To Whom It May Concern:

My comments on proposed rule changes involve the way our firm does business. I will briefly describe our organization as a matter of background prior to commenting on specific parts of the proposed rule changes.

We are a wholly-owned Limited Liability Company of a non-registered state-chartered bank. As such our legal makeup was designed to make us look autonomous in respect to the bank for regulatory and commercial purposes. Being a Limited Liability Company, our income "flows through" to our parent's tax return and financial statements. We were not designed to accumulate profits of the business in our checking account but to transfer it to the parent's checking account.

We are a small broker/dealer with five registered representatives. A decision was made at the formation of the broker/dealer to become a $250,000 Net Capital member of NASD; however, we would operate as an introducing broker/dealer as opposed to a clearing and/or account carrying broker/dealer. This was primarily a commercial and marketing decision to assure our recognition in the communities we serve as a separate, autonomous entity with name recognition separate and distinct from our parent company. In this manner, we can receive customer funds made payable to ourselves instead of our clearing firm. We have a relationship with a clearing broker/dealer and operate under an introducing broker/dealer contractual agreement.

All customer funds and securities are immediately forwarded to the clearing firm. We do not carry customer accounts and we do not serve as a clearing firm. Neither do we ever plan to 'grow' into those roles. Our intent is to continue 'effectively' operating as an introducing broker/dealer even though we have the 'capability' of operating as a clearing firm or account carrying firm since we have a Net Capital Requirement of $250,000.

With that information as a backdrop for my comments, I would now like to specifically address several items in the proposed rule changes.

Proposed FINRA Rule 4110(c)(2):
It is reasonable to restrict capital withdrawals. I would like to point out that members in my situation as a non-taxed flow-through entity would be severely hampered in making distributions under the proposed rule change.

A typical scenario for my situation is to accumulate profits for some period of time, usually a fiscal year, and then to distribute the entire profit for the period to the parent. Our member agreement requires us to keep $300,000 in capital before early warning but we typically keep double that amount ($600,000 total) as a cushion to avoid an early warning reporting situation. Under the proposed rule, if we accumulated $150,000 in profit during a fiscal year, I could not distribute the amount at one time since it would exceed the 10% of excess net capital as proposed. (Net capital = $750,000 less $250,000 equals $500,000 excess net capital for an allowable distribution of $50,000; the calculated 10% of excess net capital)

You have provided an 'escape' to this quandary in the proposed rule by providing for 'prior written approval of FINRA' but you did not specify from whom this written approval is to be obtained nor who would have the authority to provide approval or even the method in seeking written approval. It has been my experience many times in the past, that lacking specifics such as these, have caused me to be "passed along" from person to person and department to department in an attempt to seek the individual with authority to act on whatever request or permission I am seeking. With such a rule in place, not everyone would be as informed about non-taxable flow through entities and how they ordinarily operate when considering distributions of capital.

My suggestion and hope is to review this proposal and add an exemption for broker/dealers that 'effectively' operate as an introducing non-clearing broker/dealer even though they have the 'capacity' to be an account carrying or clearing broker/dealer. Alternatively, at the very least, provide for written approval from FINRA at the District level by someone already familiar with the history, operational characteristics and has regular contact with the broker/dealer requesting approval for an exception to the 10% excess net capital limit for a distribution of capital.

Proposed FINRA Rule 4120:
Again, using the background supplied earlier as a backdrop to this comment, I would like to see an exemption from the requirements of this rule for firms that "effectively" operate as an introducing non-clearing firm but actually have the "capability" of being a carrying, clearing firm. The burden of complying with this proposed rule seems excessively difficult for a small broker/dealer which for unrelated purposes choose to become a $250,000 Net Capital broker/dealer without the intent of carrying or clearing. The Regulatory Notification, Restrictions on Business Expansion and Reduction of Business would be excessively burdensome on a small firm that has a $250,000 Net Capital approval yet operates on an introducing non-clearing basis.

Proposed FINRA Rule 4521(a):
In the proposed rule, you do not make a distinction between activity versus inactivity. You merely state "that each carrying, clearing or (k)(2)(i) member must submit to FINRA ..." This proposal should include a distinction between a true carrying, clearing firm versus those which are not active carrying, clearing firms. In other words, the broker/dealer that "effectively" operates as an introducing non-clearing firm should be exempted as you have clearly stated "many of the provisions would apply only to carrying, clearing and (k)(2)(i) members."

My suggestion is to include broker/dealers that "effectively" operate as an introducing non-clearing member as part of the exempted group from the rule even though they fit the literal definition of a carrying, clearing member insofar as Net Capital Requirement is considered.

To summarize, my concern on all proposed rules is to make sure the defined categories used in the rules are not so narrow as to entrap those businesses that operate in-between the defined categories. If a broker/dealer has a Net Capital Requirement of $250,000 does that automatically define the broker/dealer as a carrying, clearing or (k)(2)(i) member? Business choices demand certain decisions be made when planning and starting a business and it seems unfair to add regulatory burden that did not exist when those decisions were contemplated and a path chosen years earlier. As a small firm, it is important to me to have my voice and concerns heard and wish you to understand I want to operate in accordance with all rules and regulations. With that understanding, please consider the request for relief in the above situations or an expanded set of categories to account for the situation described within this comment.

Thank you for your consideration of the requests and attention to my comments.

Respectfully submitted,
Larry Quinn, CPA
Vice Pres & CFO
TBT Securities, L.C.
Member FINRA, SIPC
Tel 903-295-4250