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Via email: pubcom@finra.org

December 9, 2011

RE: FINRA Proposed Rule 4516 (Readily Identifiable and Accessible Records); RN 11-48

Integrated Management Solutions USA LLC (“IMS”) is pleased to comment on RN 11-48, FINRA Proposed Rule 4516 (Readily Identifiable and Accessible Records) (the “Proposed Rule”) to require that carrying or clearing member firms: (a) maintain ten (10) enumerated categories of their books and records in a designated location in its principal office, either in hard copy or electronic form, and (b) designate a contact person responsible for keeping those enumerated categories of records current. The rationale for the Proposed Rule is that it would facilitate a prompt response by FINRA, the SEC or SIPC to the failure of a carrying or clearing member firm.

IMS is one of the largest providers of financial, accounting and compliance consulting services to the securities industry, providing such services to about 100 FINRA members.¹ We believe this perspective enables us to assess the impact of the Proposed Rule on FINRA member firms from both a regulatory and business perspective.

FINRA has proposed a purported solution for a failure event that rarely occurs: the liquidation of a carrying or clearing member firm. The costs of implementing what is, in effect, an “Armageddon Rule” far exceed any possible benefit, particularly since firms already maintain

¹ The statements in this comment letter incorporate the views of IMS, not necessarily those of our clients.

this information even if not in a location and/or format FINRA would prefer. Our review of the Proposed Rule indicates that it does not necessarily result in significant corresponding, supervisory or market benefit, does not necessarily enhance investor protection, and will not result in better management and internal controls for firms. The Proposed Rule increases costs without mitigating risks. Generally, many of the good controls and procedures that the Proposed Rule mandates probably exist in many well-managed firms but not in exactly the format that a liquidator might prefer. Rather, they exist so that the firms can function on a daily basis.

What's Wrong with the Proposed Rule

Disregarding What's Already In Place

FINRA has been espousing principle-based rules, but the Proposed Rule is yet another example of regulatory micro-management in the rare situation when a carrying or clearing member firm is forced to liquidate. It ignores the many rules FINRA, the SEC and other financial services industry regulators have in place that already provide them with access to the same information and documents.

15c3-3(k)(2)(i) Firms, In Particular

FINRA has also apparently failed to consider that firms operating under the SEC Rule 15c3-3(k)(2)(i) exemption will inadvertently be swept into compliance with the Proposed Rule as if, in the unlikely event of sudden catastrophe, liquidating such a firm would pose extreme difficulty. This is somewhat absurd. To begin with, by definition these firms only engage in securities transactions which are handled on a DVP/RVP basis. Most typically, these firms have another, much larger financial organization which mechanically handles the clearance and

settlement operations on behalf of the member. Many of these transactions involve only foreign securities and their clearance occurs only overseas. Even though the U.S.-based FINRA member is nominally responsible for the clearance of the transactions, as a practical matter, the member has no way of directing how the clearance activities are handled. Instead, usually that firm relies on the systems, procedures and controls of a foreign affiliate, often one that clears more transactions than many U.S. registered carrying or clearing broker-dealers and which is subject to robust oversight. The foreign affiliates cannot be expected to be subject to FINRA rules anyway.

Overkill

In an Armageddon scenario, only the failure of the larger member firms that are fully subject to the segregation rules of the SEC and CFTC could, conceivably, have market impact or unsettle investor confidence. Yet the burden of the Proposed Rule would fall on all carrying or clearing member firms in total disregard of any impact a particular firm may have in the markets or on other member firms. Implementation costs are likely to be significant regardless of a member's size, with smaller firms being disproportionately more adversely affected by the ongoing financial and operational costs of the Proposed Rule. Moreover, since every SRO has unique rules and regulations governing its members, there is also a substantial risk that other SROs may promulgate different, or even contradictory, rules to deal with an Armageddon situation.

FINRA has simply not paid attention to some of the real problems the Proposed Rule will cause. Firm personnel change; if an individual is the designated contact person for the records enumerated in the Proposed Rule, the firm has to remember to designate, and train, another contact person regardless of what else is occurring in the firm at that time. Firms already

maintain the enumerated records and FINRA routinely has access to those records, more usually during the course of regulatory examinations. But the Proposed Rule deals solely with an Armageddon scenario, in other words, a rather rare event. To impose unwarranted costs on the industry for the sole convenience of bankruptcy trustees who undertake to liquidate a carrying or clearing firm in an extreme situation is unconscionable.

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Thank you for the opportunity to comment on this matter. Should you have any further questions, feel free to call Howard Spindel at 212-897-1688 or Cassandra Joseph at 212-897-1687, or by e-mail at hspindel@intman.com or cjoseph@intman.com, respectively.

Very truly yours,

A handwritten signature in black ink, appearing to be 'H Spindel', with a stylized, overlapping structure.

Howard Spindel
Senior Managing Director

A handwritten signature in blue ink, appearing to be 'Cassandra E. Joseph', written in a cursive style.

Cassandra E. Joseph
Managing Director