

the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for Web site viewing and printing in the Commission's Public Reference Room on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal offices of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-CBOE-2011-014, and should be submitted on or before March 28, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>14</sup>

**Cathy H. Ahn,**  
Deputy Secretary.

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-64002; File No. SR-FINRA-2011-011]

### Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change To Amend the By-Laws of FINRA Regulation, Inc. With Regard to District Committee Structure and Governance

March 2, 2011.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on February 25, 2011, Financial Industry Regulatory Authority, Inc. ("FINRA") (f/k/a National Association of Securities Dealers, Inc. ("NASD")) filed with the Securities and Exchange Commission ("SEC" or "Commission") the proposed rule change as described in Items I and II below, which Items have been

prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to amend the By-Laws of FINRA's regulatory subsidiary ("FINRA Regulation") with regard to District Committee structure and governance to, among other things, adjust the size and composition of District Committees to align more closely with the industry representation on the FINRA Board and replace District Nominating Committees with a process of direct nomination and election based on firm size, as discussed in more detail below.

The text of the proposed rule change is available on FINRA's Web site at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose Background

On July 30, 2007, NASD and the New York Stock Exchange consolidated their member firm regulation operations into a combined organization, FINRA. As part of the consolidation, the SEC approved amendments to the NASD By-Laws to implement governance and related changes.<sup>3</sup> The approved changes included a FINRA Board governance structure that balanced public and industry representation and designated seven governor seats to represent

member firms based on the criteria of firm size.

FINRA Regulation (formerly known as NASD Regulation) is a subsidiary of FINRA that operates according to the Plan of Allocation and Delegation of Functions by NASD to Subsidiaries, as amended, which was first adopted at NASD Regulation's formation in 1996.<sup>4</sup>

The proposed rule change would modify the FINRA Regulation By-Laws (or "By-Laws") with regard to District Committees in several respects. It would:

- Adjust the size and composition of District Committees over a three-year transition period to align more closely with the industry representation on the FINRA Board;
- Replace District Nominating Committees with a process of direct nomination and election based on firm size;
- Codify current practice that District Committees meet on a regional basis;
- Eliminate the Advisory Council;
- Amend the qualification requirements and prescribe further term limits for District Committee members;
- Revise procedures for qualification and accounting of ballots to be administered solely by an Independent Agent; and
- Make other procedural and administrative changes.

District Committees, District Nominating Committees, Districts and Regions

The By-Laws establish the procedures for setting the size and electing the members to FINRA District Committees and District Nominating Committees.<sup>5</sup> These By-Law provisions have not changed significantly since becoming permanently effective in January 1998.<sup>6</sup> They were adopted in part to respond to undertakings ordered by the SEC in 1996 (the "1996 SEC Settlement Order") concurrent with the issuance of a report pursuant to Section 21(a) of the Exchange Act regarding NASD (the "1996 21(a) Report").<sup>7</sup>

The role of the District Committees was significantly narrowed as a result of undertakings in the 1996 SEC Settlement Order.<sup>8</sup> Until January 1998,

<sup>4</sup> See Securities Exchange Act Release No. 37106 (April 11, 1996), 61 FR 16944 (April 18, 1996) (Order Approving File No. SR-NASD-96-02).

<sup>5</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.1 (Establishment of Districts) and Section 8.2 (Composition of District Committees).

<sup>6</sup> See Securities Exchange Act Release No. 39326 (November 14, 1997), 62 FR 62385 (November 21, 1997) (Order Approving File No. SR-NASD-96-29).

<sup>7</sup> See *In the Matter of National Association of Securities Dealers, Inc.*, Securities Exchange Act Release No. 37538, 1996 SEC LEXIS 2146 (August 8, 1996).

<sup>8</sup> *Supra* note 7, at Undertaking 4.

<sup>14</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> See Securities Exchange Act Release No. 56145 (July 26, 2007), 72 FR 42169 (August 1, 2007), as amended by Securities Exchange Act Release No. 56145A (May 30, 2008), 73 FR 32377 (June 6, 2008) (Order Approving File No. SR-NASD-2007-023).

the role of District Committees was addressed in the NASD By-Laws, which provided in part that District Committees shall also serve as the District Business Conduct Committees (“DBCCs”) for their respective districts.<sup>9</sup> The undertakings in the 1996 Settlement Order provided, among other things, that DBCCs not be involved in deciding whether or not to institute disciplinary proceedings, and that District Committees not be involved in the review or approval of membership applications.<sup>10</sup> As a consequence, NASD amended its corporate governance documents to comply with these undertakings, including adopting NASD Regulation By-Laws that, among other things, did not provide a role for District Committees in the review or approval of membership applications and eliminated DBCCs.<sup>11</sup>

