May 12, 2008

Ms. Marcia E. Asquith
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006-1500

Re: Comments related to Proposed Revisions set forth in Regulatory Notice 08-20

Dear Ms. Asquith:

Thank you for the opportunity to respond to the proposed changes to question 14l on Form U4 and question 7E on Form U5 requiring the reporting of allegations of sale practice violations made against registered persons in a civil lawsuit or arbitration in which registered persons are not a named party. As a threshold issue, Penson supports the disclosure of sales practice allegations as an important step in creating transparency to investors, however the proposal, if implemented as is, creates an unreasonable burden on clearing firms for whom personnel may be material in the matter but neither the personnel nor the clearing firm are named as parties in the litigation.

Background

Penson Financial Services, Inc. is a SEC registered broker-dealer that provides clearing and execution services for over 250 correspondent broker-dealers. These correspondents execute a clearing agreement by which Penson agrees to clear trades and/or execute trades on behalf of our correspondents. Penson does not provide advice to the end client and as a general matter is not responsible for the determination of the suitability for any particular transaction cleared or executed by Penson on behalf of our correspondent broker-dealers. Those responsibilities belong exclusively to the correspondent broker-dealer.

From time to time, Penson will be named as a party to an arbitration or litigation filed by a client of one of our correspondent broker-dealers. Generally, the client is not able to articulate a purpose for naming the clearing firm (or personnel of the clearing firm) and is, more times than not, a strategy to introduce a “deep-pocket” litigant in order to try to facilitate better settlement.

Penson’s Current Practice

The clearing agreement requires that the correspondent forward to Penson any matter (written complaint, arbitration, or other litigation) which alleges a violation by Penson or its personnel. When such documents are received, Penson is able to review the documents to determine if any reporting obligations exist (e.g. Rule 3070, Form U4, Form U5, Form BD, etc.).

Logistical Hurdles with Implementation of the New Rule

The fact pattern that particularly concerns Penson would be a customer of a correspondent broker-dealer naming the correspondent, but not naming Penson nor its personnel as a party in the complaint. If the complaint made an allegation against a Penson employee or against the firm and the correspondent did not forward the complaint to Penson for review, we might not know an event had occurred so that we could review the filings to ensure proper disclosure. In effect, a correspondent's failure to forward such information would put Penson in a position of unknowingly violating a rule and more importantly, unable to make the required disclosure to the appropriate registration forms.

Suggested Remedy

Penson would propose that FINRA require an introducing firm to forward an arbitration complaint or other statement of claim to its clearing firm when such information names the clearing firm or an employee of the clearing firm in the substance of the matter but not formally as a litigant. We would also request that the rule make clear that a failure to do so would be a violation by the introducing firm and that any lack of disclosure caused by such failure would be the responsibility of the correspondent broker-dealer and not the clearing firm.

Thank you again for the opportunity to respond to the proposal.

Please do not hesitate to contact me at (214) 765-1323 if you have any questions or comments about our concerns.

Very truly yours,

Thomas R. Delaney II
Senior Vice-President
Global Chief Compliance Officer
Penson Worldwide, Inc.