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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 19b-4

File No.* SR - 2011 - * 064

Amendment No. (req. for Amendments *)

Proposed Rule Change by Financial Industry Regulatory Authority
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input checked="" type="checkbox"/>	Section 19(b)(3)(A) * <input type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
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Rule

Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>
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<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)
<input type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)
<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)

Exhibit 2 Sent As Paper Document

Exhibit 3 Sent As Paper Document

Description

Provide a brief description of the proposed rule change (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to Adopt FINRA Rule 4524 (Supplemental FOCUS Information) and Proposed Supplementary Schedule to the Statement of Income (Loss) Page of FOCUS Reports

Contact Information

Provide the name, telephone number and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the proposed rule change.

First Name *	Matthew	Last Name *	Vitek
Title *	Counsel		
E-mail *	matthew.vitek@finra.org		
Telephone *	(202) 728-8156	Fax	(202) 728-8264

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,

has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized officer.

Date 11/01/2011

By Patrice Gliniecki

(Name *)

Senior Vice President and Deputy General Counsel

(Title *)

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

Patrice Gliniecki,

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFS website.

Form 19b-4 Information (required)

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change (required)

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

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The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of Proposed Rule Change

(a) Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “SEA”),¹ Financial Industry Regulatory Authority, Inc. (“FINRA”) is filing with the Securities and Exchange Commission (“SEC” or “Commission”) a proposed rule change to adopt FINRA Rule 4524 (Supplemental FOCUS Information) to require each member, as FINRA shall designate, to file such additional financial or operational schedules or reports as FINRA may deem necessary as a supplement to the FOCUS report. The content of such supplemental schedules or reports would be specified in a Regulatory Notice (or similar communication), which FINRA would file with the SEC pursuant to proposed FINRA Rule 4524. As part of the proposed rule change, FINRA is filing one such proposed schedule, a supplement to the Statement of Income (Loss) page of the FOCUS Report.

Below is the text of the proposed rule change. Proposed new language is underlined.

* * * * *

4000. FINANCIAL AND OPERATIONAL RULES

4500. BOOKS, RECORDS AND REPORTS

* * * * *

4524. Supplemental FOCUS Information

As a supplement to filing FOCUS reports required pursuant to SEA Rule 17a-5 and FINRA Rule 2010, each member, as FINRA shall designate, shall file such additional financial or operational schedules or reports as FINRA may deem necessary or

¹ 15 U.S.C. 78s(b)(1).

appropriate for the protection of investors or in the public interest. The content of such schedules or reports, their format, and the timing and the frequency of such supplemental filings shall be specified in a Regulatory Notice (or similar communication) issued pursuant to this Rule. FINRA shall file with the SEC the content of any such Regulatory Notice (or similar communication) issued pursuant to this Rule.

* * * * *

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

At its meeting on July 14, 2010, the FINRA Board of Governors authorized the filing of the proposed rule change with the SEC. No other action by FINRA is necessary for the filing of the proposed rule change.

The proposed rule change will be effective upon Commission approval. FINRA will announce the implementation dates of both proposed FINRA Rule 4524 and the proposed schedule (i.e., the proposed supplement to the Statement of Income (Loss) page of the FOCUS Report) in a Regulatory Notice to be published no later than 60 days following Commission approval of the proposed rule change. The implementation date of the proposed schedule will be no sooner than 180 days, and no later than 365 days, following Commission approval of the proposed rule change.

3. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

Pursuant to SEA Rule 17a-5, members are required to file with FINRA reports concerning their financial and operational status using SEC Form X-17A-5, Financial and

Operational Combined Uniform Single (FOCUS) Report.² SEA Rule 17a-5 generally requires members that clear transactions or carry customer accounts to file a FOCUS Report Part II, and requires certain other members to file a FOCUS Report Part IIA. Members that use Appendix E to SEA Rule 15c3-1 to calculate net capital file a FOCUS Report Part II CSE³ that is similar to the FOCUS Report Part II (collectively, the FOCUS Reports Part II, Part IIA, and Part II CSE are referred to hereinafter as “FOCUS Reports”).

FINRA is proposing to adopt FINRA Rule 4524, a rule that would provide the mechanism by which FINRA can obtain from members more detailed financial information to augment the FOCUS reports required to be filed pursuant to SEA Rule 17a-5. Proposed FINRA Rule 4524 would require members to file such additional financial or operational schedules or reports to supplement FOCUS reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest.⁴ Thus, the rule would provide FINRA the framework to request more specific information regarding, among other things, the assets and liabilities of a member, the generation of revenues and allocation of expenses by business segment or product lines, the sources of trading gains and losses, the types and amounts of fees earned, and the nature and extent of participation in securities offerings. Depending on the nature of the

² 17 CFR 240.17a-5.

³ A broker-dealer that calculates its net capital under Appendix E of SEA Rule 15c3-1 is referred to as Alternative Net Capital (“ANC”) firm.

⁴ Nothing in proposed FINRA Rule 4524 should be construed as altering in any manner a member’s obligations under SEA Rule 17a-5(a)(2)(iv).

proposed supplemental schedule or report, FINRA may require that all members or any specified subset of members submit the schedule or report to FINRA.

FOCUS Reports provide FINRA with valuable information regarding a member's business; however, FINRA believes that it can better discharge its regulatory obligations with the benefit of additional information that gives FINRA a more complete and detailed view of a member's business operations. Accordingly, proposed FINRA Rule 4524 would provide FINRA a means and process to obtain greater transparency into a member's business activities and to better illuminate industry trends, allowing for more focused and effective examinations.

FINRA would effectuate proposed FINRA Rule 4524 by way of a Regulatory Notice or similar communication, the content of which would be filed with the Commission. To that end, as an initial report required pursuant to proposed FINRA Rule 4524, FINRA is also proposing a Supplemental Statement of Income ("SSOI") to magnify the data from the Statement of Income (Loss) page of the FOCUS Reports.⁵

The proposed SSOI is intended to capture more granular detail of a firm's revenue and expense information. The lack of more specific revenue and expense categories for certain business activities on the Statement of Income (Loss) page of the FOCUS Reports has led many firms to report much of their revenue and expenses as "other" (miscellaneous), a very general categorization that provides FINRA limited visibility into revenue and expense trends. The proposed SSOI is divided into sections containing line items that seek additional detail to permit FINRA to better understand revenue sources and expense composition on an ongoing basis. This additional detail would allow FINRA to better assess risk at a firm, and as a result, better allocate

examination resources. Each member would be required to file with FINRA the proposed SSOI within 17 business days of the end of each calendar quarter.

The proposed SSOI contains a *de minimis* exception for providing details of revenue and expenses for certain designated sections. If a member's total dollar amount for a designated section is \$5,000 or less for the reporting period, the member would only be required to enter the total dollar amount to complete the section. Additionally, not every line item would apply to every member, especially those with limited product offerings, thus limiting the burden of completing the form.

The proposed SSOI includes a new Operational Page that would collect additional information from certain members with respect to participation in unregistered offerings during the reporting period. Members whose revenue from unregistered offerings exceeds 10% of total revenue for the reporting period would be required to complete the Operational Page by providing specific information about each unregistered offering. FINRA believes that such information would provide it with greater transparency and a stronger understanding regarding the types of unregistered offerings that generate significant revenue for members.

As noted in Item 2 of this filing, the proposed rule change will be effective upon Commission approval. FINRA will announce the implementation dates of both proposed FINRA Rule 4524 and the proposed schedule (i.e., the proposed SSOI) in a Regulatory Notice to be published no later than 60 days following Commission approval of the proposed rule change. The implementation date of the proposed schedule will be no sooner than 180 days, and no later than 365 days, following Commission approval of the proposed rule change.