The By-Laws task the FINRA Regulation Board of Directors with determining the boundaries of the districts and the size of the District Committees.<sup>12</sup> The FINRA Regulation Board has established eleven districts, overseen by FINRA District Offices, which are administratively grouped within five regions:

- West Region—Districts 1 (San Francisco), 2 (Los Angeles), and 3 (Denver and Seattle);
- Midwest Region—Districts 4 (Kansas City) and 8 (Chicago);
- South Region—Districts 5 (New Orleans), 6 (Dallas) and 7 (Atlanta and Boca Raton);
- North Region—Districts 9 (Philadelphia and Woodbridge) and 11 (Boston); and
- New York Region—District 10 (New York City and Long Island).<sup>13</sup>

Today, as provided in the By-Laws, FINRA District Committee members contribute to the regulatory process by, among other things, serving as panelists in disciplinary proceedings in accordance with FINRA Rules; considering and recommending policies and rule changes; and endeavoring to educate FINRA members and others as to the objects, purposes and work of

FINRA and FINRA Regulation.<sup>14</sup> The District Committees meet on average twice each year, jointly with the other District Committees in their respective regions. Currently, District Committees are composed of nine members, with the exception of the New York District Committee’s twelve. Due to staggered three-year District Committee membership terms, one-third of each District Committee’s positions are available for election each year. In some cases, a District Committee may have additional positions to fill if a vacancy has been created by death, resignation, removal or other cause.<sup>15</sup> The District Nominating Committees are composed of five members each, a majority of whom have served on a District Committee, are current or former FINRA Regulation Directors, or current or former FINRA Governors.<sup>16</sup>

#### Current Nomination and Election Process

As part of the election process, the By-Laws require the Corporate Secretary to provide each District Nominating Committee and District Director annual notice, due on or before June 1 of each year, identifying the members of the District Committees and District Nominating Committees whose terms are expiring within the next calendar year.<sup>17</sup> FINRA’s Office of the Corporate Secretary issues an Election Notice announcing the vacancies in all eleven districts and soliciting any interested party to complete and submit a candidate profile form to the applicable FINRA District Director.<sup>18</sup>

Completed candidate profile forms received before the prescribed cutoff date are shared with the District Nominating Committees for review, a process that usually involves candidate interviews.<sup>19</sup> After its review, each District Nominating Committee nominates a slate of candidates for election, which may include an alternate candidate for each position.<sup>20</sup> The District Directors, acting for the District Nominating Committees, notify

FINRA’s Corporate Secretary of each nominated candidate and the office to which the candidate is nominated (*i.e.*, District Committee member or District Nominating Committee member).<sup>21</sup> Soon after receiving the District Nominating Committees’ slates (and, as mandated by the By-Laws, on or before October 1 of each year), FINRA’s Office of the Corporate Secretary issues another Election Notice announcing the nominees for upcoming vacancies on the District and the District Nominating Committees and informing members about the petition and election process.<sup>22</sup> If the slate is not contested (*i.e.*, there is one candidate for each position), it is deemed elected without a vote by the district’s member firms.<sup>23</sup>

The By-Laws also provide a process whereby a registered person meeting the vacancy requirements may be considered for nomination as an additional (“petition”) candidate in a contested election. To be considered for nomination as a petition candidate, such individual must deliver a written notice to the District Director within 14 calendar days of the issuance of the Election Notice of nominated candidates.<sup>24</sup> The Secretary of FINRA Regulation must provide to any such candidate a list, with applicable contact information, of FINRA members eligible to vote in the candidate’s district.<sup>25</sup> Within 30 calendar days after the date of mailing of the list to the candidate, the candidate must submit a petition to the District Nominating Committee with signatures from at least ten percent of the FINRA members eligible to vote in his or her district.<sup>26</sup> If a candidate submits a petition with the requisite number of valid signatures by the designated date, he or she is nominated and a contested election is held.<sup>27</sup>

In recent years, FINRA has witnessed a decline in eligible individuals willing to serve on the District or District Nominating Committees or undergo the nomination process. Potential candidates have expressed several reasons for their lack of interest,

<sup>21</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.18 (Notification of Nomination).

