distributed by the member on the premises of a financial institution or at such other location where

the financial institution is present or represented shall include the disclosures required by paragraph (a)(3) of this Rule. The following legend may be used to provide these disclosures in advertisements and sales literature, provided that such disclosures are displayed in a conspicuous manner:

- Not FDIC Insured
- No Bank Guarantee
- May Lose Value

(C) As long as the omission of the disclosures required by paragraph (a)(4)(B) of this Rule would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, such disclosures are not required with respect to messages contained in:

- (i) radio broadcasts of 30 seconds or less;
- (ii) electronic signs, including billboard-type signs that are electronic, time and temperature signs and ticker tape signs, but excluding messages contained in such media as television, online services or ATMs; and
- (iii) signs, such as banners and posters, when used only as location indicators.

(5) Notifications of Terminations

A member shall promptly notify the financial institution if any associated person of the member who is employed by the financial institution is terminated for cause by the member.

(b) Definitions

For purposes of this Rule, the following terms shall have the meanings specified below:

(1) “Financial institution” shall mean federal and state-chartered banks, savings and loan associations, savings banks, credit unions, and the service corporations of such institutions required by law.

(2) “Networking arrangement” shall mean a contractual or other written agreement between a member and a financial institution under which the member offers broker-dealer services on or off the premises of the financial institution.

(3) “Broker-dealer services” shall mean investment banking or securities business as defined in Article I of the FINRA By-Laws.

* * * * *

EXHIBIT 5

Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

**Text of Proposed New FINRA Rule
(Marked to Show Changes from NASD Rule 2350; NASD Rule 2350 to be
Deleted in its Entirety from the Transitional Rulebook)**

* * * * *

**3000. SUPERVISION AND RESPONSIBILITIES RELATING TO ASSOCIATED
PERSONS**

3100. SUPERVISORY RESPONSIBILITIES

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**[2350]3160. [Broker/Dealer Conduct on the Premises of] Networking Arrangements
Between Members and Financial Institutions**

[(a) Applicability]

[This section shall apply exclusively to those broker/dealer services conducted by members on the premises of a financial institution where retail deposits are taken. This section does not alter or abrogate members' obligations to comply with other applicable NASD rules, regulations, and requirements, nor those of other regulatory authorities that may govern members operating on the premises of financial institutions.]

[(b) Definitions]

[(1) For purposes of this section, the term "financial institution" shall mean federal and state-chartered banks, savings and loan associations, savings banks, credit unions, and the service corporations of such institutions required by law.]

[(2) “Networking arrangement” and “brokerage affiliate arrangement” shall mean a contractual or other arrangement between a member and a financial institution pursuant to which the member conducts broker/dealer services for customers of the financial institution and the general public on the premises of such financial institution where retail deposits are taken.]

[(3) “Affiliate” shall mean a company that controls, is controlled by, or is under common control with, a member as defined in Rule 2720.]

[(4) “Broker/Dealer services” shall mean the investment banking or securities business as defined in paragraph (p) of Article I of the By-Laws.]

[(c)a] Standards for Member Conduct

[No] Except as otherwise provided in this Rule, a member that is a party to a networking arrangement under which the member [shall] conducts broker[/]-dealer services on or off the premises of a financial institution [where retail deposits are taken unless the member complies initially and continuously with] is subject to the following requirements:

(1) Setting

[Wherever practical, the member’s broker/dealer services shall be conducted in a physical location distinct from the area in which the financial institution’s retail deposits are taken. In all situations, members shall identify the member’s broker/dealer services in a manner that is clearly distinguished from the financial institution’s retail deposit-taking activities. The member’s name shall be clearly displayed in the area in which the member conducts its broker/dealer services.]

A member that conducts broker-dealer services on the premises of a financial institution shall:

(A) be clearly identified as the person providing broker-dealer services and shall distinguish its broker-dealer services from the services of the financial institution;

(B) conduct its broker-dealer services in an area that displays clearly the member's name; and

(C) to the extent practicable, maintain its broker-dealer services in a location physically separate from the routine retail deposit-taking activities of the financial institution.

