

With respect to FINRA's Special Notice dated March 21, 2017, asking for comment about FINRA's operations, we submit the following:

FINRA has become a bloated factory seeking to create a rule for every conceivable situation that may occur anywhere near the vicinity of securities activity or people who have a securities license. For some reason FINRA cannot see the problems created thereby. Large firms probably enjoy this environment, as they can relatively easily fund teams of people to pull the various levers for FINRA, whether or not any of this busy work achieves anything for anybody. Unfortunately, the rules keep accumulating year after year, flattening small firms who cannot possibly keep up. As our firm has stated many times, the sole purpose of self-regulation is to prevent more pernicious government regulation. FINRA has done nothing to prevent pernicious regulation and has been complicit in making matters worse. What we have today is the most regulated industry on the planet, while the general public mistakenly thinks that our self-regulator(FINRA) is comfortably in our back pocket. This is the worst of all possible worlds.

FINRA has feathered its nest at our expense. It charges large fees and heavy fines to pay for ridiculous salaries and to create an obscene pool of wealth for a self-regulator. All the while it continues to create a web of rulemaking that binds firms in a large amount of nonsense and creates endless opportunities for lawyers who live off the smallest of perceived stumbles. Firms are not allowed to use their own judgment for operations that they know far better than FINRA ever could. As mentioned, our industry gets sued when things do not work out for a customer. That is the primary control on firm and representative behavior beyond the basic morality they bring. As small firms, we are keenly aware that one large lawsuit can put us out of business. We do not need FINRA to keep us in line. If anything, FINRA establishes the groundwork for opportunistic lawyering with its requirement that we perpetually write a cumbersome supervisory procedures manual to address the most remote occurrences. FINRA should establish some basic standards of behavior and a limited number of specific rules. We should not be treated like rogue operators who would rape and pillage were it not for the white hats at FINRA.

FINRA should examine its many silly rules. For some reason FINRA feels the need to examine our operation every other year, even though we do not have a history of client problems. These examinations often take 6 months to a year to complete(the notorious endless FINRA exam), which makes it seem like we are permanently audited. Then FINRA has the nerve to send a questionnaire each year, so it can "better understand" our operations. Really, does the every other year examination for 6 to 12 months and the quarterly FOCUS and SSOI Reports not provide FINRA with enough information to understand our operations? And explain why there is both a FOCUS Report and an SSOI Report due with differing ways to report the same information. Is FINRA unable to combine these reports? And is FINRA ever going to develop a materiality convention within its exams to prevent the regular situation where we focus large amounts of resources on negligible issues? Why was FINRA unable to protect small firms from the overkill of the PCAOB requirement and the ridiculousness of the DOL rule? Is FINRA doing anything as a self-regulator to prevent government overreach?

FINRA needs to do a complete re-assessment of its rules. The list of silly rules is endless. Explain why firms must supervise the outside activities of their representatives? What other industries have such a requirement? Does FINRA honestly think we have the resources or ability to do such a thing? And are not the massive number of rules for securities activities adequate to cover anything a representative would do in his/her outside business activity? Why must we supervise a representative's social media activity? What difference does it make if someone socializes on a computer or privately? Can we possibly be expected to find something of any value that is relevant to our operations? Should we have to babysit adults in their private lives? Why must we inspect non-branch branch offices(typically private

residences) that have no requirements for recordkeeping or anything else? We have asked FINRA many times what we are supposed to do on these examinations, but FINRA is unable to tell us anything reasonable. Are we supposed to snoop around someone's bedroom in their own home? Should we interrogate their family members and pets? FINRA continues to break new ground in craziness.

Small firms know their own operations intimately. We do not need any FINRA rules to help us understand what we do. We see every trade and every bit of paper that flows through our operations. And yet and still, FINRA asks a small company that may have one or two people in management to perform elaborate tests of their systems(i.e. do tests on themselves) , to report the results of these tests to themselves, and then to issue a report of this kabuki dance for FINRA's review. We are often required to create something that passes as "heightened supervision" on the securities activity of management personnel who do almost no securities activity and representatives whose activities are already completely known to a closely managed firm. Again, a kabuki purely for FINRA. But unfortunately, these dances have costs that are abusive and pointless.

And If we ever want to sell our firm and get out from under this repressive regulation, FINRA takes its sweet time in evaluating any purchasers. Our firm was acquired by the current owner but not after FINRA exercised its option to take 180 days to issue an approval. In the process, we lost other potential buyers who refused to endure the process but who would have paid a higher price, if not for the unnecessary obstacles created by FINRA.

Dan Pimenti
Whitehall-Parker Securities, Inc.
477 Pacific Avenue, 2nd Floor
San Francisco, CA 94133
(415) 421-5935