<sup>22</sup> *Supra* note 21.

<sup>23</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.19 (Uncontested Election).

<sup>24</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.20 (Designation of Additional Candidates).

<sup>25</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.21 (List of FINRA Members Eligible to Vote).

<sup>26</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.22 (Requirement for Petition Supporting Additional Candidate).

<sup>27</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.22 (Requirement for Petition Supporting Additional Candidate) and Section 8.23 (Notice of Contested Election).

<sup>9</sup> See NASD By-Laws, Article VIII, Section 2(c) (District Committees and District Business Conduct Committees), amended effective September 4, 1990, prior to the permanent adoption of the NASD Regulation By-Laws effective January 15, 1998 (“The District Committees shall also serve as the District Business Conduct Committees for their respective districts”).

<sup>10</sup> *Supra* note 7, at Undertaking 4.

<sup>11</sup> See Securities Exchange Act Release No. 39326 (November 14, 1997), 62 FR 62385 (November 21, 1997) (File No. SR-NASD-96-29).

<sup>12</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.1 (Establishment of Districts) and Section 8.2 (Composition of District Committees).

<sup>13</sup> See Schedule A to FINRA Regulation By-Laws.

<sup>14</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.2 (Composition of District Committees).

<sup>15</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.4 (Filling of Vacancies on District Committees).

<sup>16</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.9 (Composition of District Nominating Committees).

<sup>17</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.15 (Notice to District Nominating Committee).

<sup>18</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.16 (Solicitation of Candidates and Secretary’s Notice to FINRA Members).

<sup>19</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.17 (District Nominating Committee Slate).

<sup>20</sup> *Supra* note 19.

including: the reduced role of the District Committees following the 1996 21(a) Report; the perceived difficulties of undergoing the District Nominating Committee process (usually including rigorous interviews) as compared to the signature-collecting process of becoming a petition candidate; and the perception that slate candidates nominated by District Nominating Committees represent the industry less effectively than more “independent” petition candidates.

#### Proposed Changes to the Nomination Process and Composition of District Committees

Based on the concerns described above, FINRA proposes to eliminate the current nomination and petition process, including eliminating District Nominating Committees in their entirety,<sup>28</sup> and to adopt a more streamlined self-nomination and election process that facilitates member candidacy and fosters representation from Small Firms, Mid-Size Firms and Large Firms (as further described below). As proposed, an individual meeting the qualification requirements of Section 8.2(a) of the By-Laws who is interested in running for election to a District Committee would simply deliver written notice of such intent to the Secretary of FINRA Regulation within 30 calendar days of the Secretary’s issuance of the Notice of election to FINRA members.<sup>29</sup> Any individual meeting the qualification requirements would be designated as a candidate without having to undergo the current nominating or petition process.<sup>30</sup> FINRA believes that direct candidate nomination and election by the membership would create a more

accessible, transparent and effective election process.

The current By-Laws task District Nominating Committees with endeavoring to secure appropriate and fair representation of the various sections of the district and classes and types of FINRA members within the district.<sup>31</sup> To further this goal, FINRA proposes to require that each District Committee member represent and be directly elected by the applicable classification of members (that are eligible to vote in the district) based on the size of the firm with which he or she is associated. Specifically, candidates would represent one of the following three classifications, as are currently defined in the By-Laws, depending on the size of the firm with which they are associated: Small Firm (up to 150 registered representatives),<sup>32</sup> Mid-Size Firm (151 to 499 registered representatives),<sup>33</sup> or Large Firm (500 or more registered representatives)<sup>34</sup> (the “firm size classifications”).<sup>35</sup> As proposed, the Board would determine the composition of District Committees based on firm size classifications, taking into account the composition of the membership and the Board.<sup>36</sup>

To reflect the District Committees’ current composition, as well as the representation classifications employed by the FINRA Board of Governors (*i.e.*, Large Firm, Mid-Size Firm and Small Firm Governors), the FINRA Regulation Board has determined that, if the proposed rule change is approved, three-sevenths of the District Committee members would be associated with Small Firms, one-seventh with Mid-Size Firms, and three-sevenths with Large Firms. Each classification of candidates would self-nominate and be subject to the vote of eligible firms in their size classification.<sup>37</sup> Such ratios are generally consistent with those established under the FINRA By-Laws for the election of industry Governors on the Board of Governors and under the FINRA Regulation By-Laws for the

election of industry members of the National Adjudicatory Council.<sup>38</sup>

The FINRA Regulation By-Laws currently require that a District Committee member be registered with a FINRA member eligible to vote in the applicable district and work primarily from such member’s principal office or a branch office that is located within the district where the member serves on a District Committee.<sup>39</sup> The proposal would clarify that each District Committee member be associated with a FINRA member eligible to vote in the district for District Committee elections and registered in the capacity of a branch manager or principal or denoted as a corporate officer of the FINRA member.<sup>40</sup> This requirement is designed to ensure that District Committee members have requisite experience for purposes of participating in the District Committee meetings.

