

Sir:

I am a student of the securities markets, not a working professional. I have taught securities test preparation classes in the past. I agree with the general thrust of FINRA's proposed rule (Notice 14-52) on Pricing Disclosures in the Fixed Income Market, which requires disclosure of the price paid or received by the member in a principal transaction and the price that it charges to the retail customer, when trades are effected same day, and the size of the order is for 100 bonds or less, or for \$100,000 or less in face value.

However, I don't agree that disclosures should be made only for 100 bonds or less. I argue that disclosure should apply to all bond trades, no limit in the size. Why? Consider Grandma Jones who has just received \$5 million insurance proceeds upon the death of her husband. Grandma Jones knows nothing about the stock or bond markets. Her representative suggests that she put all \$5 million in XYZ bonds. Grandma Jones agrees to do this. The member firm goes out and buys \$5 million XYZ bonds at 95, and then 10 minutes later, sells the bonds to Grandma Jones at 100. In this case, FINRA should require disclosure, notwithstanding the number of bonds exceeds 100. I say, Grandma Jones has a consumer's right to know how much she is being charged, and whether the firm is taking advantage of her. The same logic applies to where the size of the transaction exceeds face value of \$100,000. There should be full disclosure of the member firm's profit. After all, we are talking about unsophisticated retail customers. They deserve full disclosure.

Also, in reference to FINRA's examples 11, 12, and 13, where some trades occur on previous days, I argue that FINRA should not limit required disclosure to trades occurring on the same day, but require disclosure for all firm principal trades done within the previous five trading days. Why? Consider this example. Andy, a representative, learns that Widow Helen has just received an inheritance of \$10 million. He talks with Widow Helen and urges her to put the monies into 20 different bond issues. Widow Helen tells him she needs a few days to think it over, but that she probably will follow his advice. Andy returns to his firm and tells his manager of his conversation. In anticipation of the probably forthcoming retail order, Andy's firm decides to go out and purchase \$10 million in the bond issues that Andy recommended to Widow Helen. Its average price for these bonds is 93. Widow Helen then places her order three days later. Andy's firm sells her \$10 million bonds for 100. Andy's firm should not be allowed to keep its cost basis secret. Widow Helen has a consumer's right to know how much Andy's firm paid versus what the firm is charging her.

In the first two of the above examples, retail customers place orders for more than 100 bonds or for more than \$100,000 in face value. In the last case, the firm's purchase is several days before the retail customer places her order. FINRA should attempt to protect these retail customers also. I believe it is bad policy and bad business practice for member firms to conceal their principal prices on bond transactions, whether in buy or sale trades, from their retail customers. In summary, FINRA should not limit this disclosure rule just to trades for 100 bonds or less, or to trades \$100,000 or less in face value, or to trades effected on the same day.

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