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COMMENT

## Association of Registration Management

Post Office Box 133, Bowling Green Station, New York, New York 10274

August 7, 2000

Ms. Jean A. Webb  
Secretary  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> Street, NW  
Washington, DC 20581

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OFFICE OF THE SECRETARIAT

Re: A New Regulatory Framework

Dear Ms. Webb:

The Association of Registration Management ("ARM") is pleased to submit comments on the Commodity Futures Trading Commission's ("CFTC" or "Commission") proposal to reform its regulatory process. The proposed new rules that would provide a simplified registration process for persons seeking registration as futures commission merchants or introducing brokers is welcomed by our membership. While we strongly support the goals of the Commission's proposal to ease the burdensome regulatory requirements imposed by its rules, we respectfully conclude that the proposal does not cover areas of duplication of effort for registrants dually registered for commodities and securities business or the reporting requirements that do not reflect the electronic environment currently utilized by the industry and regulatory community (MRRS and NASD's WebCRD). For your information, it is our belief, that more than forty percent of the Associated Persons ("Aps") are also registered representatives ("RRs"). Our comments therefore, include specific concerns as they relate to their registrations.

### 1. The 7R Annual UPDATE:

Registrants are required to maintain accurate filings with the National Futures Association ("NFA") throughout the year by filing amendments to its application on Form 3R as information changes such as a change in officers or ownership; the opening or closing of branch offices, the initiation and conclusion of reportable events, etc. The exact changes filed through amendments must then be refiled on an annual report at year-end.

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We suggest that the Commission eliminate the need for an annual update or renewal process and allow the NFA to rely on and record changes in a registrant's record through use of the amendments filed on Form 3R throughout the year. This process will eliminate duplication of effort on the part of the NFA and the registrant.

**2. Branch Office Registration:**

Registrants are required to notify the NFA of the opening or closing of any branch office conducting commodities business with the public by amending our application through the filing of form 3R at the time the change occurs. That same information must be re-filed with the 7R Annual update.

We suggest, as a means of reducing regulatory duplication, that those firms that are dually registered be permitted to maintain internal records on branch office location and supervision of those locations. Such information would be made immediately available to the Commission and/or NFA upon request.

If the Commission would permit the NFA to share information with the NASD and eliminate ongoing amendments and the redundant annual update the industry would be relieved of an administrative burden and lessen the margin of error in regulatory filings.

**3. Fingerprint Requirement for Dually Registered Applicants:**

NFA member firms that are also members of securities self-regulatory organizations, who wish or are required to register employees for commodities and securities business, must fingerprint each employee twice. Both sets of fingerprints are then processed through the FBI. The FBI will then disseminate the exact same information to the NFA and the Central Registration Depository per individual.

We suggest that the Commission allow the NFA to rely on the information available through the WebCRD database for all individuals who will be dually registered in order to complete their "fitness" check.

**4. Disciplinary/Disclosure History of Dually Registered Applicants:**

Again, individuals who will be both commodities and securities registered are required to submit essentially the same information to the NFA and WebCRD for review and determination. A registered individual's record must be amended as necessary in order to maintain an accurate filing. Reportable information and/or

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**disciplinary actions are of interest to all regulators and must, by rule, be kept current.**

**We suggest that the Commission allow the NFA to rely on the information filed through disclosure amendments to WebCRD for those individuals who are dually registered. These individuals are under constant scrutiny due to upgrades in registration or the need for additional registration or because of change in employment. In particular, a change in employment would require re-application to both to the NASD and the NFA since member firms would not permit an individual to also be employed by a non-affiliated firm. There is no loss to the NFA by sharing information but there is a gain by eliminating another area of duplication especially since it is not, to the best of our knowledge, a factor in determining a candidate's fitness for registration.**

**5. Statutory Disqualification:**

**We suggest that the Commission adopt a definition of "statutory disqualification" consistent with that of the Securities and Exchange Commission ("SEC"). By doing so, the Commission would help ensure that the public would be better served by preventing an individual disqualified by one industry from obtaining employment in the other.**

**6. Ethics Training:**

**We agree with the Commission's proposal to eliminate Rule 3.34 and to implement the congressional intent through a Statement of Acceptable Practices.**

**The Commission's ethics training requirement for dually registered individuals is duplicative since these individuals and their employers are under a regulatory obligation to assess their training needs at least annually. The securities industry regulators thought it appropriate to allow the firms the flexibility of developing and administering their own training programs (in accordance with the firms business) due to their recognition that the "one-size fits all" approach would be ineffective. By adopting a Statement of Acceptable Practices, the Commission's requirements would be consistent with training requirements of the NASD.**

**Finally, we are aware the NFA is in the process of developing a Web based registration system. Industry representatives have been privileged to confer on the project. We have suggested to the NFA and now suggest to the Commission that this new system not be designed around a Form such as the 8R. We believe the system should be designed to data capture only that information that the NFA**

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**requires to make a licensing decision and, that the Web based system allow for electronic signatures. Also, information that is easily obtainable through other regulatory agencies or upon demand by the Commission or NFA should not be required as a prerequisite to NFA registration.**

**We applaud the Commission on its efforts to reduce the regulatory burden of the industry and appreciate the opportunity to express our views and offer our suggestions on behalf of our members.**

**Sincerely,**

**Marie Montagnino**

**Mare Montagnino**  
**President**

<sup>1</sup> The Association of Registration Management is an industry association, comprised of registration managers representing approximately four hundred firms, which deals with the regulatory community on matters relating to registration and qualifications.