The FINRA Regulation By-Laws currently limit District Committee members to serving no more than two full three-year terms consecutively. The proposed rule change would limit this provision further, to prohibit consecutive full terms.<sup>41</sup> This requirement would provide for turnover of representation on the District Committees, with the goal of bringing different perspectives and views to them, while still allowing individuals interested in serving multiple terms to do so on a non-consecutive basis.

The proposed rule change would codify that District Committees would meet on a regional level, as has been their practice for several years;<sup>42</sup> as proposed, Schedule A of the By-Laws sets out the five regions and the districts in them. The proposed rule change would also eliminate the requirement for the election of district officers in

<sup>28</sup> See, e.g., proposed deletions of FINRA Regulation By-Laws, Article VIII, Section 8.9 (Composition of District Nominating Committees); Section 8.10 (Term of Office of District Nominating Committee Members); Section 8.11 (Filling of Vacancies for District Nominating Committees); Section 8.12 (Meetings of District Nominating Committees); Section 8.13 (Election of District Nominating Committee Officers); Section 8.14 (Expenses of District Nominating Committees); Section 8.15 (Notice to District Nominating Committee); Section 8.17 (District Nominating Committee Slate); Section 8.18 (Notification of Nomination); Section 8.19 (Uncontested Election); Section 8.20 (Designation of Additional Candidates); Section 8.22 (Requirement for Petition Supporting Additional Candidate); Section 8.23 (Notice of Contested Election). See also proposed deletion of the term “District Nominating Committee” in FINRA Regulation By-Laws, Article I (Definitions) and Article IV, Section 4.16 (Communication of Views Regarding Contested Election or Nomination).

<sup>29</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.8 (Self-Nomination of Candidates and Vacancy Appointments).

<sup>30</sup> *Supra* note 29.

<sup>31</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.17 (District Nominating Committee Slate).

<sup>32</sup> FINRA Regulation By-Laws, Article I, paragraph (kk).

<sup>33</sup> FINRA Regulation By-Laws, Article I, paragraph (bb).

<sup>34</sup> FINRA Regulation By-Laws, Article I, paragraph (z).

<sup>35</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.2 (Composition of District Committees).

<sup>36</sup> *Supra* note 35.

<sup>37</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.2 (Composition of District Committees), Section 8.9 (FINRA Members Eligible to Vote) and Section 8.17 (Election Results).

<sup>38</sup> See FINRA By-Laws, Article I (Definitions) and Article VII, Section 4 (Composition and Qualifications of the Board); FINRA Regulation By-Laws, Article V, Section 5.2 (Number of Members and Qualifications). See also Securities Exchange Act Release No. 56145 (July 26, 2007), 72 FR 42169 (August 1, 2007), as amended by Securities Exchange Act Release No. 56145A (May 30, 2008), 73 FR 32377 (June 6, 2008) (Order Approving File No. SR-NASD-2007-023).

<sup>39</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.2 (Composition of District Committees).

<sup>40</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.2 (Composition of District Committees).

<sup>41</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.3 (Term of Office of District Committee Members).

<sup>42</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.5 (Meetings of District Committees). See also proposed FINRA Regulation By-Laws, Article VIII, Section 8.1 (Establishment of Districts and Regions) (authorizing the Board to organize the districts into regions to promote efficiency and sound administration).

current Section 8.6,<sup>43</sup> to allow the flexibility to run a District Committee without officers if that is more efficient in particular districts, especially since the meetings are held on a regional basis and many administrative duties formerly performed by District Committee chairpersons (e.g., preparing meeting agendas and inviting speakers) are currently performed by FINRA staff.<sup>44</sup>

#### Committee Size Recalibration

The FINRA Regulation By-Laws provide that a District Committee shall consist of between five and 20 members, unless otherwise provided by resolution of the Board, and that the authorized number of members shall be determined from time to time by the Board, with the caveat that any reduction in the authorized number of such members shall not shorten any existing member's term.<sup>45</sup> FINRA is proposing a recalibration of District Committee size consistent with this provision. Specifically, the Board has determined to reduce the size of each District Committee other than the New York District Committee by two, from nine to seven, and to increase the New York District Committee—the only district comprising its entire region—by two, from 12 to 14.