⁵ See Exhibit 3.

(b) Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁶ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change is consistent with the provisions of the Act noted above in that supplemental FOCUS information will further strengthen FINRA's ability to protect investors through a more informed understanding of the drivers of members' business that can be used for more targeted examinations.

4. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

5. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The proposed rule change and the proposed SSOI were published for comment in Regulatory Notice 10-33 (July 2010) (the "Notice"). FINRA received 28 comment letters in response to the Notice.⁷ A copy of the Notice is attached as Exhibit 2a. A list

⁶ 15 U.S.C. 78o-3(b)(6).

⁷ See Letter from Ivy League Financial Services, Inc., dated July 21, 2010 ("Ivy"); letter from M.S. Howells & Co., dated July 23, 2010 ("M.S. Howells"); letter from Hunter, Keith, Marshall & Co., Inc, dated July 27, 2010 ("HKM"); letter from Balanced Financial Securities, dated July 31, 2010 ("BFS"); letter from Foresters Equity Services, Inc., dated August 5, 2010 ("FES"); letter from Hodges Capital Management-First Dallas Securities, dated August 5, 2010 ("HCM"); letter from Farragut Capital LLC, dated August 12, 2010 ("Farragut"); letter from Integrity Investments, Inc., dated August 12, 2010 ("Integrity"); letter from Stephen Kinkade CPA, dated August 15, 2010 ("Kinkade"); letter from Wachtel

of the comment letters received in response to the Notice is attached as Exhibit 2b.

Copies of the comment letters received in response to the Notice are attached as Exhibit

2c. Below is a summary of the comments and FINRA's responses.

A. Schedule Not Needed or Justified

A number of commenters argued that the proposed SSOI is not needed or justified.⁸ Some commenters stated that FINRA or the SEC can already request the information required by the proposed SSOI.⁹ One commenter believed that the current reports provide sufficient detail for FINRA to understand a member's business.¹⁰ Two commenters believed that routine exams already give a detailed view of a member's

& Co., Inc., dated August 16, 2010 ("Wachtel"); letter from First Asset Financial Inc., dated August 17, 2010 ("FAF"); letter from Aileen Gallagher, dated August 17, 2010 ("Gallagher"); letter from National Association of Independent Broker-Dealers, Inc., dated August 17, 2010 ("NAIBD"); letter from Securities Industry and Financial Markets Association, dated August 17, 2010 ("SIFMA"); letter from Wilson-Davis & Co., Inc., dated August 17, 2010 ("WDC"); letter from Allegheny Investments, LTD, dated August 18, 2010 ("Allegheny"); letter from Berkshire Bridge Capital, LLC, dated August 18, 2010 ("Berkshire"); letter from IBG Trading Inc., dated August 18, 2010 ("IBG"); letter from Integrated Management Solutions, dated August 18, 2010 ("IMS"); letter from Probitas Partners, dated August 18, 2010 ("Probitas"); letter from Real Estate Investment Securities Association, dated August 18, 2010 ("REISA"); letter from Regional Bond Dealers Association, dated August 18, 2010 ("RBDA"); letter from Sutherland Asbill & Brennan LLP, dated August 18, 2010 ("Sutherland"); letter from Southlake Capital Advisors, Inc., dated August 18, 2010 ("SCA"); letter from Trust Advisory Group, Ltd., dated August 18, 2010 ("TAG"); letter from Wedbush Securities Inc., dated August 18, 2010 ("Wedbush"); letter from Bank of America Merrill Lynch, dated August 19, 2010 ("B of A"); and letter from Citigroup Global Markets, Inc., dated August 20, 2010 ("Citi").

⁸ Allegheny, FAF, Farragut, Integrity, Ivy, Kinkade, Probitas, REISA, Sutherland and WDC.

⁹ Allegheny, Sutherland, Farragut, Integrity and Kinkade.

¹⁰ Ivy.

business operations.¹¹ Several other commenters did not see how the requested information protected investors.¹² Finally, one commenter argued that FINRA has not justified why the proposed SSOI is the best means of achieving FINRA's regulatory objectives without undue burden on members.¹³ FINRA disagrees with the contentions that the information sought is unnecessary or superfluous. As stated in the Notice, FINRA believes that it can better discharge its regulatory obligations with the benefit of additional information that gives FINRA a more complete and detailed view of a member's business operations. Moreover, FINRA believes the proposed SSOI is the most effective and timely way to obtain the additional detail of the generation of revenues and allocation of expenses by business segment or product lines, the sources of trading gains and losses, the types and amounts of fees earned, and the nature and extent of participation in securities offerings.

B. Small Firm Concerns

Several commenters stated that the proposed SSOI will be costly and time consuming for small firms.¹⁴ Some of these commenters argued that FINRA should provide an exemption from the rule for smaller firms.¹⁵ Several commenters asserted that the Operational Page creates an unfair bias against smaller firms.¹⁶ FINRA believes that

¹¹ REISA and WDC.

¹² Farragut, Kinkade, Probitas and WDC.

¹³ RBDA.

¹⁴ Allegheny, BFS, FAF, Farragut, FES, Gallagher, HCM, HKM, IMS, Integrity, Kinkade, M.S. Howells, Probitas, RBDA, REISA, TAG, Wachtel and WDC.

¹⁵ BFS, HKM, Wachtel and WDC.

¹⁶ HKM, Kinkade, NAIBD and REISA.

the required information is important to identify regulatory risk and trends, irrespective of firm size. Therefore, FINRA does not believe a small firm exemption is appropriate. However, as mentioned above, the proposed SSOI contains a *de minimis* exception that will make the form less time consuming for many smaller firms. Additionally, FINRA points out that many of the line items will not apply to smaller firms with limited product offerings.

C. Clarifications and Recommended Changes

Certain commenters requested clarification of the information required on the proposed SSOI.¹⁷ Several commenters suggested that FINRA should include instructions and definitions for the proposed SSOI.¹⁸ One commenter had concerns that the “numbers reported on the FOCUS Report and the Proposed Schedule will not automatically ‘match.’”¹⁹ Further, several commenters recommended changes to specific line items on the proposed SSOI.²⁰ In response to these comments, FINRA has developed instructions for the proposed SSOI, which are included in the attached Exhibit 3. The instructions include guidance, clarifications and definitions with respect to certain line items that FINRA believes should ameliorate the commenters’ concerns. Additionally, in response to recommended changes to specific line items, FINRA has amended the proposed SSOI by making the requested tax information less burdensome, allowing flexibility regarding the reporting of dividends and interest for principal trades and allowing revenue from

¹⁷ Allegheny, B of A, Citi, FAF, IMS, Kinkade, NAIBD, RBDA, Sutherland and WDC.

¹⁸ Citi, IMS, Kinkade, NAIBD, RBDA and Sutherland.

¹⁹ Sutherland.

²⁰ B of A, IMS and Kinkade.

unit investment trusts that are open-end companies to be included with revenue from investment company shares.

D. Data Capture

Several commenters suggested that the profit and loss information required by the proposed SSOI should be based on established units within a firm rather than by product.²¹ In response, FINRA believes that requiring information by product is the best way to understand revenue sources and expense composition. However, FINRA is allowing firms, in certain instances, a choice as to which section and/or line item on the proposed SSOI to reflect revenue or expense. Firms must document the methodology chosen and apply it consistently across reporting periods. Additionally, the methodology must be made available to FINRA staff upon request.

