March 28, 2014

In response to the request for comments in Regulatory Notice 14-02 regarding amendments to FINRA Rule 4210 and proposed TBA markets margins requirements:

Thank you for the opportunity to comment on the proposed amendments to FINRA Rule 4210. We understand what FINRA is trying to accomplish, however, we feel the proposed regulations create more issues than it solves for the MBS markets

The proposed changes to margin requirements, treatment of net capital and the tracking and pricing of unsettled bonds daily will create an extreme hardship to small net capital firms like ours.

The proposed changes are of great concern to us and threaten the existence of firms like ours. These changes will prevent us from participating in the MBS markets. The result of adoption of these regulations would be a reduction in liquidity of the MBS markets due to scaled down participation or complete market exit by small broker/dealers. Mid and small sized broker/dealers would be inordinately negatively impacted by the additional costs and capital commitments. In addition, features of the proposed changes could result in unbalanced margining leading to increased capital charges and increased counterparty credit risk.

A few of the areas that concern us the most are:

* The 5% limit per client and the 25% overall limit will prevent small net capital firms from participating in the MBS market.

* The cost of compliance will be excessive for small firms – adding "margin" personnel and the tracking of daily market value of unsettled trades. The administrative resources required to establish risk limits per counterparty, tracking margin calls, recordkeeping requirements to insure proper treatment of net capital and documentation requirements to insure all counterparties have like agreements in place. These tasks are excessive and burdensome. This will likely drive small net capital firms away from participating in the MBA markets-reducing liquidity. In addition, smaller investors will need to be available for counterparty credit officers from multiple broker/dealers and would be forced into adding staff with related costs or reducing the number of broker/dealer relationships.

* Unbalanced margin call threshold levels add to counterparty and MBS market risk. Receiving a margin call from our brokerage side counterparty and not being able to pass on to a number of clients counterparties because the de minimis transfer amount has not been reached.

* The potential capital charge required during the margin collection process will prevent us from using that capital to participate in our underwriting business.

*Managing the margin process for sub accounts of investment advisors. This could open our margin call process to hundreds of additional sub accounts of some of the large investment advisors counterparties. Many of our investment advisor accounts, because of privacy issues, are not transparent with the broker/dealer in terms of client's names and

contact information which would make it impossible for us to pass on the margin call to the sub accounts of the investment advisor.

Most of the concerns expressed here are because of the effect on us as a firm; however, we feel the proposed changes are not necessary. The MBS markets function very efficiently now.

We don't see the need for such radical changes to the MBS market. The MBS market has functioned very efficiently throughout the extreme turmoil in the markets over the past few years. Our firm has never had a problem relating to settling a MBS trade.

Perhaps FINRA could establish a threshold on the size of open positions before the rules apply. This would relieve smaller firms, yet put in place sufficient protection to the MBS market in times of stress.

Thank you for providing us the opportunity to comment on this important rules change proposal.

Respectfully,

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