

Passing rule 4524 placed a large burden on the membership. When will it stop? I think it is interesting that FINRA doesn't think this is a burden because the firm already has the information in order to perform their haircuts. While it is true the information is available, what about now massaging the data to put it in the format FINRA will require. What about actually filling out the form? Sure as an isolated requirement, maybe it is not so burdensome but these things should be considered in the aggregate. Why can't FINRA just ask a firm for a copy of their inventory and then input their own data? The present SSOI has already become a burden. And now this comes on top of that. This shifting of information burdens on to the membership is just like an additional assessment in disguise. FINRA gets the information electronically, it is evaluated by some computer program with no manpower by FINRA. The burden of the work falls on the firm. It should also be considered that these additional burdens fall much harder on the small firm than the large firms and it is the large firms and it is the large firms that pose the biggest risks to the financial markets. This regulatory trend actually favors the firms that pose the greatest risk to the capital markets. FINRA should concentrate there resources there and not place undue burdens on the small broker dealer community.

I think there should certainly be a de minimus cutoff here. This type of reporting should only be required by firms that pose a systemic risk to the financial markets. By requiring every firm to report this information will cause FINRA staff to spend too much time on firms where it would be sufficient to review inventory during routine exams, audits, and spot checking by requesting a copy of inventory.

I don't think any security should be excluded from a review. All securities pose certain risks especially if they are concentrated. To exclude any bonds would be foolish because interest rates have no where to go but up and bond inventories could lose value quickly. And as far as money market funds go, didn't Mary Shapiro think that market could be the root of the next big financial crisis? All securities pose some sort of risk and that is what the haircut rule is about. If you are concerned about the risk in any given inventory, make sure the haircut rates are reasonable and applied correctly.

Pat Nelson
212-425-7790
212-425-1165 (Fax)