(2) Networking [and Brokerage Affiliate] Agreements

(A) Networking [and brokerage affiliate] arrangements between a member and a financial institution [must] shall be governed by a written agreement that sets forth the responsibilities of the parties and the compensation arrangements and include all broker-dealer obligations, as applicable, set forth in Rule 701 of Regulation R. Independent of their contractual obligations, members shall comply with all broker-dealer obligations, as applicable, under Rule 701 of Regulation R.

(B) The member [must] shall ensure that the written agreement stipulates that supervisory personnel of the member and representatives of the [Securities and Exchange Commission] SEC and [the Association] FINRA will be permitted access to the financial institution's premises where the member conducts broker[/]-dealer services, as applicable, in

order to inspect the books and records and other relevant information maintained by the member with respect to its broker[~~/~~]-dealer services.

(3) Customer Disclosure [and Written Acknowledgment]

(A) At or prior to the time that a customer account is opened by a member that is a party to a networking arrangement [on the premises of a financial institution where retail deposits are taken], the member shall disclose in writing to each customer that the broker-dealer services are being provided by the member and not by the financial institution, and that the securities products purchased or sold in a transaction are:

[(A) disclose, orally and in writing, that the securities products purchased or sold in a transaction with the member:]

(i) [are] not insured by the Federal Deposit Insurance Corporation (“FDIC”);

(ii) [are] not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and

(iii) [are] subject to investment risks, including possible loss of the principal invested[; and].

(B) [make reasonable efforts to obtain from each customer during the account opening process a written acknowledgment of receipt of the disclosures required by paragraph (c)(3)(A)] The disclosures required by paragraph (a)(3)(A) of this Rule also shall be made orally by a member that is a party to a networking arrangement for any customer account opened on the premises of a financial institution.

(4) Communications with the Public

(A) All member confirmations and account statements [must] shall indicate clearly that the broker[/]-dealer services are being provided by the member.

(B) Advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts, Automated Teller Machine (“ATM”) screens, billboards, signs, posters and brochures, that announce the location of a financial institution where broker[/]-dealer services are provided by the member or promote the name or services of the financial institution or that are distributed by the member on the premises of a financial institution or at such other location where the financial institution is present or represented shall [must disclose that securities products: are not insured by the FDIC; are not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and are subject to investment risks, including possible loss of the principal invested] include the disclosures required by paragraph (a)(3) of this Rule. The [shorter, logo format described in paragraph (c)(4)(C)] following legend may be used to provide these disclosures in advertisements and sales literature[.]

[(C) The following shorter, logo format disclosures may be used by members in advertisements and sales literature, including material published, or designed for use, in radio or television broadcasts,

Automated Teller Machine (“ATM”) screens, billboards, signs, posters, and brochures, to comply with the requirements of paragraph (c)(4)(B)], provided that such disclosures are displayed in a conspicuous manner:

- Not FDIC Insured
- No Bank Guarantee
- May Lose Value

~~(D)C~~ As long as the omission of the disclosures required by paragraph ~~(c)a~~(4)(B) of this Rule would not cause the advertisement or sales literature to be misleading in light of the context in which the material is presented, such disclosures are not required with respect to messages contained in:

(i) ~~[•]~~ radio broadcasts of 30 seconds or less;

(ii) ~~[•]~~ electronic signs, including billboard-type signs that are electronic, time[,] and temperature signs and ticker tape signs, but excluding messages contained in such media as television, on[-]line [computer] services[,] or ATMs; and

(iii) ~~[•]~~ signs, such as banners and posters, when used only as location indicators.

(5) Notifications of Terminations

[The] A member [must] shall promptly notify the financial institution if any associated person of the member who is employed by the financial institution is terminated for cause by the member.

(b) Definitions

For purposes of this Rule, the following terms shall have the meanings specified below:

(1) “Financial institution” shall mean federal and state-chartered banks, savings and loan associations, savings banks, credit unions, and the service corporations of such institutions required by law.

(2) “Networking arrangement” shall mean a contractual or other written agreement between a member and a financial institution under which the member offers broker-dealer services on or off the premises of the financial institution.

(3) “Broker-dealer services” shall mean investment banking or securities business as defined in Article I of the FINRA By-Laws.

* * * * *