



VIA ELECTRONIC MAIL

July 30, 2010

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

RE: Regulatory Notice 10-25 - Proposed Registration Category, Qualification
Examination and Continuing Education Requirements for Operations Professionals

Dear Ms. Asquith:

On May 26, 2010, the Financial Industry Regulatory Authority, Inc. (FINRA) published Regulatory Notice 10-25 (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 licensing and educational requirements for individuals performing "back office" operations functions at member broker-dealers. Proposed FINRA Rule 1230(b)(6)(A – E) (Proposed Rule) sets out the new categories of personnel subject to registration, the job functions that are included in the new registration categories, a description of the qualification examination that these individuals will be required to take, the exemptions to the examination requirement, the continuing education requirements for this new operations category of registration, and the time frame for implementation of the Proposed Rule's requirements.

Commonwealth Financial Network ("Commonwealth") welcomes this opportunity to comment on the Proposed Rule.

Comments on the Proposed Rule

While we support the spirit of the Proposed Rule of providing additional training and education to individuals who supervise broker-dealer operations, Commonwealth is deeply concerned that requiring existing operations staff to qualify by examination in order to continue to retain their jobs will result in a dramatic and immediate loss of experienced and qualified operations personnel. It is our opinion that the objectives laid out in the Proposed Rule can be achieved by requiring mandatory continuing education training of all personnel engaged in the "covered functions", without the risk of losing extremely knowledgeable

and valuable staff who are unable or unwilling to pass a qualification examination. Accordingly, we urge FINRA to drop the testing component of the Proposed Rule. In addition, given the seemingly expansive nature of the covered functions, we request that FINRA provide clear and unambiguous definitions of their terms. Finally, if FINRA insists on including an educational component, with no grandfathering for existing and experienced staff, we urge FINRA to extend the implementation period set forth in the Proposed Rule to allow a more reasonable period of time for firms and supervisors to achieve compliance. These concerns are discussed more fully below.

- **Testing Component** – Notice 10-25 indicates that the examination contemplated for Operations Professionals is not intended to be a competency exam. Notice 10-25 provides that the examination “would test for general securities industry knowledge with a regulatory focus to alert such persons that they are functioning in a heavily regulated industry.”

We are very concerned that experienced and otherwise qualified operations personnel will be required to terminate their employment or seek another position, which will have an adverse and materially disruptive impact on the expertise that would otherwise be available to Commonwealth to efficiently and effectively carry out its business operations.

We believe that FINRA can effectively achieve the end result of ensuring that individuals who supervise, manage, and have discretion to commit the capital of firms understand that they are working in and are functioning in a heavily regulated industry through mandatory firm element training. We do not believe the examination requirement is necessary to achieve the purposes of the Proposed Rule, and therefore urge FINRA to remove subsection (C) from Proposed FINRA Rule 1230(b)(6).

If FINRA insists that an examination is necessary to achieve the intended goal of the Proposed Rule, we believe there should be a grandfathering provision for individuals who have worked in the operations areas of a broker-dealer prior to the implementation of the testing and registration requirements. Commonwealth believes that experienced operations professionals who have been actively engaged in an operations capacity for at least the past three (3) years should be grandfathered. However, such persons would still be subject to the continuing education requirements of the Proposed Rule.

- **Covered Functions** – Commonwealth is concerned that the Covered Functions are written too broadly and will unnecessarily and unintentionally impact too many individuals within the firm. Therefore, we urge FINRA to define in unambiguous terms the detailed nature and scope of each Covered Function so as to provide clarity and to eliminate potential confusion and unnecessary over application of the Proposed Rule to operations personnel. Without further clarification, we are concerned that we may inadvertently require too many operations and other personnel to satisfy the Proposed Rule, or worse, may unintentionally fail to include persons that should have been included.

- **Implementation Period** – If FINRA insists on maintaining a qualification examination as one of the elements of the Proposed Rule, we believe that the six- to nine- months implementation period provided for in the Proposed Rule does not provide sufficient time to comply with the requirements of the Proposed Rule. Firms will have to go through a lengthy process in order to determine who is subject to the Proposed Rule and who is not; provide adequate notice and guidance to those persons; ensure that sufficient time is provided to prepare for the exam and attempt to pass it; and if necessary, have sufficient time to retest. We urge FUINRA to extend the period of time necessary to comply with the Proposed Rule to at least 18 months.

Respectfully submitted,
COMMONWEALTH FINANCIAL NETWORK

A handwritten signature in cursive script, appearing to read "Paul J. Tolley".

Paul J. Tolley
Chief Compliance Officer