PFS INVESTMENTS INC.

Member FINRA®

June 5, 2009

Via Email to *pubcom@finra.org*

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Proposed FINRA Rule 3210: Personal Securities Transactions for or by Associated Persons

Dear Ms. Asquith:

PFS Investments Inc. ("PFSI") appreciates the opportunity to comment on FINRA's proposed Rule 3210. PFSI commends FINRA's efforts to streamline and combine the rules of the former NASD and NYSE. We believe, however, that proposed Rule 3210 does not fully consider the different business models of member firms and, as a result, eliminates the flexibility NASD Rule 3050 currently provides for all limited-service broker-dealers.

NASD Rule 3050 currently requires that a member that opens an account for an associated person of another member ("executing member") provide duplicate copies of the associated person's confirmations and statements to the employing member *upon its written request*. NASD Rule 3050, therefore, allows the employing member the flexibility of deciding whether such information would be useful in supervising its associated persons, taking into account its business model and the activities conducted at the firm. In an effort to streamline the rule and remove the burden on full-service firms of *requesting* duplicate confirmations and statements, FINRA has proposed a requirement for all firms to obtain them. An unintended consequence of this effort to streamline, however, is that member firms that would not otherwise require the statements and confirms will now be unfairly overburdened by receiving thousands upon thousands of duplicates.

We certainly appreciate the supervisory concerns that NASD Rule 3050 was designed to address, i.e., that some representatives can use information gained through their position to profit from improper transactions. A representative at a full-service firm could establish an account away from his employer so he could, for example, shadow a customer's account, trade ahead of research, trade ahead of block transactions, or take advantage of material non-public information obtained as a result of the investment banking activities of the firm. There is a large population of your membership, however, where those concerns are not applicable. Associated persons of limited-service firms generally do not have access to the types of information that could be misused through trades in an outside brokerage account. NASD Rule 3050, therefore, allows these firms to obtain confirmations and statements on an outside brokerage account only when they think it necessary for their supervisory controls.

Unfortunately, that flexibility is lost in the proposed rule. We respectfully request that the proposal be revisited because this flexibility is important and the burden imposed in the absence of such flexibility is real. Having firms remit unnecessary duplicates as well as having firms receive unnecessary duplicates does not appear to be a simplified approach to an existing rule. Current NASD Rule 3050 allows limited-service firms to allocate their supervisory resources to actual risks presented by their business models. Proposed Rule 3210, however, would require that limited-service firms, such as ours, spend resources receiving, sorting and then reviewing these documents to evidence an effort to detect wrongdoing that could not occur at these firms because of their limited business activities.

Regarding our firm, PFSI is an introducing broker-dealer with a limited securities business that is restricted to retail sales of non-proprietary mutual funds, variable annuities and 529 college savings plans. The firm does not offer or sell individual stocks, bonds, or options, or provide advice on those securities. Also, the firm does not conduct or participate in investment banking activities, public offerings, or any of the underwriting or market-making activities normally associated with a general securities firm. Accordingly, our business model does not provide our representatives with the opportunity to gain from the misuse of information obtained as a result of the activities of the firm or the firm's clients. Securities bought or sold in an outside brokerage account by our registered representatives, therefore, pose no risk of a violation for the manipulation or misuse of information. In light of our limited securities business, it makes little sense for PFSI to be required to obtain confirmations and statements on the outside brokerage accounts of its representatives.

Unlike at most full-service firms, if our representatives desire to invest in individual securities, they ***must*** open an outside brokerage account. Our existing procedures require that our representatives notify us in writing of these accounts, but we exercise the option under the current rule and do not obtain duplicate confirmations and statements from the executing member as, for our business model, the review and analysis would serve no real supervisory purpose. If the need to obtain this information should arise, then the firm has the account information on file and can request confirmations or statements at that time.

The approach taken by PFSI, which is currently provided for in NASD Rule 3050, reduces the administrative burden on the executing member and allows PFSI to allocate our supervisory resources in a manner that is reasonably designed to prevent and detect violations relevant to our business. As drafted, the proposed rule would remove this flexibility and unnecessarily require PFSI (and similarly situated firms) to expend time and effort to receive and catalogue confirmations and statements on our representatives' outside brokerage accounts. Due to the large number of representatives at PFSI (approximately 20,000), it is evident that the proposed rule would require a substantial commitment of resources and, therefore, negatively impact the overall effectiveness of our supervisory system.

We respectfully request, therefore, that FINRA amend proposed Rule 3210 to preserve the current flexibility of allowing broker-dealers with limited business models to individually decide whether they need duplicate statements and confirmations in order to supervise their representatives. Requiring *all* firms to obtain that information is contrary to FINRA's longstanding policy of allowing firms to tailor their supervisory procedures to meet their individual needs.

Thank you for your consideration of these comments and we hope that they will be of assistance to the Staff in its preparation of the final rule proposal.

Sincerely,

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