



Correspondent Services

RBC Plaza
60 South Sixth Street
Minneapolis, MN 55402

June 22, 2018

Via Electronic Mail to: pubcom@finra.org

Ms. Jennifer Piorko Mitchell
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 18-10; FINRA Requests Comment on the Effectiveness and Efficiency of Its Carrying Agreements Rule (Rule 4311)

Dear Ms. Mitchell;

As a specialist in providing comprehensive clearing, custody and execution services to varying types of introducing broker dealers, RBC Correspondent Services, a division of RBC Capital Markets, LLC, ("RBC CS") appreciates this opportunity to submit its comments in response to the Regulatory Notice referenced above (the "Regulatory Notice") issued by the Financial Industry Regulatory Authority, Inc. ("FINRA").

RBC CS expresses its endorsement of, and adopts by reference, the comments in the letter submitted to FINRA by Thomas F. Price on behalf of the Securities Industry and Financial Markets Association ("SIFMA") Clearing Firms Committee in response to the Regulatory Notice (the "SIFMA Letter"). In particular, RBC CS joins in commending FINRA for its multi-pronged approach to investigating the effectiveness and efficiencies of clearing arrangements among its members, including its Regulatory Notice and Clearing Firm Advisory Committee, and invites FINRA to discuss such matters directly with RBC CS.

RBC CS shares FINRA's dedication to investor protection and market integrity. RBC CS also shares those observations presented in the SIFMA Letter stating that issues regarding FINRA enforcement and guidance with respect to clearing arrangements stem primarily from the way in which relevant FINRA Rules, including 4311, are applied by FINRA personnel rather than the language of any particular Rule. RBC CS strongly believes that the application of those Rules, and approach to clearing arrangements in general, by FINRA should take into account the benefits of increased opportunity for industry competition and stability derived by the public by permitting, and respecting, allocation of client-facing obligations to introducing firms, recognized since the amendments made to NYSE Rules 382 and 405 in 1982, which eliminates duplicative supervisory responsibilities with respect to introduced accounts.

RBC CS respectfully requests that:

1. Either by explicit Rule and/or in practice, FINRA recognize the precept it expresses in the Regulatory Notice that "allocation between the parties to [a clearing] agreement can effectively assign responsibility for rule compliance to one (or more, if applicable) of the other parties ... without exposing a firm to potential liability for a function allocated to another firm," and, in doing so, as examples, FINRA
 - a. Will refrain from pursuing a clearing firm for the failure of an introducing firm to perform an obligation validly allocated to it; and
 - b. Will fulfill its document requests by approaching the firm with the applicable books and records requirements and refrain from approaching a clearing firm with such requests merely due to a perceived ease of retrievability;

2. FINRA limit its review of clearing agreement provisions to only those terms the changing of which would result in a "material change" under Rule 4311, and not to changes in purely business terms such as amounts of clearing deposits or product platform availability;
3. Either by explicit Rule, official guidance, and/or in practice, FINRA allow introducing and clearing firms to, by agreement, provide for the disposition of accounts orphaned and/or abandoned by introducing firms; and
4. FINRA revise outdated rule provisions such as paragraph (h) of Rule 4311 and confer with the SIFMA Clearing Firms Committee on all future proposed Rules, interpretations, and FAQs for input on how such proposals will affect the clearing industry.

RBC CS makes these requests with the informed belief that their fulfillment will result in increased efficiency, effectiveness, and availability of clearing arrangements.

RBC CS thanks FINRA for its consideration of this comment letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Brett Thorne", with a long horizontal flourish extending to the right.

Brett Thorne
Head, RBC Correspondent Services and Advisor Services