The proposed reduction in the size of most District Committees would address the membership's generally reduced interest in serving on District Committees, as described above, and accommodate the larger number of participants in current regional combined District Committee meetings as compared with former individual District Committee meetings. Both current and former District Committee members and FINRA staff have stated that while the meetings should be held on a regional basis, the number of participants can inhibit productive discussion by all committee members. Under the current structure, the West and South Regions, each composed of three districts, have up to 27 District Committee members attend regional meetings. The Midwest and North Regions, each composed of two districts, have up to 18 District Committee members attend regional meetings. The proposed structure would reduce

<sup>43</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.6 (Election of District Officers).

<sup>44</sup> The proposed rule change would make a conforming amendment to eliminate the reference to consultation with the Chair of the District Committee regarding the logistics of District Committee meetings. See proposed FINRA Regulation By-Laws, Article VIII, Section 8.5 (Meetings of District Committees).

<sup>45</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.2 (Composition of District Committees).

attendees to 21 in the West and South Regions and 14 in the Midwest and North Regions. This size recalibration would allow each District Committee to meet the proposed 3–1–3 ratio of Small Firm, Mid-Size Firm and Large Firm representation.

In contrast, the proposed increased District Committee size for the New York District would assure a larger pool of District Committee members is available to serve on hearing panels in the district; recognize the fact that, unlike any other district, it comprises its own region entirely; and allow it to meet the proposed 3–1–3 ratio of Small Firm, Mid-Size Firm and Large Firm representation.

The proposed decrease in the authorized number of members from nine to seven on each District Committee (except New York, which would increase from 12 to 14) would not shorten the term of office of any existing District Committee member. The change in District Committee size would be effected over three years, concurrent with the expiration of current District Committee members' terms, so that all current District Committee members would serve out their full terms.<sup>46</sup>

FINRA proposes that, if no individual seeks to be a candidate for a particular District Committee vacancy, the FINRA CEO, or his or her designee, will appoint an individual meeting the qualification requirements of Section 8.2(a), including representing the applicable firm size classification, to the

<sup>46</sup> As noted above, all District Committees currently have nine members, with the exception of the New York District Committee, which has 12 members; one-third of each District Committee's positions are available for election each year. To effect the transition for all District Committees (except New York), and assuming the transition period were to start in 2011, the three current District Committee members whose terms expire in 2011 would be replaced with three newly elected District Committee members, each representing a different firm size classification (Small Firm, Mid-Size Firm and Large Firm); in 2012 and 2013, the three current District Committee members whose terms expire in each of those years would be replaced with two newly elected District Committee members (in each year, one representing a Small Firm and one representing a Large Firm). At the end of the three-year transition period, the District Committee would consist of seven District Committee members with the proposed 3–1–3 ratio of Small Firm, Mid-Size Firm and Large Firm representation. The New York District Committee, which currently has four positions available for election each year, would elect five District Committee members in 2011 and 2012 (in each year, two representing Small Firms, one representing a Mid-Size Firm and two representing Large Firms) and four District Committee members in 2013 (two representing Small Firms and two representing Large Firms). The New York District Committee would then consist of 14 District Committee members, meeting the proposed 3–1–3 ratio of Small Firm, Mid-Size Firm and Large Firm representation.

full term of that vacancy.<sup>47</sup> If the FINRA CEO, or his or her designee, is unable to identify or appoint an individual meeting the requirement of representing the applicable firm size classification, he or she may appoint for that vacancy a qualified individual from another firm size classification.<sup>48</sup>

#### Proposed Elimination of the Advisory Council

The proposed rule change would eliminate the Advisory Council. The Advisory Council is composed of the chairs of each of the District Committees, and is charged to provide input to the Committees and the Board on policy issues, including evaluation of the hearing process and industry practices, and to work closely with the District Committees to develop policy recommendations.<sup>49</sup> The proposed streamlined District Committee structure and directly nominated and elected representation process, together with an initiative by FINRA to refocus District Committee meetings to better seek member views on their districts' needs and responses to FINRA proposals, obviate the need for the Advisory Council. Given the changes proposed, FINRA would be able to realize the goals of the District Committee system, i.e., to seek member views on policy issues and recommendations, directly from the membership without the time and resource expenditures now required of Advisory Council members and FINRA staff.

