William Blair

March 7, 2018

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1516

Sent via e-mail to pubcom@finra.org

Re: Comments on the Proposed New Supplemental Liquidity Schedule (FINRA Regulatory Notice 18-02)

Dear Ms. Mitchell,

William Blair appreciates the opportunity to comment on FINRA's proposed new Supplemental Liquidity Schedule (SLS) discussed in FINRA Regulatory Notice 18-02. We recognize the importance of our firm's effective monitoring of liquidity and funding risks and support FINRA's objective of improving its ability to monitor for events that signal an adverse change in a firm's liquidity risk.

The Regulatory Notice states that the proposed SLS is tailored to larger firms. Under the proposal, unless otherwise permitted by FINRA in writing, the SLS is required to be filed by each carrying or clearing FINRA firm with:

(i) $25 million or more in total credits as determined pursuant to the customer reserve formula computation as set forth in SEA Rule 15c3-3 Exhibit A, and by

(ii) each FINRA firm whose aggregate amount outstanding under repurchase agreements, securities loan contracts and bank loans is equal to or greater than $1 billion, as reported on the most recently filed FOCUS Report.

We agree with the $1 billion threshold proposed in the second criterion. However, we believe the first criterion should be reexamined. There are many firms that clear only institutional trades on a DVP / RVP basis. As such, the balances in their customer reserve formula computations are related exclusively to failed settlement trades of institutional sales accounts. These reserve formula credits would be offset by equal or greater debits in the formula for fail-to-deliver transactions. More importantly, the vast majority of these failed trades ultimately do settle. We do acknowledge that a large volume of failed settlement trades may be indicative of increased counterparty exposure. However, our experience is the counterparty risk is greater on fail-to-deliver trades due to the client's potential inability to pay for the securities purchased. We believe

+1 312 236 1600 tel
The William Blair Building
150 North Riverside Plaza
Chicago, Illinois 60606

that having fail-to-deliver and fail-to-receive balances in excess of $25 million does not signal an adverse change in liquidity risk (or counterparty risk).

William Blair respectfully requests that FINRA consider either of the firm's recommendations below as a revision to the original proposal.

(i) Raise the exemption threshold to more than $25 million in total credits in the customer formula.

(ii) Revise $25 million in total credits in the customer reserve formula computation to $25 million in free credit balances in the customer reserve formula computation. This revision would require a SLS filing for member firms that hold sizeable amounts of cash in retail accounts but would eliminate the filing requirement for member firms that do not hold retail customer funds and where 15c3-3 credits are fail-to-receive transactions.

William Blair appreciates the opportunity to provide its comments on this proposal.

Sincerely,

Jon Zindel
William Blair & Company, LLC
Chief Financial Officer