BDA Bond Dealers of America

21 Dupont Circle, NW • Suite 750
Washington, DC 20036
202.204.7900
www.bdamerica.org

August 1, 2011

VIA ELECTRONIC MAIL (send to: *pubcom@finra.org)*

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

RE: Comments on Amendments to Schedule A of the FINRA By-Laws to Implement an Accounting Support Fee to Fund the Governmental Accounting Standards Board

Dear Ms. Asquith:

The Bond Dealers of America (BDA) is pleased to submit this letter in response to the Financial Industry Regulatory Authority's (FINRA) request for comments on Amendments to Schedule A of the FINRA By-Laws to implement an accounting support fee to fund the Governmental Accounting Standards Board (the "FINRA proposal"). The BDA is the only DC based group representing the interests of securities dealers and banks focused on the U.S. fixed income markets and we welcome this opportunity to state our position.

The fees proposed here are only the latest in a series of fees and burdens imposed on broker-dealers. The BDA strongly objects to continuing the practice of saddling broker-dealers with costs that should be imposed more broadly, or in some cases, not imposed at all. Some of this admittedly has occurred at agencies other than FINRA, but FINRA has also taken actions, like this one, that increase the burdens on broker-dealers.

BDA is particularly concerned about the effect of these burdens on middle-market broker-dealers. Virtually every one of these burdens disproportionately affects middle-market broker-dealers. Given the supposed interest in ending "too big to fail", the BDA finds this outcome especially objectionable. Nearly all of the regulatory actions that have flowed out of the Dodd-Frank legislation, and many other recent initiatives, have strengthened the largest institutions relative to the middle-market broker-dealers and run contrary to the idea of ending "too big to fail."

We believe that if FINRA and other regulatory agencies continue along the path they have begun, the result will be greater concentration of power among the largest financial firms along with increased risk to the financial system and greater cost, less liquidity and fewer choices for investors.

The instant proposal involves assessing broker-dealers with a fee to support the efforts of the Governmental Accounting Standards Board (GASB). The Dodd-Frank Wall Street Reform and

Consumer Protection Act provided for a national securities association to collect fees from its members in order to support GASB. This provision is somewhat analogous to the provision in Sarbanes-Oxley that provides for the SEC to collect fees to support the Financial Accounting Standards Board (FASB). The Sarbanes-Oxley provision, however, requires the issuers of securities to pay the fee. Moreover, only issuers above a certain size are required to pay the FASB fee. Smaller issuers are exempt from the FASB fee. The SEC has the right and responsibility to review the FASB budget.

The FINRA proposal would require all broker-dealers, regardless of size, to pay the fees to support GASB. The fee would be assessed based on the firm's share of the par value of municipal trades made in the previous quarter. A firm would not be prohibited from passing the fee through to its customers. In contrast to the FASB fee, which exempts smaller issuers, there would be no exception for smaller firms under the FINRA GASB proposal.

One of the especially objectionable elements of this proposal is that the GASB fees would, as a practical matter, be set by GASB itself and its parent organization, the Financial Accounting Foundation, which are private entities. FINRA would simply collect whatever amount GASB wishes. There would be no public oversight of the amount of the fees to be collected for GASB by FINRA. Neither FINRA nor the SEC has any authority to oversee the amount of the fees or the uses to which they are put. These fees would be collected under governmental compulsion and there will be no public accountability. Separating the authority to spend money from the responsibility for collecting it – and accountability to those who pay it - it is extremely bad public policy.

Under the FINRA proposal a firm would not know its liability until after the close of the quarter and therefore it could not determine the amount allocable to a given trade at the time of the trade, but only some time later. Any attempt to pass the fee to an investor would necessarily be an estimate, and one which would surely be either too much or too little. Setting up a system to track these charges would disproportionately burden smaller firms, as would the alternative of the broker-dealer accepting the entire burden of the GASB fee.

The BDA opposes the imposition of these fees on broker-dealers. If FINRA imposes these fees on broker-dealers, the BDA urges FINRA to exempt smaller firms from the fees, as is done under the FASB fee. This will greatly reduce the burden of the regulation. Because the BDA does not have the data on trading by firm, we are not in a position to recommend figure for the exemption, but that information is available to FINRA.

Sincerely,

Michael Nicholas
Chief Executive Officer