#### Other Proposed Changes

The proposed rule change would make several other procedural and administrative changes. It would replace references to "Executive Vice President, Regulatory Policy and Programs" and the "Executive Vice President, Member Regulation" with the "Chief Executive Officer or his or her designee" to recognize organizational changes and provide for flexibility for future organizational changes without the need to amend the By-Laws in the future.<sup>50</sup> It

<sup>47</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.8 (Self-Nomination of Candidates and Vacancy Appointments).

<sup>48</sup> *Supra* note 47. See also proposed FINRA Regulation By-Laws, Article VIII, Section 8.4 (Filling of Vacancies on District Committees) (granting comparable authority to the District Committee members to fill vacancies arising prior to the expiration of a District Committee member's term of office, where the CEO or his or her designee determines, pursuant to Section 8.2(d), that such vacancy should be filled).

<sup>49</sup> See FINRA Regulation By-Laws, Article VIII, Section 8.7 (Advisory Council).

<sup>50</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.2 (Composition of District

would also make several changes to the election process to make it more streamlined and efficient, including centralizing it within the Corporate Secretary's office, and diminishing the need for FINRA District office effort. FINRA proposes to permit the Corporate Secretary to develop published procedures for administrative support provided to candidates, which would allow the Secretary's administrative experience with other FINRA elections to inform these procedures.<sup>51</sup> The proposed rule change also would modify the ballot preparation to recognize this centralization within the Corporate Secretary's office and the elimination of the District Nomination Committees.<sup>52</sup> In addition, the proposed rule change would make the vote qualification lists in current Section 8.26 tailored to firm size classification and the applicable list available upon request to a candidate based on the size of the firm with which he or she is associated, since many more candidates are foreseen under the new process, and FINRA anticipates that not all of them would likely need or seek these lists.<sup>53</sup>

The proposed rule change would simplify the tabulation of ballots by the Independent Agent by centralizing it under the Corporate Secretary.<sup>54</sup> In addition, it would recognize that election results would be determined based on those firms in particular firm size classifications.<sup>55</sup> Finally, it would make certain other administrative changes, such as revising the By-Laws to reflect the current address of FINRA Regulation's registered office<sup>56</sup> and eliminating the obsolete reference to the Canal Zone in District No. 7.<sup>57</sup>

As noted in Item 2 of this filing, the effective date of the proposed rule change will be the date of Commission approval.

## 2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions

Committees), Section 8.4 (Filling of Vacancies on District Committees), Section 8.5 (Meeting of District Committees), and Section 8.8 (Self-Nomination of Candidates and Vacancy Appointments).

<sup>51</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.10 (Administrative Support).

<sup>52</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.11 (Ballots).

<sup>53</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.12 (Vote Qualification List).

<sup>54</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.14 (General Procedures for Qualification and Accounting of Ballots).

<sup>55</sup> See proposed FINRA Regulation By-Laws, Article VIII, Section 8.17 (Election Results).

<sup>56</sup> See proposed FINRA Regulation By-Laws, Article II, Section 2.1 (Location).

<sup>57</sup> See proposed Schedule A to the FINRA Regulation By-Laws.

of Section 15A(b)(6) of the Act,<sup>58</sup> which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change will result in a more accessible, transparent and effective District Committee election process and will align the representation of members on the District Committees to follow more closely the industry representation on the FINRA Board.

### B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

### C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others

Written comments were neither solicited nor received.

## III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) By order approve or disapprove such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

## IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

### Electronic Comments

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-FINRA-2011-011 on the subject line.

<sup>58</sup> 15 U.S.C. 78o-3(b)(6).

### Paper Comments

- Send paper comments in triplicate to Cathy H. Ahn, Deputy Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2011-011. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2011-011 and should be submitted on or before March 28, 2011.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>59</sup>

**Cathy H. Ahn,**  
Deputy Secretary.

[FR Doc. 2011-5080 Filed 3-4-11; 8:45 am]

**BILLING CODE 8011-01-P**

## SELECTIVE SERVICE SYSTEM

### Form Submitted to the Office of Management and Budget for Extension of Clearance

**AGENCY:** Selective Service System.

**ACTION:** Notice.

The following form has been submitted to the Office of Management and Budget (OMB) for extension of

<sup>59</sup> 17 CFR 200.30-3(a)(12).