

As a small firm (three registered reps) that elected CAB status, one of the key benefits was that the CAB election eliminated the burden of reviewing and retaining brokerage statements for each of the registered reps.

It seems that the proposed CAB Rule 321 would reinstate the need to review and retain the brokerage statements. Because we are a small firm, this is a significantly burdensome manual task. We do not have (and cannot afford) the automated systems that larger firms have. Can you imagine if you forced the large wire houses to manually review, sign and retain the paper documents each month for each of their reps? You would have overwhelming push back. This is effectively what you are forcing small firms like ours to do.

At our firm, we meet weekly and have our registered reps sign an attestation that they have not traded in any securities on our restricted list (companies related to projects that we are working on). I believe this provides the necessary investor protection. By the way, the restricted list is often empty for months because we are not typically working on transactions that include publicly traded companies.

Further, I would remind everyone that firms across the country in the same business as my firm that are not FINRA registered and operate under the SEC No Action Letter do not gather and review financial statements for their professional staff. FINRA CAB firms need a level playing field. Aside from the operational burden, recruiting professionals becomes a challenge when the potential employees view the provision of personal brokerage statements as inappropriately intrusive and “not required by other [i.e. non-FINRA] firms”.

It seems that an appropriate solution would be to either reverse the no action letter or provide FINRA CAB rules that mirror the relief provided in the SEC No Action Letter.

Thank you for your consideration.

As an aside, if the operational benefits of CAB status get reduced, can our firm switch back to non-CAB status easily?

Larry S. Starks, CFA
Senior Managing Director
Waterview Securities, Inc.
12770 Coit Road, Suite 1218 ▪ Dallas, Texas 75251
Office: 469-916-3935