March 28, 2011

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

RE: FINRA Notice to Members 11-08 Comment Letter

Dear Ms. Asquith:

Cambridge Investment Research ("Cambridge") is a fully disclosed independent retail broker-dealer registered to conduct business in all domestic jurisdictions, with approximately 1900 registered representatives. Cambridge utilizes new clearing firms to conduct all retail equity transactions- Pershing, LLC. and National Financial Services.

Please accept this letter in response to the request for comments with respect to NTM 11-08 regarding the proposed rule governing markups NASD Rule 2440 (Fair Prices and Commissions), NASD IM-2440-1 (Mark-Up Policy) and NASD IM-2440-2 (Additional Mark-Up Policy For Transactions in Debt Securities, Except Municipal Securities)—collectively referred to as the "markup rules"—govern markups, markdowns and commissions in transactions with customers. We appreciate the opportunity to comment on the proposed FINRA regulation.

Cambridge supports full disclosure and reasonable commissions charged to our clients. We agree that it is very important for registered representatives to advise their client of any commission or markup that may be imposed for a particular transaction. We average approximately 800 equity trades on a daily basis. This equates to 200,000 trades on an annual basis and 600,000 over the past 3 years. In the past 3 years, we have received one customer complaint regarding a commission charged on a brokerage transaction. The complaint was found to be without merit. Our registered representatives are accustomed to informing their clients of all transaction charges, and use the criteria outlined in this notice when determining such charges.

In addition, Cambridge agrees with the Staff that the 5% Markup policy is antiquated and needs to be amended to be aligned with current industry standards. However, the Proposed Rule's requirements are of concern for the reasons outlined below.
FINRA proposes to transfer to FINRA Rule 2121(c) (Relevant Factors) the non-exclusive list of seven relevant factors that a member should take into consideration in determining if a markup, markdown or commission is fair and reasonable. The factors are:

(1) type of security involved;

(2) availability of the security in the market;

(3) price of the security;

(4) amount of money involved in a transaction;

(5) disclosure;

(6) pattern of markups; and

(7) nature of the firm's business.

With regard to the non-exclusive list of seven relevant factors that a member should take into consideration when determining if a markup, markdown, or commission is fair and reasonable we believe that further guidance should be provided to assist member firms in achieving the goals set forth by FINRA in this rule. While we agree that the above referenced factors are very relevant to a trade, we also recognize that different firms could independently arrive at very different conclusions based upon the same information when determining a fair and reasonable level of compensation based upon the type of security, the price of the security, the amount of money involved in a transaction, and the pattern of markups.

We are also concerned with FINRA's plan to issue subsequent guidance in a future Regulatory Notice concerning the specific amounts or percentages that may be viewed as fair and reasonable. Instead, we urge FINRA to expressly provide this guidance in the Proposed Amendments. FINRA should take advantage of the rulemaking process to solicit industry input and provide clarity and guidance to the on this issue. Accordingly, we urge FINRA to expressly provide the caps in the Proposed Amendments, rather than issue a separate Regulatory Notice on the topic in the future.

Alternatively, if FINRA is reluctant to provide a cap in the Proposed Amendments, we urge FINRA to issue the Regulatory Notice at the time this final rule is approved by the SEC. If FINRA follows this approach, it will provide the industry with an opportunity to review and establish supervisory procedures that accomplish the intent of the Proposed Amendments and provide comfort that firms comply with the new rules.

With regards to the posting of commission schedules, we support enhanced customers disclosure about commissions charged. Howeve, we have serious concerns about a retail customer's ability to comprehend the commission schedules and do not anticipate that they will find value in these disclosures. Additionally, with the ability for the financial advisor to adjust the commission schedule on a client-by-client basis, we do not see how a "one size fits all" document would be workable for meaningful commission schedule disclosure.

All brokerage accounts at Cambridge have a three digit prefix that denotes which clearing firm is utilized and the applicable commission schedule. To date, Cambridge has 190 prefixes available for our clients. To provide a commission schedule that denotes the schedule for each prefix would be unmanageable. Cambridge is not alone on using multiple clearing firms. While the proposal would allow firms to post their highest commission schedule and advise them that their particular charges may be lower, we are unclear as to what purpose that would serve.

Finally, the Proposed Rule seeks to require 30-day notification of any change to the commission schedule. Each registered representative could have changes in their individual commission schedules based on their payout contract. Would the firm then be required to provide 30-day notification to those clients or to all clients? It is unclear whether this is required per type of account, per individual account, etc. This would require significant technology changes in order to adhere to the Proposed Rule. We therefore, oppose this aspect of the Proposed Rule.

Retail customers are currently aware of commissions they pay as they are specifically listed on confirmations received for each individual securities transaction. Clients with concerns about the commission charges have the ability to express these concerns to their financial advisor, the broker-dealer, or can seek less expensive pricing through another broker-dealer. As such, we do not believe that making available the maximum commission schedule of a broker-dealer will enhance investor protection.
Lastly, we believe that this Proposed Rule is unnecessary and may create greater confusion for the client.

I appreciate the opportunity to comment. Please let me know if you have any questions.

Sincerely,

Julie J. Gebert
AVP, Compliance
Cambridge Investment Research