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May 31, 2012

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

Dear Ms. Asquith:

We are writing in response to FINRA's request for comment on Regulatory Notice 12-23 regarding additional financial reporting requirements for certain Members. Wulff, Hansen & Co. is a registered broker/dealer and FINRA member. The writer currently serves on FINRA's Small Firm Advisory Board but the views and comments expressed herein are those of the firm and do not necessarily reflect those of the SFAB.

We are a small self-clearing firm and would be affected by the rule change. Our business is focused on municipal securities and does not involve off balance sheet transactions, forwards, or derivatives, so our comments address only Items 1 (Commitments) and 4 (Non-regular Way Settling Trades).

A de minimis threshold would benefit both firms and FINRA:

In general, we believe that the proposal, while well-intended and probably useful with regard to large and complex firms, would be vastly improved by the addition of some sort of de minimis exception for the newly reportable items. If no items exceed that threshold, the form should not be required. A threshold of 5% or 10% of net capital would seem reasonable, is consistent with current interpretations of materiality, and could eliminate the need for a firm to report information (such as a single small trade with an extended settlement) which is of little value in forming an accurate picture of its financial status. Neither firms nor FINRA should be burdened with reporting or reviewing insignificant items.

Reporting underwriting commitments for securities which have already been sold is not useful:

With regard to underwriting, we also believe that where an underwriting commitment has been made and the securities have been sold but the trades have not yet settled, the trades are not qualitatively different from any other open offsetting transactions made before the balance sheet date with a settlement after that date. For example, if we understand the proposal correctly:

- On March 29 we, as underwriter, purchase and resell \$1,000,000 in municipal bonds to settle on April 1. The trades would be reportable under Item 1A on the new form.
- Also on March 29, we, in the secondary market, purchase and resell \$1,000,000 of some other municipal bonds – perhaps to the very same customers – also to settle regular-way on April 1. As we understand it, these trades would be NOT reportable under Item 1A or anywhere else on the new form.

We respectfully submit that this seems illogical. Why are unsettled but offsetting trades associated with an underwriting to be reported while other pairs of offsetting trades with the same characteristics are not? Logically, reporting should apply to both or to neither.

It seems to us that the area of regulatory concern here should be with underwriting commitments where the securities have been purchased by the underwriter but not yet sold. Existing guidance, as we understand it, already requires that such proprietary trades be reflected in the FOCUS if they result in a “material difference” between trade-date and settlement-date accounting. Thus, where an already-ticketed underwriting involves unsold proprietary positions the only new information produced about those positions would relate to items which have already been identified as non-material.

Reporting non-material non-regular-way settling trades is not useful:

Similar reasoning applies to the requirement that firms report small open transactions with settlement other than regular. For example:

- On March 29 we purchase and resell to a customer \$25,000 in municipal bonds, with both trades settling on April 5. It appears that the transactions would be reportable under either Item 4B or E on the new form.

We fail to see any benefit in completing the form and having FINRA analyze it with regard to such a small non-material item. Again, a de minimis exception based on a percentage of net capital would allow both the firm and FINRA to avoid the burden of completing and evaluating data which serves no useful purpose in understanding the firm’s financial condition.

For these reasons we suggest that the proposal be amended to:

1. Include a reasonable de minimis threshold for items on the schedule.
2. Eliminate the need to separately report an entire unsettled underwriting commitment, where all (or all but a non-material amount) of the securities have been sold as of the balance sheet date. Where an unsold balance is material, it is already being reported under existing guidance.

Respectfully submitted,

Chris Charles
President