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July 23, 2010

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

Office of the Corporate Secretary-Admin.

JUL 26 2010

RE: Proposed amendments to FINRA Rule 1230  
Regulatory Notice 10-25

FINRA  
Notice to Members

Ladies and Gentlemen,

As a principal in a fully disclosed introducing broker/dealer I feel compelled to comment on the proposed amendments to FINRA Rule 1230 for a registration category, qualification examination and continuing education requirements for operations professionals. Many firms but particularly small firms have been overburdened and overregulated with rules and Written Supervisory Procedures for those rules. Tests and Continuing Education have consumed more and more time often covering areas in which many small firms do not operate. **It is time to modify a rules based environment and move toward principles based governance.**

It is difficult to see the advantage of more layers which are vague at best and in areas where mid-level and senior personnel are already tested and retested, and have direct oversight responsibilities under current rules. To hold these executives accountable for performance is more cost effective. **Performance is the key. If the customer is being served and the public protected this is the ultimate test.** And it can easily be achieved with a principles based regulatory approach.

Added burdens and costs for small firms are anticompetitive. Small firms are unfairly examined closer because they can be. Small firms need to have systems and structures in place to deal with products they do not use, and WSPs that must be continuously updated to address it all. **The cost of the Registration Categories will be a great burden on all firms but particularly small firms with no apparent added security or protection for the public.**

The Dodd-Frank Bill is 2300 pages and it is only the beginning. As reported in the Wall Street Journal Review and Outlook – July 14, 2010, “the law will require no fewer than 243 new formal rule-makings by 11 different agencies”; 95 of these rules to be written by the SEC. This will add many more thousands of pages to our crippling oversight. And it is doubtful whether or not any of it would have stopped Bernie Madoff. **However, it is certain to deplete the resources of honest endeavor to public disadvantage.**

The lobbyists will be more active as new rules take shape – the last of which will take effect in 12 years. Perhaps Congress would have been wiser not to repeal Glass-Steagall and to have crafted a more thoughtful Sarbanes-Oxley. “In other words, the biggest financial players are not being punished or reined in. The only certain result is that they are being summoned to a closer relationship with Washington in which the best lobbyists win, and smaller, younger firms almost always lose.” WSJ op.cit.

Under the present structure broker/dealers are subject to a variety of tests and continuing education for senior management, managers and supervisors, as well as traders with authority to commit capital. Each level is supervised by a level above until the top of the pyramid is reached. This can happen very rapidly for small firms. **Added costs for Registration and Continuing Education are not justified when there is no public protection or benefit demonstrated.**

Thank you all for your efforts on behalf of our industry.

Respectfully submitted,



David V. Shields  
Vice Chairman  
(Former Member of Board of Directors  
New York Stock Exchange)