December 20, 2010

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

Re: FINRA Regulatory Notice 10-54 (Disclosure of Services, Conflicts and Duties)

Dear Ms. Asquith:

This letter is submitted on behalf of StockCross Financial Services, Inc. in response to the publication of Regulatory Notice 10-54 (hereafter referred to as the "Notice" or the "Proposal"), which proposes to require member firms to provide a written statement, at or before commencing a business relationship with a retail customer, that describes the types of accounts, services, potential conflicts associated with said services, and limitations on the duties the firm owes to retail customers.

I appreciate the opportunity to provide our comments on this extensive Proposal, the ramifications of which will be significant for member firms and retail customers alike.

My comments reflect our Firm's core commitment to the best interests of our customers, and to the integrity of our industry and the marketplace. We seek to maintain at all times the highest standards of excellence, and applaud the initiatives of the Dodd-Frank Wall Street Reform and Consumer Protection Act (hereafter referred to as Dodd-Frank).

In the interest of responding to the inherent obligations of Dodd-Frank, I would like to provide our comments on the Proposal for your review and consideration. In the order presented in the Notice, I offer the following:

Background:

As stipulated in the Notice, the SEC will study the obligations of broker-dealers and investment advisers, with attention to gaps between regulations. The results of this study will be used in SEC rulemaking.

Marcia E. Asquith
December 20, 2010

We strongly contend that it is premature to propose any new rule at this time, and suggest that FINRA consider only a preliminary review pending SEC developments; to date, the SEC has neither completed its study nor offered specific rulemaking mandates. Prior to such mandates being offered, it is entirely likely that the SEC will amend, expand, interpret, or otherwise impact the nature and scope of the eventual rules. The substantial time and resources devoted to developing policies and procedures responsive to hypothetical rules, and the possible expense of preparing disclosure documentation in anticipation of new rules would be counterproductive for all parties.

These concerns notwithstanding, and acknowledging the value of a broad discussion of the concepts at hand, we offer comments as requested on the contours of FINRA's proposal.

The Notice proposes a disclosure document including:

1) "The types of brokerage accounts and services the firm provides to retail customers, such as research, underwriting and recommendations of securities, products, and strategies."

This is simultaneously too broad and too restrictive in that it requires more information than most investors need, but restricts firms from making reasonable changes in the normal course of business without continually updating documents (if, for example, one new product is offered, presumably the disclosure document must be updated).

2) "Disclosures that are reasonably designed to permit existing and prospective retail customers of the firm to evaluate:

    a) "The scope of services and any limitations on the scope of services offered:"

Scope is a vague concept; services available should be flexible and responsive to customer needs; limitations on the scope of services can be generally addressed, but are not necessarily possible to anticipate in all circumstances.

We suggest that it is preferable to rely on the best practices of the firm and the representative's responsibility to keep the investor fully informed as appropriate to the investor's account.

    b) "Scope of products"

Marcia E. Asquith
December 20, 2010

The concept of 'scope' requires clarification; for example, may firms say that investors can purchase equities in their accounts, or will it be necessary to stipulate NYSE, OTCBB, ADR, etc.? Similarly, what is the 'scope' of fixed income products, and who defines this?

It would also be necessary to address the firm's obligation if it elects to stop offering a particular product, and whether this would require a new disclosure.

c) "That the firm may not offer all products of a certain class or type, that the firm or affiliates may be the sponsor or originator of certain products and may determine in some cases to act as a distributor or placement or sales agent for a fee from the issuer or sponsor"

We endorse such disclosure in full.

d) "All fees associated with each brokerage account and service, including a *specific* (italics mine) description of the service provided for each fee, and whether the fees are negotiable..."

This could, for many firms, be very extensive depending on the nature and number of business units; furthermore, the proposal unnecessarily limits the ability of a firm to respond in timely fashion to reasonable changes (for example, when the US Postal Service increases rates), or even to add a new service for the convenience of customers because the service is not listed in the most recent Disclosure.

3) Disclosures as to financial or other incentives to recommend certain products, strategies, or services over similar ones, including economic benefit of any kind to the firm or representative; offer or receive economic incentive for customer referrals; differing payouts or other compensation paid to registered representatives for certain products in preference to other products.

We endorse these recommendations with minor adjustments noted below.

4) Disclosure of conflicts that may arise between a firm and its customers, including competing needs of multiple customers, and how the firm manages such conflicts.

We believe that a much more detailed explanation of "conflicts" is necessary prior to considering such a disclosure. This could be a highly subjective concept, open to a range of interpretations that may confuse investors, firms, and regulators alike. In regard to how the firm manages such conflicts, it is to be anticipated that this will vary according to the circumstances of the conflict in question, and any attempt to address the myriad of scenarios in a

meaningful way would be extremely difficult, while a general explanation such as "…will manage all conflicts in favor of the customer" is not informative.