E. Confidentiality

One commenter expressed competitive concerns with providing FINRA detailed departmental data.²² Another commenter was concerned that the proposed SSOI could compromise otherwise confidential deal making.²³ The commenter stated that members “specializing in restructuring/distressed situations are frequently bound to confidentiality by U.S. bankruptcy laws that would preclude the release of certain information.”²⁴

FINRA does not believe these concerns are valid as the proposed SSOI would be treated with the same confidentiality as the FOCUS Report to which it relates.²⁵ In regard to the

²¹ B of A, Citi, IMS, Kinkade, M.S. Howells and SIFMA.

²² M.S. Howells.

²³ NAIBD.

²⁴ NAIBD.

²⁵ See SEA Rule 17a-5(a)(3).

commenter's concern about being bound to confidentiality by U.S. bankruptcy laws, FINRA notes that the commenter did not provide any specific examples of such U.S. bankruptcy laws or discussion of the manner in which such laws would preclude a member from complying with the proposed rulemaking.

F. Use of the Proposed SSOI

Several commenters were concerned that the proposed SSOI would be used as the basis for the calculation of various assessments, fees and dues on members.²⁶ As previously mentioned, the proposed SSOI is intended to provide information about a member's revenue and expenses in greater detail. The proposed SSOI supplements the FOCUS report and would not be used as the basis for any assessments, fees or dues; however, total revenue on the proposed SSOI should equal total revenue on the FOCUS report.

G. Reporting Period

Several commenters recommended that reporting of the proposed SSOI be on a quarterly basis.²⁷ These commenters stated that “[m]any firms as a matter of course have more detailed reporting requirements – both internal and external – on a quarterly basis, which would facilitate this additional FINRA reporting while limiting the need for additional resources.”²⁸ FINRA agrees with the commenters and has proposed quarterly basis reporting for the proposed SSOI.

H. Filing Time Frame

²⁶ B of A, BBC, SIFMA and Wedbush.

²⁷ B of A and SIFMA.

²⁸ B of A and SIFMA.

Two commenters suggested that the proposed SSOI should be filed within the time frames for current supplemental reporting and not on the FOCUS filing date.²⁹ They believed that filing within such time frames would address resource constraints and would be consistent with other reporting time frames. FINRA disagrees with the commenters and instead has proposed to require the proposed SSOI to be filed within 17 business days after the end of the calendar quarter, consistent with the time frame allowed for the filing of the FOCUS Reports. FINRA believes that this time frame strikes the proper balance of ensuring FINRA receives timely information while giving firms' sufficient time to file the proposed SSOI.

I. Operational Page of the Proposed SSOI

Several commenters believed that FINRA is unfairly targeting Regulation D offerings.³⁰ One commenter suggested that the Operational Page only apply to all offerings that exceed a fixed dollar amount, rather than offerings in excess of 10% of total revenue.³¹ Another commenter stated that the information requested by the Operational Page for firm underwriting and selling group arrangements is identical to the information requested following a blue sheet transaction.³² The commenter urged that if the proposed SSOI is incorporated as represented, FINRA cease routinely requiring firms to provide identical information for firm underwriting and selling group arrangements following a blue-sheet transaction.³³ Finally, one commenter stated that Operational

²⁹ B of A and SIFMA.

³⁰ Farragut and REISA.

³¹ Kinkade.

³² NAIBD.

³³ NAIBD.

Page reporting should be disassociated with financial reporting for any member filing FOCUS Report Part IIA (not filing FOCUS Report Part II) by having its own format, frequency and deadline schedule.³⁴

FINRA believes the Operational Page of the proposed SSOI would provide greater transparency and valuable information regarding unregistered offerings. A fixed dollar amount threshold would be inappropriate as FINRA needs to capture revenue that is significant to the member. Members that exceed the 10% of total revenue threshold are considered to be obtaining significant revenue from unregistered offerings. Additionally, the information requested from the Operational Page is not identical to the information requested in a blue sheet transaction.³⁵ Finally, the Operational Page is part of the proposed SSOI, and therefore would be subject to the same frequency and deadline schedule of the proposed SSOI.

J. Implementation

Several commenters requested that FINRA provide sufficient lead time for members to prepare for the new rule.³⁶ A number of commenters stated system changes would be needed to capture the requested information.³⁷ One commenter suggested that the implementation of the proposed SSOI be staged as a series of pilots, beginning with clearing firms, then gradually covering the membership by firm size.³⁸ FINRA is sensitive to the operational and systems changes that may be necessary for members to

³⁴ Kinkade.

³⁵ See SEA Rule 17a-25.

³⁶ Citi, RBDA and SIFMA.

³⁷ Citi, FAF, HCM, M.S. Howells, NAIBD, RBDA and SIFMA.

³⁸ NAIBD.

complete the proposed SSOI, and as a result, is proposing to implement the SSOI no sooner than 180 days, and no later than 365 days, following Commission approval of the proposed rule change.

K. Alternatives to Schedule

A number of commenters offered alternatives to the proposed SSOI.³⁹ Several commenters suggested that more detailed information should not be required unless the particular line item represents a specified percentage of a firm's business or at least a dollar amount threshold.⁴⁰ One commenter suggested that FINRA consider requiring that the information requested by the proposed SSOI be submitted annually with the audit report.⁴¹ Another commenter believed that instead of adopting the proposed SSOI, FINRA should meet with members to discuss whether a new regulatory report is needed; what format works best with the FOCUS Report; and consider the costs of implementing a system.⁴² FINRA has considered these alternatives and believes that obtaining information regarding the detail of revenues earned or expenses incurred by product or other more specific categories is best achieved through the proposed SSOI. FINRA notes that it consulted with its advisory committees in connection with the development of the proposed SSOI.

L. New Financial and Operational Reports or Schedules

Several commenters suggested that any new financial or operational report or schedule required by FINRA be submitted to the SEC as a proposed rule change to allow

³⁹ Allegheny, NAIBD, Sutherland and Wachtel.

⁴⁰ NAIBD, Sutherland and Wachtel.

⁴¹ Allegheny.

members an opportunity to provide FINRA with feedback.⁴³ One commenter suggested that such submission is necessary due to possible conflicts that FINRA schedules and reports may have with other laws and rules.⁴⁴ Another commenter argued that the opportunity for member comment is needed because specific line items may be missing or irrelevant over time.⁴⁵

As stated above, pursuant to proposed FINRA Rule 4524, FINRA will file with the SEC the content of any Regulatory Notice (or similar communication) issued pursuant to the proposed rule. Further, if such content contains material substantive changes, FINRA will file the content for comment with the SEC. Commenters will have an opportunity to express their concerns and provide feedback at that time.

M. Comment Period

One commenter expressed disappointment that the comment period ended the same day FINRA sent the Notice.⁴⁶ The commenter believed that FINRA did not give the public ample opportunity to study the matter. FINRA believes the commenter is mistaken as the Notice was issued on July 19, 2010, requesting comment until August 18, 2010.

6. Extension of Time Period for Commission Action

⁴² Sutherland.

⁴³ IMS, NAIBD, RBDA and Sutherland.

⁴⁴ Sutherland.

⁴⁵ NAIBD.

⁴⁶ SCA.

FINRA does not consent at this time to an extension of the time period for Commission action specified in Section 19(b)(2) of the Act.⁴⁷

7. **Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2)**

Not applicable.

8. **Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission**

Not applicable.

9. **Exhibits**

Exhibit 1. Completed notice of proposed rule change for publication in the Federal Register.

Exhibit 2a. Regulatory Notice 10-33 (July 2010).

Exhibit 2b. A list of the comment letters received in response to Regulatory Notice 10-33 (July 2010).

⁴⁷ 15 U.S.C. 78s(b)(2).

Exhibit 2c. Copies of the comment letters received in response to Regulatory Notice 10-33 (July 2010).

