

December 9, 2011

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

Re: Regulatory Notice 11-48

Dear Ms. Asquith:

We appreciate the opportunity to comment on Regulatory Notice 11-48, in which the Financial Industry Regulatory Authority ("FINRA") proposes FINRA Rule 4516 (the "Proposed Rule"). The Proposed Rule would require each carrying or clearing member firm to maintain and keep current, certain records in a central location in order to facilitate a more rapid and orderly transfer of customer accounts to another broker-dealer, as well as a more orderly liquidation in the event that the member firm can no longer operate due to financial or operational difficulties.

We represent a number of FINRA member firms that are affiliated with Canadian financial services firms. The firms that we represent are listed in **Exhibit A** ("Canadian-Affiliated Firms"). The Canadian-Affiliated Firms were established, with the approval of FINRA and the SEC, to conduct brokerage business involving Canadian securities for U.S. institutional customers and to effect cross-border corporate finance transactions involving Canadian securities. The Canadian-Affiliated Firms conduct their brokerage business as self-clearing brokers, clearing transactions on a delivery-versus-payment/receipt-versus-payment ("DVP/RVP") basis. These U.S. broker-dealers use their Canadian parent companies to perform defined settlement services and related administrative functions on their behalf pursuant to service agreements. Among other administrative functions outlined in the service agreements, the Canadian parent companies aid the Canadian-Affiliated Firms with the preparation and maintenance of records that are required by applicable securities laws and FINRA rules.

We are writing this comment letter to confirm that the Proposed Rule will not impact the current recordkeeping systems in place between these Canadian parent companies and their U.S. broker-dealer affiliates. Under the Proposed Rule, each carrying or clearing member firm is

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required to maintain and keep current, in a readily identifiable manner, certain designated records of the member firm, within its principal office, unless otherwise permitted by FINRA. These records include, among other things, a description of all accounts and ranges on the general ledger, including the names of the associated persons assigned primary and supervisory responsibility for each such account, and identification of all accounts and ranges on the stock record.

Currently, many Canadian parent companies hold these types of records on behalf of their U.S. broker-dealer affiliates. The Canadian-Affiliated Firms' books and records are held in a central location or in electronic form by their parent companies. However, the Canadian-Affiliated Firms still have unfettered and immediate access to their books and records. This is especially the case when Canadian-Affiliated Firms share office space (and personnel) with their Canadian parent companies, which is a common arrangement. In addition, the service agreements in place between the Canadian-Affiliated Firms and their Canadian parent companies document the relationship between the two firms and define their respective responsibilities in a manner that is consistent with the Canadian-Affiliated Firms' obligations for their books and records pursuant to SEC and FINRA rules. The service agreements typically provide that all books and records prepared or maintained by the Canadian parent company for the Canadian-Affiliated Firm, shall be, and at all times remain, the property of the Canadian-Affiliated Firm and that the responsibility for the preparation and maintenance of all books and records shall be subject to the supervision of the Canadian-Affiliated Firm.

Because the Canadian-Affiliated Firms maintain ultimate responsibility over their books and records held by their affiliated entities and have complete and immediate access to such books and records, U.S. customers are not under any greater risk than if the Canadian-Affiliated Firms held such books and records on their own. These record-keeping arrangements instead promote efficiency and accuracy in record-keeping since they capture all information relating to orders and executions by the Canadian-Affiliated Firms and their Canadian affiliates.

In Regulatory Notice 11-48, FINRA cited the inability to locate certain documents and information in connection with the liquidation of Lehman Brothers Inc. as a rationale for the Proposed Rule. However, in the case of the Canadian-Affiliated Firms in the circumstances described above, the arrangements in place with the parent entities, and robust Canadian regulatory oversight, ensure that such records are readily available. There is a long history of cooperation between U.S. securities regulators and Canadian securities regulators, including with regard to information-sharing. FINRA has effective information sharing arrangements in place with its Canadian counterpart, the Investment Industry Regulatory Organization of Canada ("IIROC"). Further, FINRA has routinely conducted examinations of its members in Canada at their Canadian offices without difficulty.

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In addition, as recently as November 10, 2011, the Ontario Securities Commission (the "OSC") and FINRA reaffirmed their cooperative relationship by entering into a memorandum of understanding ("MOU"), which provides a mechanism for consultation and cooperation between FINRA and the OSC. The arrangement will also facilitate the exchange of information regarding firms and individuals under FINRA and the OSC's common supervision, support collaboration on investigations and enforcement matters and provide a more complete view of U.S.-Canadian cross-border market activity.¹

Furthermore, under the arrangements between U.S. broker-dealers and their Canadian affiliates, the U.S. broker-dealers operate on a DVP/RVP basis. Therefore, the risk to customers' funds and securities is limited since no customer securities or funds are held beyond settlement date and transactions are effected so that delivery of securities takes place only against payment by the customer.

The cross-border arrangements between U.S. broker-dealers and Canadian parent companies have been permitted by the SEC and FINRA for many years. We know of no instances in which U.S. regulators have had problems obtaining access to books and records held by Canadian parent companies in a liquidation or otherwise. Further, any changes to current practices could result in material financial and operational consequences for the U.S. broker-dealers that are relying on their parent companies to assist in the maintenance of their books and records. We urge FINRA to ensure that these arrangements remain permissible under the Proposed Rule.

We note that current FINRA rules do not require that member firms have an office in the United States or that the member firms' records be maintained in the United States. Rule 17a-7 of the Exchange Act allows a non-resident U.S. broker-dealer to keep its books and records outside of the United States if the broker-dealer agrees to furnish to the SEC, upon demand, current copies of any books and records which it is required to keep pursuant to any SEC rule or regulation. Many U.S. broker-dealers with Canadian parent companies have relied on this provision and for logistical and cost-saving measures, and customer needs, have chosen not to open offices in the United States. Instead, as discussed above, the U.S. broker-dealers have often chosen to share office-space and resources with their Canadian parent companies.

SEC Rule 17a-7 has been important in facilitating cross-border brokerage services to U.S. investors, providing investors with opportunities for international investing and diversification. We trust that any final rule sought to be adopted, or interpretations relating to such rule, will not

¹ The MOU is scheduled to take effect on January 18, 2012.

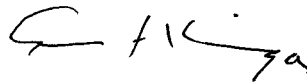
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be inconsistent with Rule 17a-7 or impose new burdens on the offering of brokerage services by Canadian-Affiliated Firms to their U.S.-based customers.

Thank you for providing us with the opportunity to provide comments on Proposed FINRA Rule 4516. We would be pleased to discuss any comments herein, or provide FINRA with any additional assistance as it proceeds with the proposal. Please do not hesitate to contact me at (212) 715-1130 if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "D. Grant Vingoe". The signature is fluid and cursive, with the first name "D." being more prominent.

D. Grant Vingoe

Encl.

ARNOLD & PORTER LLP

EXHIBIT A

This submission is made on behalf of the following firms:

Canaccord Genuity Inc.

Cormark Securities (USA) Limited

Casgrain & Company (USA) Limited

Desjardins Securities International Inc.

Haywood Securities (USA) Inc.

Peters & Co. Equities Inc.

PI Financial (US) Corp.

Raymond James (USA) Ltd.

Salman Partners (USA) Inc.

TD Securities (USA) LLC