



REGIONAL
BOND DEALERS
ASSOCIATION

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August 18, 2010

VIA ELECTRONIC MAIL

Ms. Marcia E. Asquith
Office of the Corporate Secretary
Financial Industry Regulatory Authority
1735 K Street, NW
Washington, DC 20006
pubcom@finra.org

RE: Regulatory Notice 10-33: FINRA Requests Comment on Proposed Rule Requiring the Filing of Supplemental FOCUS Information and Proposed Supplementary Schedule to the Statement of Income (Loss) Page of FOCUS Report Parts II and IIA

Dear Ms. Asquith:

The Regional Bond Dealers Association ("RBDA") appreciates the opportunity to comment both on the Proposed FINRA Rule 4524 and on the proposed supplementary schedule to the Statement of Income (Loss) page of FOCUS Report Parts II and IIA and proposed Operational Page discussed in FINRA Regulatory Notice 10-33.

The proposed rule is designed to provide FINRA more flexibility in discharging its regulatory obligations by eliminating the notice and comment procedure, both at FINRA and at the SEC, that is normally part of FINRA rulemaking. While RBDA recognizes FINRA's interest in gathering information to fulfill its regulatory duties, RBDA is concerned that eliminating the notice and comment procedure would deprive FINRA of the opportunity to receive valuable feedback from member firms regarding FINRA's financial and operational reporting requirements. In addition, the SEC notice and comment procedure protects member firms by allowing another review of proposed rules in light of the broader marketplace considerations, including efficiency, competition and capital formation, and the protection of investors. Further, the Regulatory Notice requesting comment on the proposed rule does not thoroughly explain why the current notice and comment procedure should be eliminated in the financial and operational reporting context. As a result, RBDA urges against adopting the proposed rule and supports the current practice of notice and comment to the SEC for changes to member firms' financial or operational schedules or reports.

Similarly, FINRA has not justified why the proposed schedules are the best means of achieving its regulatory objectives without undue burden on member firms. For example, the proposed schedules request data in a row entitled “Interest received on trading and investment accounts,” but the purpose of FINRA’s request for this information is not clear. Further, the new requirements in the proposed schedule and operational page will be burdensome because it requires data that may not readily available to many member firms, particularly smaller member firms. The proposed schedule will result in added costs for firms by requiring changes to accounting processes, including modifications to their general ledgers, and the development and programming of new systems to capture and process the required information. In addition, many of these changes will require coordination with and cooperation from member firms’ clearinghouse, which provide much of the data needed for members’ accounting records.

The proposed schedule and operational page list a number of new line items but do not provide definitions or describe the line items in sufficient detail to assist firms in compiling this data. For example, the proposed schedule contains a row entitled “Derivatives,” and there is a wide variety of products that arguably could be considered a “Derivative” and listed on this row. As a result, member firms trying to comply in good faith will spend additional staff time trying to determine how data should be disclosed. In addition, data provided by one firm may be dramatically different from the data provided by another firm, leaving FINRA without an accurate understanding of member firms’ financials or operations. With such uncertainty, the required supplemental information will change as the rule is further clarified; increasing the compliance burden on members firms who may need to correct information previously reported and revise their reporting procedures.

Although FINRA believes that many line items required in the proposed schedules will not be applicable to firms with limited product offerings, many smaller member firms have varied product offerings and will be significantly burdened by the proposed schedules because they would be required to maintain accounting processes for products that they periodically, but infrequently, offer. The regulatory burden of introducing a new product offering may also discourage firms from initiating new products.

Additionally, the proposed schedule and operational page require a level of detail that is likely not worth the regulatory burden on member firms. For example, the addition breakdown of compensation by category, including commissions versus bonus and other direct costs, would place significant reporting burdens on member firms and may not materially assist FINRA in discharging its regulatory obligations.

RBDA believes that FINRA and the member firms would be better served by more focused supplemental information and by clarifying the definitions of information required to be provided. Doing so will enable member firms to develop the appropriate accounting processes and internal systems necessary to capture information essential to FINRA’s stated goal of illuminating industry trends meanwhile limiting the burden of compliance on member firms. Also, when establishing the effective date of any regulatory changes, FINRA should provide adequate time for member firms to develop new processes and systems.

Thank you for considering our concerns. Please do not hesitate to call if you have any questions or would like to discuss this matter further.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Nicholas". The signature is fluid and cursive, with the first name "Michael" and last name "Nicholas" clearly distinguishable.

Michael Nicholas
Chief Executive Officer