Exhibit 3. Supplemental Statement of Income (SSOI)

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34- ; File No. SR-FINRA-2011-064)

Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Proposed Rule Change to Adopt FINRA Rule 4524 (Supplemental FOCUS Information) and Proposed Supplementary Schedule to the Statement of Income (Loss) Page of FOCUS Reports

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on , Financial Industry Regulatory Authority, Inc. (“FINRA”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by FINRA. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

FINRA is proposing to adopt FINRA Rule 4524 (Supplemental FOCUS Information) to require each member, as FINRA shall designate, to file such additional financial or operational schedules or reports as FINRA may deem necessary as a supplement to the FOCUS report. The content of such supplemental schedules or reports would be specified in a Regulatory Notice (or similar communication), which FINRA would file with the SEC pursuant to proposed FINRA Rule 4524. As part of the

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

proposed rule change, FINRA is filing one such proposed schedule, a supplement to the Statement of Income (Loss) page of the FOCUS Report.

The text of the proposed rule change is available on FINRA's website at <http://www.finra.org>, at the principal office of FINRA and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, FINRA included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. FINRA has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

Pursuant to SEA Rule 17a-5, members are required to file with FINRA reports concerning their financial and operational status using SEC Form X-17A-5, Financial and Operational Combined Uniform Single (FOCUS) Report.³ SEA Rule 17a-5 generally requires members that clear transactions or carry customer accounts to file a FOCUS Report Part II, and requires certain other members to file a FOCUS Report Part IIA. Members that use Appendix E to SEA Rule 15c3-1 to calculate net capital file a FOCUS Report Part II CSE⁴ that is similar to the FOCUS Report Part II (collectively, the FOCUS

³ 17 CFR 240.17a-5.

⁴ A broker-dealer that calculates its net capital under Appendix E of SEA Rule 15c3-1 is referred to as Alternative Net Capital ("ANC") firm.

Reports Part II, Part IIA, and Part II CSE are referred to hereinafter as “FOCUS Reports”).

FINRA is proposing to adopt FINRA Rule 4524, a rule that would provide the mechanism by which FINRA can obtain from members more detailed financial information to augment the FOCUS reports required to be filed pursuant to SEA Rule 17a-5. Proposed FINRA Rule 4524 would require members to file such additional financial or operational schedules or reports to supplement FOCUS reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest.⁵ Thus, the rule would provide FINRA the framework to request more specific information regarding, among other things, the assets and liabilities of a member, the generation of revenues and allocation of expenses by business segment or product lines, the sources of trading gains and losses, the types and amounts of fees earned, and the nature and extent of participation in securities offerings. Depending on the nature of the proposed supplemental schedule or report, FINRA may require that all members or any specified subset of members submit the schedule or report to FINRA.

FOCUS Reports provide FINRA with valuable information regarding a member’s business; however, FINRA believes that it can better discharge its regulatory obligations with the benefit of additional information that gives FINRA a more complete and detailed view of a member’s business operations. Accordingly, proposed FINRA Rule 4524 would provide FINRA a means and process to obtain greater transparency into a member’s business activities and to better illuminate industry trends, allowing for more focused and effective examinations.

⁵ Nothing in proposed FINRA Rule 4524 should be construed as altering in any manner a member’s obligations under SEA Rule 17a-5(a)(2)(iv).

FINRA would effectuate proposed FINRA Rule 4524 by way of a Regulatory Notice or similar communication, the content of which would be filed with the Commission. To that end, as an initial report required pursuant to proposed FINRA Rule 4524, FINRA is also proposing a Supplemental Statement of Income (“SSOI”) to magnify the data from the Statement of Income (Loss) page of the FOCUS Reports.⁶

The proposed SSOI is intended to capture more granular detail of a firm’s revenue and expense information. The lack of more specific revenue and expense categories for certain business activities on the Statement of Income (Loss) page of the FOCUS Reports has led many firms to report much of their revenue and expenses as “other” (miscellaneous), a very general categorization that provides FINRA limited visibility into revenue and expense trends. The proposed SSOI is divided into sections containing line items that seek additional detail to permit FINRA to better understand revenue sources and expense composition on an ongoing basis. This additional detail would allow FINRA to better assess risk at a firm, and as a result, better allocate examination resources. Each member would be required to file with FINRA the proposed SSOI within 17 business days of the end of each calendar quarter.

The proposed SSOI contains a *de minimis* exception for providing details of revenue and expenses for certain designated sections. If a member’s total dollar amount for a designated section is \$5,000 or less for the reporting period, the member would only be required to enter the total dollar amount to complete the section. Additionally, not every line item would apply to every member, especially those with limited product offerings, thus limiting the burden of completing the form.

⁶ See Exhibit 3.

The proposed SSOI includes a new Operational Page that would collect additional information from certain members with respect to participation in unregistered offerings during the reporting period. Members whose revenue from unregistered offerings exceeds 10% of total revenue for the reporting period would be required to complete the Operational Page by providing specific information about each unregistered offering. FINRA believes that such information would provide it with greater transparency and a stronger understanding regarding the types of unregistered offerings that generate significant revenue for members.

The proposed rule change will be effective upon Commission approval. FINRA will announce the implementation dates of both proposed FINRA Rule 4524 and the proposed schedule (i.e., the proposed SSOI) in a Regulatory Notice to be published no later than 60 days following Commission approval of the proposed rule change. The implementation date of the proposed schedule will be no sooner than 180 days, and no later than 365 days, following Commission approval of the proposed rule change.

2. Statutory Basis

FINRA believes that the proposed rule change is consistent with the provisions of Section 15A(b)(6) of the Act,⁷ which requires, among other things, that FINRA rules must be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, and, in general, to protect investors and the public interest. FINRA believes that the proposed rule change is consistent with the provisions of the Act noted above in that supplemental FOCUS information will further strengthen

⁷ 15 U.S.C. 78q-3(b)(6).

FINRA's ability to protect investors through a more informed understanding of the drivers of members' business that can be used for more targeted examinations.

B. Self-Regulatory Organization's Statement on Burden on Competition

FINRA does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The proposed rule change and the proposed SSOI were published for comment in Regulatory Notice 10-33 (July 2010) (the "Notice"). FINRA received 28 comment letters in response to the Notice.⁸ A copy of the Notice is attached as Exhibit 2a. A list

⁸ See Letter from Ivy League Financial Services, Inc., dated July 21, 2010 ("Ivy"); letter from M.S. Howells & Co., dated July 23, 2010 ("M.S. Howells"); letter from Hunter, Keith, Marshall & Co., Inc, dated July 27, 2010 ("HKM"); letter from Balanced Financial Securities, dated July 31, 2010 ("BFS"); letter from Foresters Equity Services, Inc., dated August 5, 2010 ("FES"); letter from Hodges Capital Management-First Dallas Securities, dated August 5, 2010 ("HCM"); letter from Farragut Capital LLC, dated August 12, 2010 ("Farragut"); letter from Integrity Investments, Inc., dated August 12, 2010 ("Integrity"); letter from Stephen Kinkade CPA, dated August 15, 2010 ("Kinkade"); letter from Wachtel & Co., Inc., dated August 16, 2010 ("Wachtel"); letter from First Asset Financial Inc., dated August 17, 2010 ("FAF"); letter from Aileen Gallagher, dated August 17, 2010 ("Gallagher"); letter from National Association of Independent Broker-Dealers, Inc., dated August 17, 2010 ("NAIBD"); letter from Securities Industry and Financial Markets Association, dated August 17, 2010 ("SIFMA"); letter from Wilson-Davis & Co., Inc., dated August 17, 2010 ("WDC"); letter from Allegheny Investments, LTD, dated August 18, 2010 ("Allegheny"); letter from Berkshire Bridge Capital, LLC, dated August 18, 2010 ("Berkshire"); letter from IBG Trading Inc., dated August 18, 2010 ("IBG"); letter from Integrated Management Solutions, dated August 18, 2010 ("IMS"); letter from Probitas Partners, dated August 18, 2010 ("Probitas"); letter from Real Estate Investment Securities Association, dated August 18, 2010 ("REISA"); letter from Regional Bond Dealers Association, dated August 18, 2010 ("RBDA"); letter from Sutherland Asbill & Brennan LLP, dated August 18, 2010 ("Sutherland"); letter from Southlake Capital Advisors, Inc., dated August 18, 2010 ("SCA"); letter

of the comment letters received in response to the Notice is attached as Exhibit 2b.

