Dear FINRA,

Please accept this as invited comments for Release 08-23. While my comments are only indirectly related to 08-23, they are, nonetheless, a part of the referenced rules.

As a “$5,000” broker dealer, I have always been puzzled by the fact that we are allowed to receive checks from customers made payable to another entity but were unable to receive customer stock certificates that could be forwarded to our clearing broker dealer. Certainly, if conversion were the misguided aim of a “rule breaker,” it would be much easier to convert the check than the stock certificate.

Although this issue is covered under SEC Rule 15c3-1(a)(2)(vi), it should be reviewed with this “overall review” of FINRA financial responsiblity rules.

Although we see fewer and fewer physical certificates, in the Midwest we still have those who want a certificate to see, touch and hold. The inability to receive customer certificate on a sale of a stock hampers our ability to serve the customer (and I perceive that we are a “service industry”). We can assist the customer in preparing the certificate for mailing, but must return it to him/her at the end of the meeting, telling them that they are responsible for insuring and mailing the certificate to our clearing firm. To provide complete customer service on a stock sale, we would like to mail the certificate to the clearing firm for the customer and insure it. It also gives a degree of “control,” in that we actually know **IF** the certificate was mailed and **WHEN** it was mailed to the clearing firm (both very important things to know in case of an issue with receipt of the certificate by the clearing firm). If the certificate is lost and a process follows whereby the customer doesn’t provide funds for shortages, our broker dealer will be charged any losses by the clearing firm. That puts us in the position of lack of control of the certificate, but yet responsible for it in case of customer refusal to be so.

It is really a puzzle as to WHY minimum capital firms cannot handle certificates in the same manner that checks are handled. The certificates are NEVER going to be in the name of the non-clearing broker dealer. The have much the same status of a check made payable to another entity. They are not easily converted or sold by a firm who would be attempting to convert customer assets to their own use, not nearly as easily as a check might be. Consequently, I fail to understand WHY this rule is in place or this rule has been interpreted to include certificates. Other than lack of understanding of the full process by those who drafted the rule, the only reason is to reduce the service that a small firm can offer when compared to a larger firm….is it then, in fact, a move by larger firms to gain a competitive advantage over small firms?

It is difficult to understand where “customer protection” enters into the picture by forbidding a minimum capital broker dealer to receive and forward certificates. It is high time that this rule be reviewed and a more reasonable approach taken that allows small broker dealers to accept certificates that would be “promptly forwarded” to their clearing broker dealer.

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