

Required fields are shown with yellow backgrounds and asterisks.

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2011 - * 013

Amendment No. (req. for Amendments *) 1

Proposed Rule Change by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934Initial * ☐ Amendment * ☒ Withdrawal ☐Section 19(b)(2) * ☒ Section 19(b)(3)(A) * ☐ Section 19(b)(3)(B) * ☐

Rule

Pilot ☐ Extension of Time Period
for Commission Action * ☐ Date Expires * ☐ 19b-4(f)(1) ☐ 19b-4(f)(4)
☐ 19b-4(f)(2) ☐ 19b-4(f)(5)
☐ 19b-4(f)(3) ☐ 19b-4(f)(6)Exhibit 2 Sent As Paper Document
☐Exhibit 3 Sent As Paper Document
☐**Description**

Provide a brief description of the proposed rule change (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 proposed rule change.

First Name * Erika Last Name * Lazar
Title * Counsel
E-mail * erika.lazar@finra.org
Telephone * (202) 728-8013 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 officer.

Date 06/15/2011

By Patrice Gliniecki
(Name *)

Senior Vice President and Deputy 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.

Patrice Gliniecki,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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

Form 19b-4 Information (required)

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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 (required)

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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 March 4, 2011, FINRA filed with the Securities and Exchange Commission (“SEC” or “Commission”) SR-FINRA-2011-013, a proposed rule change to adopt FINRA Rule 1230(b)(6) to establish a registration category and qualification examination requirement for certain operations personnel. The proposed rule change also would adopt continuing education requirements for such operations personnel and adopt NASD Rule 1120 (Continuing Education Requirements) as FINRA Rule 1250 (Continuing Education Requirements) in the consolidated FINRA rulebook with minor changes.

On March 18, 2011, the SEC published the proposed rule change for comment in the Federal Register.¹ The comment period closed on April 8, 2011. The SEC received 17 comment letters in response to the proposed rule change. FINRA is submitting by separate letter its response to comments on the proposed rule change contemporaneously with this Partial Amendment No. 1.

In response to comments received by the Commission, FINRA is proposing to amend the proposed rule change in four respects. First, FINRA is proposing to change the title of proposed FINRA Rule 1230(b)(6)(A) from “Requirement” to “Covered Persons” to better reflect the content of the paragraph.

Second, FINRA is proposing changes to clarify the first two categories of covered persons in proposed FINRA Rule 1230(b)(6)(A). FINRA is proposing to amend proposed Rule 1230(b)(6)(A)(i) to provide that the first category of covered persons would include senior management with direct responsibility over the covered functions. FINRA believes this proposed change will better enable members to identify who must register as an Operations Professional so that senior management with an indirect relationship to the covered functions are not subject to the proposed registration, qualification examination and continuing education requirements; however, members must ensure that senior management who sign off on the covered functions and who are responsible for ensuring that the covered functions are executed in compliance with the federal securities laws and regulations and FINRA rules are properly registered. FINRA also is proposing clarifying changes to proposed Rule 1230(b)(6)(A)(ii) to provide that the second category of covered persons would include any person designated by senior management specified in Rule 1230(b)(6)(A)(i) as a supervisor, manager or other person responsible for approving or authorizing work, including work of other persons, in direct furtherance of each of the covered functions, as applicable, provided that there is sufficient designation of such persons by senior management to address each of the applicable covered functions. FINRA believes the change to proposed Rule 1230(b)(6)(A)(ii) helps to clarify that senior management of a firm may designate the next tier of management or other persons responsible for approving or authorizing work in direct furtherance of the covered functions, in accordance with reasonable business practices.

¹ See Securities Exchange Act Release No. 64080 (March 14, 2011), 76 FR 15012 (March 18, 2011).

Third, FINRA is proposing to add language to proposed Rule 1230(b)(6)(D) to provide that FINRA staff may accept as an alternative to the Operations Professional qualification examination requirement any domestic or foreign qualification if it determines that acceptance of such alternative qualification is consistent with the purposes of the rule, the protection of investors, and the public interest.

Fourth, FINRA is proposing to extend the 120-day grace period to pass a qualification examination to non-Day-One Professionals associated with a clearing member, since clearing firms may experience similar resource challenges in finding qualified new hires and transitioning staff into roles in the covered functions that would require registration as an Operations Professional.

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.

* * * * *

1000. MEMBER APPLICATION AND ASSOCIATED PERSON REGISTRATION

* * * * *

1200. REGISTRATION AND QUALIFICATION

1230. Registration Categories

(a) Definition of Principal and Principal Registration Categories

(1) through (11) Reserved.

(b) Definition of Representative and Representative Registration Categories

(1) through (5) Reserved.

(6) Operations Professional

(A) [Requirement] Covered Persons

Each of the following persons shall be required to register with
FINRA as an Operations Professional:

(i) Senior management with direct responsibility over the
covered functions in paragraph (b)(6)(B) of this Rule;

(ii) Any person designated by senior management
specified in paragraph (b)(6)(A)(i) of this Rule as a
[S]upervisor[s], manager[s] or other person[s] responsible for
approving or authorizing work, including work of other persons, in
direct furtherance of each of the covered functions in paragraph

(b)(6)(B) of this Rule, as applicable, provided that there is sufficient designation of such persons by senior management to address each of the applicable covered functions; and

(iii) Persons with the authority or discretion materially to commit a member's capital in direct furtherance of the covered functions in paragraph (b)(6)(B) of this Rule or to commit a member to any material contract or agreement (written or oral) in direct furtherance of the covered functions in paragraph (b)(6)(B) of this Rule.