Copies of the comment letters received in response to the Notice are attached as Exhibit

2c. Below is a summary of the comments and FINRA's responses.

A. Schedule Not Needed or Justified

A number of commenters argued that the proposed SSOI is not needed or justified.⁹ Some commenters stated that FINRA or the SEC can already request the information required by the proposed SSOI.¹⁰ One commenter believed that the current reports provide sufficient detail for FINRA to understand a member's business.¹¹ Two commenters believed that routine exams already give a detailed view of a member's business operations.¹² Several other commenters did not see how the requested information protected investors.¹³ Finally, one commenter argued that FINRA has not justified why the proposed SSOI is the best means of achieving FINRA's regulatory objectives without undue burden on members.¹⁴ FINRA disagrees with the contentions that the information sought is unnecessary or superfluous. As stated in the Notice,

from Trust Advisory Group, Ltd., dated August 18, 2010 ("TAG"); letter from Wedbush Securities Inc., dated August 18, 2010 ("Wedbush"); letter from Bank of America Merrill Lynch, dated August 19, 2010 ("B of A"); and letter from Citigroup Global Markets, Inc., dated August 20, 2010 ("Citi").

⁹ Allegheny, FAF, Farragut, Integrity, Ivy, Kinkade, Probitas, REISA, Sutherland and WDC.

¹⁰ Allegheny, Sutherland, Farragut, Integrity and Kinkade.

¹¹ Ivy.

¹² REISA and WDC.

¹³ Farragut, Kinkade, Probitas and WDC.

¹⁴ RBDA.

FINRA believes that it can better discharge its regulatory obligations with the benefit of additional information that gives FINRA a more complete and detailed view of a member's business operations. Moreover, FINRA believes the proposed SSOI is the most effective and timely way to obtain the additional detail of the generation of revenues and allocation of expenses by business segment or product lines, the sources of trading gains and losses, the types and amounts of fees earned, and the nature and extent of participation in securities offerings.

B. Small Firm Concerns

Several commenters stated that the proposed SSOI will be costly and time consuming for small firms.¹⁵ Some of these commenters argued that FINRA should provide an exemption from the rule for smaller firms.¹⁶ Several commenters asserted that the Operational Page creates an unfair bias against smaller firms.¹⁷ FINRA believes that the required information is important to identify regulatory risk and trends, irrespective of firm size. Therefore, FINRA does not believe a small firm exemption is appropriate. However, as mentioned above, the proposed SSOI contains a *de minimis* exception that will make the form less time consuming for many smaller firms. Additionally, FINRA points out that many of the line items will not apply to smaller firms with limited product offerings.

¹⁵ Allegheny, BFS, FAF, Farragut, FES, Gallagher, HCM, HKM, IMS, Integrity, Kinkade, M.S. Howells, Probitas, RBDA, REISA, TAG, Wachtel and WDC.

¹⁶ BFS, HKM, Wachtel and WDC.

¹⁷ HKM, Kinkade, NAIBD and REISA.

C. Clarifications and Recommended Changes

Certain commenters requested clarification of the information required on the proposed SSOI.¹⁸ Several commenters suggested that FINRA should include instructions and definitions for the proposed SSOI.¹⁹ One commenter had concerns that the “numbers reported on the FOCUS Report and the Proposed Schedule will not automatically ‘match.’”²⁰ Further, several commenters recommended changes to specific line items on the proposed SSOI.²¹ In response to these comments, FINRA has developed instructions for the proposed SSOI, which are included in the attached Exhibit 3. The instructions include guidance, clarifications and definitions with respect to certain line items that FINRA believes should ameliorate the commenters’ concerns. Additionally, in response to recommended changes to specific line items, FINRA has amended the proposed SSOI by making the requested tax information less burdensome, allowing flexibility regarding the reporting of dividends and interest for principal trades and allowing revenue from unit investment trusts that are open-end companies to be included with revenue from investment company shares.

D. Data Capture

Several commenters suggested that the profit and loss information required by the proposed SSOI should be based on established units within a firm rather than by

¹⁸ Allegheny, B of A, Citi, FAF, IMS, Kinkade, NAIBD, RBDA, Sutherland and WDC.

¹⁹ Citi, IMS, Kinkade, NAIBD, RBDA and Sutherland.

²⁰ Sutherland.

²¹ B of A, IMS and Kinkade.

product.²² In response, FINRA believes that requiring information by product is the best way to understand revenue sources and expense composition. However, FINRA is allowing firms, in certain instances, a choice as to which section and/or line item on the proposed SSOI to reflect revenue or expense. Firms must document the methodology chosen and apply it consistently across reporting periods. Additionally, the methodology must be made available to FINRA staff upon request.

E. Confidentiality

One commenter expressed competitive concerns with providing FINRA detailed departmental data.²³ Another commenter was concerned that the proposed SSOI could compromise otherwise confidential deal making.²⁴ The commenter stated that members “specializing in restructuring/distressed situations are frequently bound to confidentiality by U.S. bankruptcy laws that would preclude the release of certain information.”²⁵

FINRA does not believe these concerns are valid as the proposed SSOI would be treated with the same confidentiality as the FOCUS Report to which it relates.²⁶ In regard to the commenter’s concern about being bound to confidentiality by U.S. bankruptcy laws, FINRA notes that the commenter did not provide any specific examples of such U.S. bankruptcy laws or discussion of the manner in which such laws would preclude a member from complying with the proposed rulemaking.

²² B of A, Citi, IMS, Kinkade, M.S. Howells and SIFMA.

²³ M.S. Howells.

²⁴ NAIBD.

²⁵ NAIBD.

²⁶ See SEA Rule 17a-5(a)(3).

F. Use of the Proposed SSOI

Several commenters were concerned that the proposed SSOI would be used as the basis for the calculation of various assessments, fees and dues on members.²⁷ As previously mentioned, the proposed SSOI is intended to provide information about a member's revenue and expenses in greater detail. The proposed SSOI supplements the FOCUS report and would not be used as the basis for any assessments, fees or dues; however, total revenue on the proposed SSOI should equal total revenue on the FOCUS report.

G. Reporting Period

Several commenters recommended that reporting of the proposed SSOI be on a quarterly basis.²⁸ These commenters stated that “[m]any firms as a matter of course have more detailed reporting requirements – both internal and external – on a quarterly basis, which would facilitate this additional FINRA reporting while limiting the need for additional resources.”²⁹ FINRA agrees with the commenters and has proposed quarterly basis reporting for the proposed SSOI.

H. Filing Time Frame

Two commenters suggested that the proposed SSOI should be filed within the time frames for current supplemental reporting and not on the FOCUS filing date.³⁰ They believed that filing within such time frames would address resource constraints and

²⁷ B of A, BBC, SIFMA and Webbush.

²⁸ B of A and SIFMA.

²⁹ B of A and SIFMA.

³⁰ B of A and SIFMA.

would be consistent with other reporting time frames. FINRA disagrees with the commenters and instead has proposed to require the proposed SSOI to be filed within 17 business days after the end of the calendar quarter, consistent with the time frame allowed for the filing of the FOCUS Reports. FINRA believes that this time frame strikes the proper balance of ensuring FINRA receives timely information while giving firms' sufficient time to file the proposed SSOI.

