



Brooklight Place Securities, Inc. is a member of FINRA & SIPC

BY ELECTRONIC MAIL

Financial Industry Regulatory Authority (FINRA)
1735 K Street, NW
Washington, DC 20006-1506

RE: Comments on FINRA Proposed Rule 4111

Dear Sir or Madam:

I write today on behalf of Brooklight Place Securities, Inc. (“**BPSI**,” “**Firm**,” “**we**,” or “**our**”) in regard to Proposed Rule 4111 (the “**Proposed Rule**”). In summary, BPSI is of the opinion that the Proposed Rule should not be adopted for the reasons set out below.

Firm Overview

Located just outside of Chicago, IL, BPSI has been “lighting the way to a brighter tomorrow” for our registered representatives and clients since 1984. Our approach is straight-forward: support our Reps and clients to identify specific long-term goals and then develop and implement strategies to meet them. Our unique combination of the best Reps in the industry and convenient access to an extensive portfolio of mutual funds, variable products, stocks and bonds provides clients peace of mind when thinking about how to achieve their financial services goals.

In FINRA’s nomenclature, BPSI is considered a “small firm” and it is from this position that our comments originate.

Discussion

In a highly regulated industry in a county as litigious as America, few financial services professionals will go their entire careers unscathed by a client complaint. In addition, for those unfortunate enough to simply associate with a firm that itself is sanctioned by FINRA for firm-level issues, wholly innocent representatives will be marked with the scarlet letter of having been so associated. Proposed Rule 4111 could effectively end the careers of many of these reps as their options for future association would be vastly diminished in an already shrinking pool of broker-dealers.

Further, small firms would be disproportionately impacted by the Proposed Rule, as FINRA’s ratio test could hamper both their ability to continue as a going concern in the face of heightened regulatory cost, diminished recruiting potential and the requirement to essentially “post bail” through the Proposed Rule’s financial obligations.

Rather than true protection for investors along the lines of preventative measures, the Proposed Rule simply segregates cash into a “pre-funded victims account” based on little evidence that such a fund is necessary and under the assumption that identified firms and their representatives are ravenous wolves

waiting to pounce on unsuspecting clients. It would appear that if a financial reserve is what FINRA is really after, they could get there by other means than saddling the entire industry with additional regulatory burden – something like an increased SIPC tax or other insurance-type coverages come to mind.

FINRA reaches its conclusion that the Proposed Rule is necessary based on no publicly available data (though they reference having such data) and by referring to what sounds like a few known repeat offenders that for some inexplicable reason it can't seem to reach under its current powers. Rather than solving for whatever gap in enforcement powers it might need to resolve what sounds like a serious problem with a few bad actors, it turns the whole industry on its head and requires firms prove they aren't potential thieves by wrapping a reporting requirement around every single member premised on some formula that at best will lead to an increased regulatory burden with no discernible benefit and at worst sweep in wholly innocent firms that merely tripped an arbitrary trigger, the regulatory equivalent of using a sledgehammer to swat a fly.

What seems reasonably clear in reading the tea leaves is that FINRA would rather have the Canadian Rule it cites to at the end of the Background & Discussion section (IIROC Consolidated Rule 9208). That rule, which we have not reviewed, appears to allow for authority by the regulator to impose additional terms and conditions on “strategically target[ed] . . . problematic firms” which, frankly, sounds like a vastly better idea than casting the extraordinarily wide net FINRA has proposed in the Proposed Rule. So, why would FINRA not simply have proposed that solution; one can only wonder because FINRA never addresses that rather disclaiming that as something they're not “proposing at this time.” Again, why not?

Finally, we note the hostile tone FINRA evidences in regard to what amount to cherished American rights – like due process and a constraint on ex post facto laws & regulation – in comments essentially venting their frustration at their inability to remove bad actors from the financial system (see, full paragraph 2 on page 4 and full paragraph 2 on page 8). Bad actors should be removed – forcefully, permanently and as swiftly as allowed by law or regulation. But in its zeal to do so, FINRA cannot simply brush aside the rights of accused to defend themselves or retroactively apply its tests (both of which it would likely be constrained from doing by the US court system).

Summary

In closing, we believe the Proposed Rule provides little (if any) actual customer protection, presents a grave potential threat to reps and small firms and is better dealt with by other means, some of which FINRA itself references.

Sincerely,

Charles R. Brettell
President