(B) Covered Functions

(i) Client on-boarding (customer account data and document maintenance);

(ii) Collection, maintenance, re-investment (*i.e.*, sweeps) and disbursement of funds;

(iii) Receipt and delivery of securities and funds, account transfers;

(iv) Bank, custody, depository and firm account management and reconciliation;

(v) Settlement, fail control, buy ins, segregation, possession and control;

(vi) Trade confirmation and account statements;

(vii) Margin;

(viii) Stock loan/securities lending;

(ix) Prime brokerage (services to other broker-dealers and financial institutions);

(x) Approval of pricing models used for valuations;

(xi) Financial control, including general ledger and treasury;

(xii) Contributing to the process of preparing and filing financial regulatory reports;

(xiii) Defining and approving business requirements for sales and trading systems and any other systems related to the covered functions, and validation that these systems meet such business requirements;

(xiv) Defining and approving business security requirements and policies for information technology, including, but not limited to, systems and data, in connection with the covered functions;

(xv) Defining and approving information entitlement policies in connection with the covered functions; and

(xvi) Posting entries to a member's books and records in connection with the covered functions to ensure integrity and compliance with the federal securities laws and regulations and FINRA rules.

(C) Qualification Examination

Subject to the exception in paragraph (b)(6)(D) of this Rule, any person who is required to register as an Operations Professional shall pass the Operations Professional qualification examination before such registration may become effective.

(D) Exception

(i) Any person who is registered with FINRA as an Investment Company Products/Variable Contracts Representative, General Securities Representative, United Kingdom Securities Representative or Canada Securities Representative, Registered Options Principal, General Securities Sales Supervisor, Compliance Officer, Supervisory Analyst, General Securities Principal, Investment Company Products/Variable Products Principal, Financial and Operations Principal, Introducing Broker-Dealer Financial and Operations Principal, Municipal Fund Securities Limited Principal or Municipal Securities Principal, and any person who has been registered in one of these categories within the two years immediately prior to registering as an Operations Professional, shall be qualified to register as an Operations Professional without passing the Operations Professional qualification examination, provided that such registration is not revoked pursuant to Rules 8310 or 8320, suspended or otherwise deemed inactive.

(ii) The staff may accept as an alternative to the Operations Professional qualification examination requirement in paragraph (b)(6)(C) of this Rule any domestic or foreign qualification if it determines that acceptance of such alternative qualification is consistent with the purposes of this Rule, the protection of investors, and the public interest.

(E) Implementation

(i) Any person who is required to register as an Operations Professional as of [insert the effective date of the rule] shall request registration as an Operations Professional via Form U4 in CRD within 60 days after [insert the effective date of the rule].

Any person who is required to register as an Operations Professional as of [insert the effective date of the rule] and must pass the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) to qualify for Operations Professional registration shall be allowed a period of 12 months beginning on [insert the effective date of the proposed rule] to pass such qualifying examination, during which time such person may function as an Operations Professional.

(ii) Any person who is required to register as an Operations Professional after [insert the effective date of the rule] shall register as an Operations Professional and, if applicable, pass

the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) prior to engaging in any activities that would require such registration; provided, however, [a person associated with a non-clearing member] any such person who must pass the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) to qualify for Operations Professional registration shall be allowed a period of 120 days beginning on the date such person requests Operations Professional registration to pass such qualifying examination, during which time such person may function as an Operations Professional.

(7) through (14) Reserved.

• • • **Supplementary Material:** -----

.01 through .05 Reserved.

.06 Scope of Operations Professional Requirement. Any person whose activities are limited to performing a function ancillary to a covered function in paragraph (b)(6)(B) of this Rule, or whose function is to serve a role that can be viewed as supportive of or advisory to the performance of a covered function in paragraph (b)(6)(B) of this Rule (e.g., internal audit, legal or compliance personnel who review but do not have primary responsibility for any covered function), or who engages solely in clerical or ministerial activities in a covered function in paragraph (b)(6)(B) of this Rule shall not be required to register as an Operations Professional pursuant to paragraph (b)(6)(A) of this Rule. For

the purpose of Rule 1230(b)(6)(A)(iii), the determination as to what constitutes “materially” or “material” is based on a member’s pre-established spending guidelines and risk management policies.

.07 Reserved.

* * * * *

EXHIBIT 5

Exhibit 5 shows the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

* * * * *

Text of Proposed New FINRA Rule

* * * * *

1000. MEMBER APPLICATION AND ASSOCIATED PERSON REGISTRATION

* * * * *

1200. REGISTRATION AND QUALIFICATION

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covered functions in paragraph (b)(6)(B) of this Rule;

(ii) Any person designated by senior management
specified in paragraph (b)(6)(A)(i) of this Rule as a supervisor,
manager or other person responsible for approving or authorizing
work, including work of other persons, in direct furtherance of

each of the covered functions in paragraph (b)(6)(B) of this Rule, as applicable, provided that there is sufficient designation of such persons by senior management to address each of the applicable covered functions; and

(iii) Persons with the authority or discretion materially to commit a member's capital in direct furtherance of the covered functions in paragraph (b)(6)(B) of this Rule or to commit a member to any material contract or agreement (written or oral) in direct furtherance of the covered functions in paragraph (b)(6)(B) of this Rule.

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(i) Client on-boarding (customer account data and document maintenance);

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the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) prior to engaging in any activities that would require such registration; provided, however, any such person who must pass the Operations Professional qualification examination (or an eligible qualification examination listed in paragraph (b)(6)(D) of this Rule) to qualify for Operations Professional registration shall be allowed a period of 120 days beginning on the date such person requests Operations Professional registration to pass such qualifying examination, during which time such person may function as an Operations Professional.

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