I would like to comment on one specific questions regarding additional disclosure to subordinated loan investors. Until recently, I was employed by NASD. I worked there for close to ten years in a District office – the last four as a supervisor. One of my responsibilities as a supervisor was to oversee the subordinated loan program,. I acknowledge that there are a significant number of subordinated loan investors that lend money to broker/dealers without adequate information. However, there is a large amount of investors that are currently covered under the disclosure requirements that should be excluded – owners of the firm.

It was my experience with subordinated loans that a majority of the loans come from owners of the firm that are directly involved in the operations of the broker/dealer – generally the firm's President or CEO. All of the information required to be disclosed in financial related. It seems a bit redundant to require a firm to disclose its financial condition and use of funds to the firm's President – when that is likely to be the person that is making the decisions about what the uses of the funds will be.

It also seems to be repetitive to require this disclosure to passive investors. Anyone with at least a 25% ownership interest must go through a rigorous review by NASD under Rule 1017. As such, the NASD has already reviewed their financial resources. Further, these persons, as owners, already have a right and duty to review the financial information of the broker/dealer so the additional disclosures are repetitive.

In summary, it seems to make sense to provide an exemption for subordinated loan investors who are owners actively engaged in the broker/dealer activity and passive owners with at least a 25% ownership.