I. Operational Page of the Proposed SSOI

Several commenters believed that FINRA is unfairly targeting Regulation D offerings.³¹ One commenter suggested that the Operational Page only apply to all offerings that exceed a fixed dollar amount, rather than offerings in excess of 10% of total revenue.³² Another commenter stated that the information requested by the Operational Page for firm underwriting and selling group arrangements is identical to the information requested following a blue sheet transaction.³³ The commenter urged that if the proposed SSOI is incorporated as represented, FINRA cease routinely requiring firms to provide identical information for firm underwriting and selling group arrangements following a blue-sheet transaction.³⁴ Finally, one commenter stated that Operational Page reporting should be disassociated with financial reporting for any member filing

³¹ Farragut and REISA.

³² Kinkade.

³³ NAIBD.

³⁴ NAIBD.

FOCUS Report Part IIA (not filing FOCUS Report Part II) by having its own format, frequency and deadline schedule.³⁵

FINRA believes the Operational Page of the proposed SSOI would provide greater transparency and valuable information regarding unregistered offerings. A fixed dollar amount threshold would be inappropriate as FINRA needs to capture revenue that is significant to the member. Members that exceed the 10% of total revenue threshold are considered to be obtaining significant revenue from unregistered offerings. Additionally, the information requested from the Operational Page is not identical to the information requested in a blue sheet transaction.³⁶ Finally, the Operational Page is part of the proposed SSOI, and therefore would be subject to the same frequency and deadline schedule of the proposed SSOI.

J. Implementation

Several commenters requested that FINRA provide sufficient lead time for members to prepare for the new rule.³⁷ A number of commenters stated system changes would be needed to capture the requested information.³⁸ One commenter suggested that the implementation of the proposed SSOI be staged as a series of pilots, beginning with clearing firms, then gradually covering the membership by firm size.³⁹ FINRA is sensitive to the operational and systems changes that may be necessary for members to

³⁵ Kinkade.

³⁶ See SEA Rule 17a-25.

³⁷ Citi, RBDA and SIFMA.

³⁸ Citi, FAF, HCM, M.S. Howells, NAIBD, RBDA and SIFMA.

³⁹ NAIBD.

complete the proposed SSOI, and as a result, is proposing to implement the SSOI no sooner than 180 days, and no later than 365 days, following Commission approval of the proposed rule change.

K. Alternatives to Schedule

A number of commenters offered alternatives to the proposed SSOI.⁴⁰ Several commenters suggested that more detailed information should not be required unless the particular line item represents a specified percentage of a firm's business or at least a dollar amount threshold.⁴¹ One commenter suggested that FINRA consider requiring that the information requested by the proposed SSOI be submitted annually with the audit report.⁴² Another commenter believed that instead of adopting the proposed SSOI, FINRA should meet with members to discuss whether a new regulatory report is needed; what format works best with the FOCUS Report; and consider the costs of implementing a system.⁴³ FINRA has considered these alternatives and believes that obtaining information regarding the detail of revenues earned or expenses incurred by product or other more specific categories is best achieved through the proposed SSOI. FINRA notes that it consulted with its advisory committees in connection with the development of the proposed SSOI.

⁴⁰ Allegheny, NAIBD, Sutherland and Wachtel.

⁴¹ NAIBD, Sutherland and Wachtel.

⁴² Allegheny.

⁴³ Sutherland.

L. New Financial and Operational Reports or Schedules

Several commenters suggested that any new financial or operational report or schedule required by FINRA be submitted to the SEC as a proposed rule change to allow members an opportunity to provide FINRA with feedback.⁴⁴ One commenter suggested that such submission is necessary due to possible conflicts that FINRA schedules and reports may have with other laws and rules.⁴⁵ Another commenter argued that the opportunity for member comment is needed because specific line items may be missing or irrelevant over time.⁴⁶

As stated above, pursuant to proposed FINRA Rule 4524, FINRA will file with the SEC the content of any Regulatory Notice (or similar communication) issued pursuant to the proposed rule. Further, if such content contains material substantive changes, FINRA will file the content for comment with the SEC. Commenters will have an opportunity to express their concerns and provide feedback at that time.

M. Comment Period

One commenter expressed disappointment that the comment period ended the same day FINRA sent the Notice.⁴⁷ The commenter believed that FINRA did not give the public ample opportunity to study the matter. FINRA believes the commenter is mistaken as the Notice was issued on July 19, 2010, requesting comment until August 18, 2010.

⁴⁴ IMS, NAIBD, RBDA and Sutherland.

⁴⁵ Sutherland.

⁴⁶ NAIBD.

⁴⁷ SCA.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Within 45 days of the date of publication of this notice in the Federal Register or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the self-regulatory organization consents, the Commission will:

(A) by order approve or disapprove such proposed rule change, or

(B) institute proceedings to determine whether the proposed rule change should be disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-FINRA-2011-064 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-FINRA-2011-064. This file number should be included on the subject line if e-mail is used. To help the Commission process

and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. Copies of such filing also will be available for inspection and copying at the principal office of FINRA. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-FINRA-2011-064 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.⁴⁸

Elizabeth M. Murphy
Secretary

⁴⁸ 17 CFR 200.30-3(a)(12).

Regulatory Notice

10-33

Supplemental FOCUS Information

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

Comment Period Expires: August 18, 2010

Executive Summary

FINRA requests comment on a proposed rule to require each member firm to file certain additional financial or operational schedules or reports to supplement SEC FOCUS Reports. FINRA further requests comment on one such proposed schedule, a supplement to the Statement of Income (Loss) page of FOCUS Report Parts II and IIA.

The text of proposed FINRA Rule 4524 (Supplemental FOCUS Information) is set forth in Attachment A. The proposed supplementary schedule for the Statement of Income (Loss) page of the FOCUS Report Parts II and IIA, including the proposed Operational Page, is set forth in Attachment B.

Questions concerning this *Notice* should be directed to:

- Kris Dailey, Vice President, Risk Oversight & Operational Regulation, at (646) 315-8434; or
- Susan DeMando Scott, Associate Vice President, Financial Operations Department, at (202) 728-8411.

July 2010

Notice Type

- Request for Comment

Suggested Routing

- Compliance
- Finance
- Legal
- Operations
- Regulatory Reporting
- Senior Management

Key Topics

- FOCUS Reporting

Referenced Rules & Notices

- SEA Rule 17a-5
- FINRA Rule 2010

Action Requested

FINRA encourages all interested parties to comment on the proposal. Comments must be received by August 18, 2010.

Member firms and other interested parties can submit their comments using the following methods:

- Emailing comments to *pubcom@finra.org*; or
- Mailing comments in hard copy to:

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

To help FINRA process and review comments more efficiently, persons should use only one method to comment on the proposal.

Important Notes: The only comments that FINRA will consider are those submitted pursuant to the methods described above. All comments received in response to this *Notice* will be made available to the public on the FINRA Web site. Generally, FINRA will post comments on its site one week after the end of the comment period.¹

Before becoming effective, a proposed rule change must be authorized for filing with the SEC by the FINRA Board of Governors, and then must be approved by the SEC, following publication for public comment in the *Federal Register*.²

Background & Discussion

SEA Rule 17a-5 requires member firms to file with FINRA monthly and quarterly reports concerning their financial and operational status (FOCUS Reports). FOCUS Reports provide FINRA with valuable information regarding a member firm's business; however, FINRA believes that it can better discharge its regulatory obligations with the benefit of additional information that gives FINRA a more complete and detailed view of a member firm's business operations. FINRA, therefore, is requesting comment on a proposed rule that requires firms to file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest. The content of any future proposed schedules and reports, their formats and the frequency of such supplemental filings, would be specified in a future *Regulatory Notice* (or similar communication) to be filed with the SEC.