5) Limitations on the duties the firm owes its customers, such as, that there is no assurance of ongoing suitability; no responsibility for propriety of unsolicited orders; that the firm may execute any transaction as principal.

Such disclosure could be valuable to customers in determining whether a firm's policies address their needs. It will be necessary to clarify whether the Proposal's recommendation, if enacted, provides firms and their associates with protection (if, for example, an investor initiates action alleging unsuitability of unsolicited orders), or if the disclosures are intended merely as a caution to investors but lacking regulatory force.

The result of the overall diversity and specialization proposed is that any document which attempts to cover the extensive issues in question will either be so generalized that it is too vague to be truly informative, or, in an attempt to be fully responsive the provisions of the Proposal, so detailed and laden with information that the investor is overwhelmed. Larger firms, or any firm with a complex business model, could well need a disclosure document of such size that it might deter the average investor; smaller or less complex firms, though having potentially less information to communicate, would still bear the expensive burden of producing a sizable document.

A question arises regarding changes: many things could result in a change of required information, including minor or even one-time changes. On a practical level, this would be cumbersome and expensive. The cost of updating the document or creating amendments, and delivering the new document or amendment to an entire customer base would place a prohibitive financial burden on all firms, whereas to permit electronic notification could disadvantage many small investors.

Further, it is our opinion that the Proposal's exceptionally detailed requirements constitute an unjustifiable interference in the professional relationship between a firm and its retail investors. Ours is a dynamic industry; to best serve investors, a firm and its representatives need to be able to respond quickly to changes as diverse as global economics, market conditions, new product development, technological advances, and, of course, individual investor needs. A requirement to disclose every possible eventuality in a written document would make it difficult to react quickly or in a way the firm, in its best judgment and knowledge of its own customers and business, deems most beneficial.

We acknowledge nonetheless that a firm and its representatives have an absolute regulatory and ethical obligation to investors. These include, though are not limited to, the obligation to "know your customer", act in the best interests of the customer based on that knowledge, and to fully inform the investor of all considerations relevant to the account in

general and each transaction in particular. Fulfillment of these obligations is carried out through the delivery of a comprehensive Customer Agreement, and through the diligent efforts of the firm and its associated persons to clearly articulate relevant information (such as special fees, or the firm's interest in a security) when a transaction takes place.

The proposed "checklist" approach to disclosure would, in theory, provide firms with a simple solution to complex issues; it would also make it easier for regulators to exam for compliance with the letter of the regulations, but not the spirit. Placing the responsibility on the retail investor to assess the substantial amount of information required and to determine its applicability does not, in our opinion, serve the investor well. A series of general disclosures, coupled with ongoing, thorough communication specific to the investor throughout the course of the business relationship would be more responsive to the intent of Dodd-Frank and more in keeping with our professional obligations.

In sum, we agree that documented disclosure is a valuable process, but recommend that it be instituted in conjunction with existing procedures as part of a comprehensive program dedicated to best practices.

We respond in saying to achieve this without unduly confusing investors or burdening firms, disclosures may:

-be incorporated into the Customer Agreement provided prior to opening the account

-be permitted to give information in a way that is comprehensive but not restrictive: for example, a firm might say that its standard commissions will not exceed a given amount or percentage, allowing a firm to exercise some discretion, by, for example, charging lower rates as part of an advertised promotion, or noting that fees are negotiable, without being required to describe all terms and circumstances that would be part of the negotiation

-specify products and services that are available, but allow that services may be curtailed or added

-explain that conflicts may arise, and provide general examples of conflicts, rather than attempt to anticipate every possible conflict, and direct investors to their representative, the branch manager, or compliance department for further discussion

-include, as the Proposal recommends, disclosures as to financial or other incentives to recommend certain products, strategies, or services over similar ones, though not requiring that it includes economic benefit *of any kind* to the firm or representative, but that it instead be stated in clear but general terms

-be updated on a specific schedule (annually), with notice to existing customers through a prominent announcement on the customer statement that an updated Customer Agreement is in effect, and that they can obtain a current copy without charge by mail or electronically, with contact information to request same, and posting the announcement and new Agreement on the firm website

Marcia E. Asquith
December 20, 2010

StockCross values the opportunity to offer our comments on the Proposal and hopes they contribute to a productive analysis of the matter. I would be pleased to assist FINRA in any way with this initiative.

Sincerely,

Elaine M. Kaven
Chief Compliance Officer
StockCross Financial Services, Inc.