

In response to the Special Notice dated March 21, 2017, I submit the following comments.

My Background

I was an employee of FINRA's Market Regulation Department from 1996 to 2008. During that time, I worked closely with the Market Regulation Committee, and from time to time with various District Committees and other FINRA committees.

Before working at FINRA I worked at the Enforcement Division of the U.S. Securities and Exchange Commission. Since leaving FINRA, I have worked at a law firm representing FINRA members and their employees with regards to various FINRA-related issues. I have also worked as the Chief Compliance Officer at the Options Clearing Corporation.

Engagement in Advisory, Ad Hoc, and District Committees

I feel that the Market Regulation Committee provided effective input as to FINRA and industry developments, rule proposals, etc.

I would offer one suggestion for participation in the Market Regulation and perhaps other advisory committees. For the topics considered by the Market Regulation Committee it would be very helpful to have one or more attorneys or consultants from law firms or consulting firms that handle the kind of issues covered by the Committee to serve as non-voting members of the Committee. Such attorneys often represent several member firms and have a scope of exposure that a single FINRA member does not see. This kind of insight would be helpful given the difficulty of finding public members with the background necessary to fully appreciate some of the technical issues facing the Committee. Attorneys from law firms used to serve as voting members of the Market Regulation Committee.

My limited work with the District Committees suggested that they did provide useful input. Their service on disciplinary panels was also very important.

I feel that it would be helpful to publish a matrix of all committee members on all committees so that the membership and public could gain a better perspective how individual member firms are represented across multiple committees.

Finally, I feel that an in-person meeting is preferable. If that is not feasible, video conference from at most two locations should be the goal. Telephonic participation is not conducive to effective participation.

Engagement in the Rule Making Process

I suggest that in the case of significant rule changes that the development and publication of Frequently Asked Questions (“FAQ”) should be a part of the rule making process. Significant rules should only become effective after FINRA has posted responses to FAQ from the membership. Questions could be gathered as part of the comment process and also after the publication of the final rule. Members would have a brief period of time to submit questions and FINRA Staff would have a set period to post responses. This would lead to better implementation and lower costs for members.

FINRA’s Regulatory Guidance

I believe FINRA should make greater use of FAQs, as described above.

Investor Education

FINRA should continue to use electronic media, especially social media, to get education to the public quickly and at relatively low cost. The use of Wikipedia or some other wiki format may prove a useful way to get relevant information to the public that increasingly relies on such content.

Transparency Regarding Examination and Enforcement Programs

The Examination Priorities letter is very helpful. A year-end comparison of disciplinary actions taken by FINRA with the stated priorities would be helpful in terms of illustrating priorities in practice. It is very difficult to gather and analyze such information from the disclosures FINRA currently provides.

The \$10,000 threshold for disclosure on the website of disciplinary actions should be raised. It has been the same for a significant amount of time. Since its adoption FINRA has become more aggressive in assessing fines and fines are more likely to be for technical violations such as various reporting obligations. Actions with fines of less than \$10,000 could still be available through broker-check. Disclosure of fewer cases might serve to highlight those actions of greater significance.

One aspect of transparency not mentioned by the Special Notice is contained in FINRA Rule 8210(f) which provides that a witness may inspect or procure a copy of the official transcript of the witness’ own testimony. Currently this right is subject to denial by FINRA staff for “good cause.” I believe that the good cause exception is too vague, too broad and relied upon too frequently by FINRA staff. If this rule is not changed, the number of denials of requests for transcripts and documents should be reported to the public.

Conclusion

I commend FINRA for its efforts to increase and improve engagement.

Sincerely,

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