In connection with the proposed rule, FINRA is proposing a supplementary schedule to capture with more specificity information from the Statement of Income (Loss) page of the FOCUS Report Parts II and IIA. The forms currently in use do not contain sufficient detail of revenues earned or expenses incurred by product or other more specific categories, thereby driving firms to report much of their revenue and expense as “other” (miscellaneous). FINRA believes the expanded revenue and expense information on the proposed supplementary schedule would provide FINRA greater transparency into a member firm’s business activities and would better illuminate industry trends, allowing for more focused examinations. Many line items are not applicable to firms with limited product offerings, thereby reducing the burden of completing the form.

As part of the proposed supplementary schedule, FINRA would require additional information with respect to a member firm’s underwriting and/or selling group activities when revenue from unregistered offerings exceeds 10 percent of total revenue. Member firms that exceed the 10 percent threshold would need to complete the corresponding section of a new Operational Page that is referenced in the proposed supplementary schedule.

Endnotes

- 1 FINRA will not edit personal identifying information, such as names or email addresses, from submissions. Persons should submit only information that they wish to make publicly available. See *NASD Notice to Members 03-73* (November 2003) (NASD Announces Online Availability of Comments) for more information.
- 2 Section 19 of the Securities Exchange Act of 1934 (SEA or Exchange Act) permits certain limited types of proposed rule changes to take effect upon filing with the SEC. The SEC has the authority to summarily abrogate these types of rule changes within 60 days of filing. See Exchange Act Section 19 and rules thereunder.

Attachment A

4524. Supplemental FOCUS Information

As a supplement to filing FOCUS reports required pursuant to SEA Rule 17a-5 and FINRA Rule 2010, each member shall file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest. The content of such schedules and reports, their formats, and the frequency of such supplemental filings shall be specified in a Regulatory Notice (or similar communication) issued pursuant to this Rule. FINRA shall file with the SEC any Regulatory Notice (or similar communication) issued pursuant to this Rule.

	Compensation (including interest earned on customer bank sweep programs)								
	Fees earned on customer sweep programs to '40 Act Investments								
	Rebates earned including margin rebates								
	Total Interest/rebate/dividend income								
	Underwritings:								
	Income from Underwritings and selling group participations:								
	municipal offerings								
	All other Offerings								
	In this section, "affiliate" is defined as in NASD Rule 2720(f)(1).								
	registered equity offerings, other than self or affiliate offerings								
	registered debt offerings, other than self or affiliate offerings								
	registered equity offerings, self or affiliate offerings								
	registered debt offerings, self or affiliate offerings								
	To extent revenue reflected in the four unregistered offerings fields below exceeds 10% of Total Revenue, complete the referenced Section on the Operational Page.								
	unregistered equity offerings, other than self or affiliate offerings. Section 1								
	unregistered debt offerings, other than self or affiliate offerings. Section 2								
	unregistered equity offerings, self or affiliate offerings. Section 3								
	unregistered debt offerings, self or affiliate offerings. Section 4								
	Total Underwriting & Selling Group Compensation								
	Fee Income:								
	Investment Banking services/M&A Advisory								
	Account Management. Firm manages discretionary accounts: Yes No								
	Investment advisory (for dual BD/IA's)								
	Advisory fees (for dual SEC/CFTC members)								
	Research services								
	Rebates received from exchanges, ECNs, and ATSS								
	Earned under a service level agreement with affiliates								
	Earned under a service level agreement with 3rd parties								
	12b-1 Fees								
	Other Mutual Fund Revenue								
	Execution Services								
	Clearing Services								
	Administrative Fees								
	Other Fees								
	Total Fees								
	Other revenue (describe categories amounting to 10% or more of Total Revenue listed below)								
	1 description							amount:	
	2 description							amount:	
	3 description							amount:	
	Total Other Revenue								
	Total Revenue								

Operational Page

Firm Underwriting and Selling Group Participation

SECTION 1

RE: unregistered equity offerings, other than self or affiliate offerings
 For each offering in which the firm participated in the Reporting Period, provide the following information.

If Firm engaged in more than five such offerings during the Reporting Period, list the five largest offerings in terms of total securities sold.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Full Name of Offering	Name of Issuer/Sponsor	Registration Exemption Relied Upon	Date of Issue	Minimum Offering Amount	Maximum Offering Amount	Type of Offering	Total Amount of Securities Sold During the Reporting Period	Total Number of Customers to whom securities were sold	Amount of Revenue Earned by Firm, if any, in conjunction with offering.	Scheduled Maturity Date of Offering	Per Offering Memorandum, % of Proceeds to be used by BD affiliated with issuer or its associated persons (APs) as either working capital, debt reduction or retirement, or credit facility extension, or otherwise directed to the BD or its APs.

SECTION 2

RE: unregistered debt offerings, other than self or affiliate offerings
 For each offering in which the firm participated in the Reporting Period, provide the following information.

If Firm engaged in more than five such offerings during the Reporting Period, list the five largest offerings in terms of total securities sold.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Full Name of Offering	Name of Issuer/Sponsor	Registration Exemption Relied Upon	Date of Issue	Minimum Offering Amount	Maximum Offering Amount	Type of Offering	Total Amount of Securities Sold During the Reporting Period	Total Number of Customers to whom securities were sold	Amount of Revenue Earned by Firm, if any, in conjunction with offering.	Scheduled Maturity Date of Offering	Per Offering Memorandum, % of Proceeds to be used by BD affiliated with issuer or its associated persons (APs) as either working capital, debt reduction or retirement, or credit facility extension, or otherwise directed to the BD or its APs.

SECTION 3

RE: unregistered equity offerings, self or affiliate offerings

For each offering in which the firm participated in the Reporting Period, provide the following information.

If Firm engaged in more than five such offerings during the Reporting Period, list the five largest offerings in terms of total securities sold.

Full Name of Offering	Name of Issuer/Sponsor	Issuer's Affiliation to Broker/Dealer Filing this FOCUS Report	Registration Exemption Relied Upon	Date of Issue	Minimum Offering Amount	Maximum Offering Amount	Type of Offering	Total Amount of Securities Sold During the Reporting Period	Total Number of Customers to whom securities were sold	Amount of Revenue Earned by Firm, if any, in conjunction with offering.	Scheduled Maturity Date of Offering	% of Proceeds to be used by BD filing this FOCUS Report or its associated persons (APs) as either working capital, debt reduction or retirement, or credit facility extension, or otherwise directed to the BD or its APs.

- (1)
- (2)
- (3)
- (4)
- (5)

SECTION 4

RE: unregistered debt offerings, self or affiliate offerings

For each offering in which the firm participated in the Reporting Period, provide the following information.

If Firm engaged in more than five such offerings during the Reporting Period, list the five largest offerings in terms of total securities sold.

Full Name of Offering	Name of Issuer/Sponsor	Issuer's Affiliation to Broker/Dealer Filing this FOCUS Report	Registration Exemption Relied Upon	Date of Issue	Minimum Offering Amount	Maximum Offering Amount	Type of Offering	Total Amount of Securities Sold During the Reporting Period	Total Number of Customers to whom securities were sold	Amount of Revenue Earned by Firm, if any, in conjunction with offering.	Scheduled Maturity Date of Offering	% of Proceeds to be used by BD filing this FOCUS Report or its associated persons (APs) as either working capital, debt reduction or retirement, or credit facility extension, or otherwise directed to the BD or its APs.

