



Office of the Corporate Secretary-Admin.

JUN 12 2008

FINRA
Notice to Members

June 10, 2008

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

Re: Regulatory Notice 08-24 Proposed Consolidated FINRA Rules Governing Supervision and Supervisory Controls

Dear Ms. Asquith:

ICBA Financial Services Corporation, a member firm and subsidiary of the Independent Community Bankers of America (ICBA)¹ appreciates the opportunity to comment on the proposed consolidated rules governing supervision and supervisory controls.

We applaud the efforts of FINRA in developing a new consolidated rulebook and recognize both the scope and complexity of the project. We specifically complement the work toward streamlining processes and making rules more principal based in order that member firms may adopt procedures to comply with rules that closely match their varied business models.

For the most part, we are in agreement with the consolidated rules as proposed in Regulatory Notice 08-24. We do have, however, one substantial objection.

The proposed FINRA Rule 3110 (b) (3) regarding Supervision of Outside Business Activities not only extends the enforcement powers of FINRA beyond the scope of its regulatory authority but also creates a supervisory climate that defies practical compliance.

In effect, the proposed rule states that member firms are to approve outside business activities as in the current rule; however, once approval is given, **the member firm must supervise any outside "investment banking or securities business" activities just as if they were activities under the regulatory jurisdiction of FINRA.** The most obvious outside activities would involve insurance and banking, both of which are supervised under separate well-defined regulatory systems. Dependent upon the interpretation of "investment banking or securities business", other activities could range from real estate sales to operation of a small business (such as a C.P.A. practice)..

Small member firms would most likely feel the greatest impact of such a new rule in that many of the principals of such firms as well as their employees are often involved in multiple entrepreneurial pursuits. Larger member firms may find the proposed rule easier to implement since most of their registered personnel are exclusively engaged in the securities business. Regardless of the firm size, however, the practical application of such supervision would be extremely difficult and a significant added burden.

¹ The Independent Community Bankers of America represents the largest constituency of community banks of all sizes and charter types in the nation, and is dedicated exclusively to protecting the interests of the community banking industry. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace. For more information, visit ICBA's website at www.icba.org.

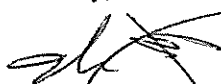
We recognize and appreciate that FINRA has attempted to address the functional regulation of banks and broker-dealers through an exception for the general supervisory requirements of the proposed rule for bank-related securities activities of a dual employee. However, even with the exception, we believe that the proposal will add significant burdens on bank arrangements with broker dealers. This matter has been well discussed over the last decade since the introduction of Regulation B, its multiple amendments and deferrals, and the ultimate adoption of Regulation R at the urging of the Congress of the United States. Banks are already overburdened with regulation and the additional regulation under the proposed rule, although indirectly applied through the broker-dealer, is unwarranted.

Again we express our appreciation for the efforts of FINRA to consolidate rulebooks and streamline regulation. However, when that process adds unnecessary additional regulation, we must object.

Our recommendation is to maintain the current supervisory standards for outside business activities. The current regulation on bank/broker dealer arrangements appears to be working effectively and we see no compelling reason to change it. Perhaps increased enforcement of the current standards would negate the need for such a significant broadening of the rule as proposed.

Thank you for the opportunity to comment and your consideration of our suggestions.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Reid, Jr.', with a long horizontal line extending to the right.

William W. Reid, Jr.
President/CEO