6/17/08

As noted in the FPA'S comment letter this requirement seems to stretch FINRA'S regulatory authority. We suggest that the more appropriate requirement would be to separate these non-securities activities from the securities activities of the bd. Once a clear separation is established, FINRA should not be concerned about non-securities activities. A separate division or corporation are the most logical methods but firms should have some flexibility to prove separation. Small firms especially need such flexibility. More importantly however is a need for FINRA to distinguish which securities activities may be separated out from the bd and conducted in holding company or affiliate. This is a far more important issue given the current credit crisis and neither the SEC OR SRO'S have formally addressed it. The movement of illiquid securities into a holding company or affiliate for better net capital treatment presents a far greater risk to the investment public then whether a broker dealer has a supervision system for a business that is subject to other regulatory regimes.

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