- (1)
- (2)
- (3)
- (4)
- (5)

EXHIBIT 2b

Alphabetical List of Written Comments

1. Letter from Brandon Balkam, Real Estate Investment Securities Association (August 18, 2010)
2. Letter from Ted Beer, Ivy League Financial Services, Inc. (July 21, 2010)
3. Letter from Thomas C.A. Boytinck, Farragut Capital LLC (August 12, 2010)
4. Letter from Curtis Christensen, M.S. Howells & Co. (July 23, 2010)
5. Letter from Martin Cohen, Balanced Financial Securities (July 31, 2010)
6. Letter from Richard F. Curcio, Integrity Investments, Inc. (August 12, 2010)
7. Letter from Lyle W. Davis, Wilson-Davis & Co., Inc. (August 17, 2010)
8. Letter from Aileen Gallagher, (August 17, 2010)
9. Letter from Robert L. Hamman, First Asset Financial Inc. (August 17, 2010)
10. Letter from Stephen T. Hawbaker, Allegheny Investments, LTD (August 18, 2010)
11. Letter from Camille Hodges Hays, Hodges Capital Management-First Dallas Securities (August 5, 2010)
12. Letter from Mark Holloway, Securities Industry and Financial Markets Association (August 17, 2010)
13. Letter from Shawn T. Keagy, Wedbush Securities Inc. (August 18, 2010)
14. Letter from Stephen Kinkade CPA, (August 15, 2010)
15. Letter from Robert R. Lind, Berkshire Bridge Capital, LLC (August 18, 2010)
16. Letter from Henry C. Marshall Jr., Hunter, Keith, Marshall & Co., Inc. (July 27, 2010)
17. Letter from William H. McCance, Trust Advisory Group, Ltd. (August 18, 2010)

18. Letter from Michael Nicholas, Regional Bond Dealers Association (August 18, 2010)
19. Letter from Sinead O'Sullivan, Probitas Partners (August 18, 2010)
20. Letter from Luis Pimentel, IBG Trading Inc. (August 18, 2010)
21. Letter from Lisa Roth, National Association of Independent Broker-Dealers, Inc. (August 17, 2010)
22. Letter from Richard L. Sandow, Southlake Capital Advisors, Inc. (August 18, 2010)
23. Letter from Frank L. Smith, Foresters Equity Services, Inc. (August 5, 2010)
24. Letter from Holly H. Smith, Sutherland Asbill & Brennan LLP (August 18, 2010)
25. Letter from Howard Spindel, Integrated Management Solutions (August 18, 2010)
26. Letter from Bill Tirrell, Bank of America Merrill Lynch (August 19, 2010)
27. Letter from Cliff Verron, Citigroup Global Markets, Inc. (August 20, 2010)
28. Letter from Wendie L. Wachtel, Wachtel & Co., Inc. (August 16, 2010)

FINRA Regulatory Notice 10-33

On behalf many broker-dealers who wish to remain anonymous, the Real Estate Investment Securities Association (REISA) brings to your attention the following concerns regarding the proposed FINRA Rule 4524 (aka Regulatory Notice 10-33). These comments were obtained when REISA solicited comments from its data base of several hundred broker-dealers that specialize in Reg. D. offerings.

- This proposal is overkill and really hurts the small firms with limited manpower. Presently, we receive a small firm exemption due to limited management. The costs will definitely go up for FINOP and accounting expenses.
- This rule would hurt smaller firms because we have less revenue sources than the large broker dealers.
- The FINRA proposal is primarily flawed because it is applied to all BDs regardless of lines or volume of business. FINRA continues to ignore the small firm engaged in only M&A and institutional private placement activities who are complying with securities laws by becoming a broker-dealer. It seems they want to create more pressure for non-compliance.
- What is the purpose of routine exams? FINRA can and does look at everything already.
- It gets us no closer to early discovery of the fraudulent programs, when in fact, that's the real issue. The filing of FUCUS reports have not help in stopping firms from having financial issues. Bear Stearns and Lehman Brothers are an example.
- A broker-dealer (BD) will need to start tracking the different kinds of revenue every time a deposit is made. (i.e. If 20 small checks are deposited, now the BD will have to keep track of every kind of check when making a bank deposit. Some are from Reg D offerings, some are from public non traded REITS some are \$2.00 checks from mutual funds. Then these have to be allocated for a 3 month period.
- In our opinion this Rule would be costly for a broker dealer to implement. The tracking of each dollar received by category and maintaining a three month rolling average would be a large burned.
- This rule appears to unfairly impact smaller firms. This will be a bigger burden to the smaller firms because 10% of revenue being private placements will show up quicker than a large firm with lots of different revenue sources from many reps with different revenue sources. The 10,000 +/- firms with less that 50 registered representatives firms will be penalized.
- FINRA seems to be unfairly targeting all Reg D offerings right now.

This rule would hurt smaller firms because we have less revenue sources than the large broker dealers.

- As far as expenses are concerned, as long as a firm's net capital is in order, why would firms need to report expense detail? Firms already report commissions and clearing fees, and our auditor tracks all the different expenses at the end of the year, so detailed expense reporting is already shown on every firm's audited financials.
- With the merger of NASD/NYSE the big promise was the firms that were not dually registered would see no changes. Since the merger, there have been many regulatory changes, none of which benefit the investing public.
- The laborious preparation required by broker/dealer fin/ops in order to comply the proposed new FOCUS report requirements would most likely necessitate increased back-office staff, thereby causing unwarranted new expenses.
- Now if we go over the 10% rule we have to pull the offerings, break out the revenue and allocate everything. This cost us more hours on financials, which is already burdensome.

Regards,

Brandon Balkman
Executive Director
Real Estate Investment Securities Association (REISA)
10401 N. Meridian St., Suite 202, Indianapolis, IN 46290
www.reisa.org

bbalkman@reisa.org
Cell: 801-419-9610; Office: 317-663-4180; Fax: 317-815-0871

REISA Annual Conference
October 17-19, 2010
Paris Resort and Casino
Las Vegas, NV

Jvy League
Financial Services, Inc.

July 21, 2010

To Whom it May Concern:

We are against the proposed rule to require each member firm to file certain additional financial or operational schedules or reports to supplement SEC FOCUS Reports. The current reports provide sufficient details for FINRA to understand the Member Firms' business. The proposed rule would be a financial and time burden on firms who already have too much regulation and reporting requirements.

Signed,

Ted Beer

Broker Dealer Principal

The proposed rule is excessive and thus I encourage it be withdrawn:

- It adds materially to the burden of complying with the FOCUS report filing requirement
- Why does FINRA need to know such private information as occupancy costs, operational decisions like extent to which outside contractors are relied upon, etc. In what way is this information necessary for investor protection?
- Our firm does nothing other than private placements of Reg D offerings. We would be filling out the supplemental form all the time; we already observe extensive due diligence and informational recordkeeping that FINRA can check on request. It is duplicative to file this information as well.
- FINRA needs to recognize that the cost of compliance is material, and for small firms impacts the viability of our businesses.

Best Regards,

Thomas Boytinck

Thomas C.A. Boytinck

thomas.boytinck@farragutcapital.com

FARRAGUT CAPITAL LLC

+1 212 988 7633 Office • +1 917 855 6764 Mobile

Member FINRA/SIPC

Dear FINRA (Office of the Corporate Secretary)-

M.S. Howells & Co. is opposed to the proposed FINRA rule 4542. The language “each member shall file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate” is extremely broad and sweeping, giving the Broker Dealers little voice and control.

Also, concerning the proposed supplementary schedule for the Statement of Income (loss) page of the FOCUS Reports, M.S. Howells is also opposed. Further breaking down the P&L into these different products and categories will be more difficult, time-consuming, and may require new IT Technology, