Re: Proposed new Rule 4111 (Restricted Firm Obligations)

To Whom It May Concern:

Rule 4111 would be unfair on all FINRA member firms as well as some financial advisors who are looking to rebuild their lives. Secondly, what problem is FINRA looking to solve with the restricted firm deposit?

For small firms, every dollar is budgeted and planned to grow the firm either through acquisitions, technology, and/or personnel. The dollars small firms spend today must pay dividends in the near future. Having dollars tied up in a restricted firm deposit is not a good allocation of resources.

And asking for a waiver due to low financial resources is a nonstarter. A firm looking for a waiver would be a red flag for brokers. Not only would it deter recruitment, but brokers may leave the firm to avoid being the last person on a 'sinking ship".

I have a few disclosures and a termination. My boss gave me a chance to move my book and rebuild. Now with this proposed new rule, he will be making the difficult decision of letting people go in order to avoid the restriction or tie up more of his funds in a restricted firm deposit account. As a broker who has had to move a book of business several times, it is not easy. Again, those funds could be better used to recruit advisors, spend on technology, and improve compliance.

Even if rogue brokers or rogue firms are barred, people from those firms still wind up in other firms. They wind up in RIA dispensing "advice". They wind up in unregistered firms. Why else would the SEC have a PAUSE list?

FINRA should focus more of their attention on investor education. Have investors be educated about their rights. Have investors be educated on researching the broker or the firm. Knowledge is the best way to combat bad sales practices. One initiative by FINRA is a success story, the Senior Helpline. The Senior Helpline is a good tool for people to call to ask questions. There should be other outreaches like that.

Ultimately, FINRA would be reducing the number of brokerage firms that are out there. Mid and large firms, who can afford the restricted firm deposit, will give investors less choice. It was not the small firms that caused the 2008 financial crisis. The small firms did not get any bailout from the 2008 financial crisis. But it was the large firms that got the bailout. It was the large firms that created these derivative products that nobody understood but sold to their customers. It was the large firms who are, mixing banking with investments, selling mortgages that were out of budget for the borrower. We need a few more "Bailey Building & Loans" to give investors options than having to crawl to "Mr. Potter."

Kwok C. Chiu