

HOWARD UNIVERSITY

School of Law
Investor Justice and Education Clinic

Office of the Corporate Secretary-Admin.

DEC 18 2010

Via First Class US Mail
December 7, 2010

FINRA
Notice to Members

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

Re: Comments Regarding the FINRA Concept Proposal to Require Brokers to
Provide a Disclosure Statement for Retail Investors at or Before
Commencing a Business Relationship

Dear Ms. Asquith:

I. Introduction

We are two student attorneys in the very first class of the brand new Investor Justice & Education Clinical Law Program at Howard University School of Law. Other Student Attorneys from our Clinic are also providing comment letters to FINRA. Please consider our comment letter separate and apart from the other Student Attorney comment letters. The mission of our clinic is to represent underserved and small investors in connection with their disputes with broker-dealers, and provide community outreach and education to these communities regarding their rights as investors. The investment community we serve will be greatly and directly impacted by any disclosure rule for retail investors FINRA proposes and adopts. As a result of our work with small and underserved investors we are in a unique position to make recommendations regarding the optimum disclosure rule of most benefit to these investors. Therefore, we are delighted to provide FINRA with our views on the concept proposal and sincerely hope FINRA will give them serious consideration.



II. Student Attorney Comments

In response to FINRA's proposal to provide a written disclosure statement to customers we would like to provide the following comments. The disclosure statement proposal is an encouraging step in the direction towards greater investor protection. It is our view that the proposal is neither too narrow nor overly broad. Those that argue that FINRA's disclosure proposal is overly broad must understand that often times investment advice varies depending on commissions and fees brokers receive on different products they market and sell. Often, retail customers are unaware that their broker's investment advice is influenced by undisclosed incentives the broker may receive from others. In such cases, customers are misled into making investment decisions more beneficial to the broker than the customers. This lack of disclosure leaves unsophisticated customers at the mercy of their broker, at a crucial time in their lives when they need un-conflicted financial advice that will impact their future. FINRA's Concept Proposal has the potential to swing the pendulum in the investors' favor by providing them with essential information needed to make informed decisions when selecting brokers and considering their broker's investment advice and recommendations.

Moreover, brokers should provide the disclosure statements to investors in hardcopy as well as electronically. Of course FINRA's rule should try to strike a balance between investor protection, efficiency in distribution, and the costs of document production by brokers. Although hard copies have environmental inefficiencies, the main issue will be costs associated with printing and disseminating disclosure statements to investors. The electronic format is important because it has economic and environmental benefits. The problem with this method is it does not ensure total investor awareness and protection since not all investors have access to or knowledge of the computers and the Internet, especially small, underserved investors. Therefore,

a disclosure statement solely in electronic format would probably not reach a significant portion of small investors. Therefore, FINRA's disclosure rule should also require that hardcopies be provided to investors.

FINRA should also consider that a long, detailed, and cumbersome disclosure statement could work against the very investor protection the proposal is designed to provide. To be effective, the disclosure statement should contain information regarding the broker's commission and fee schedules, and the broker's possible conflicts of interest. Additionally, the disclosure statement should disclose all information regarding civil and criminal actions brought against brokers so customers can use this information to decide whether or not to do business with a particular broker. Also, if the disclosure statement is too long and complicated customers are less likely to read and understand the document, which could result in disputes and litigation. Instead of requiring too many disclosures, FINRA should consider requiring brokers in some cases to direct Investors to other sources of information, such as appropriate web links related to the disclosure statement.

A FINRA requirement that brokers provide investors with an electronic copy of the disclosure statement will enable investors to also retrieve the disclosure statement on the Internet. This will provide customers with access to the disclosure statement before they meet with the broker, and also in cases where the broker fails to provide a hard copy to the customer.

It is essential that the proposed rule require that brokers promptly provide customers with updated disclosure statements if material changes occur that make the original disclosure statement inaccurate or misleading. Also, brokers should promptly provide customers with amended disclosure documents, electronically and by hardcopy, whenever there is a material change in the broker's business practices, policies, or in the case of the institution of civil or

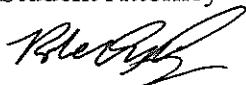
criminal proceedings. These updates should be provided to customers within three to four business days. This will provide investors with update information so they can determine whether to continue to do business with the broker.

Finally, we believe the benefits of FINRA's proposal to retail customers and to the overall efficiency of the securities market far outweigh any burdens it may impose on the brokerage community.

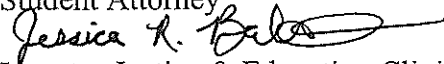
Thank you for giving us the opportunity to provide our comments. We hope you find them useful, and that you will give them serious consideration. Please feel free to contact us at (202)-806-8082 if you have any questions regarding our comments.

Sincerely,

Robert Motta Jr.
Student Attorney



Jessica Babridge
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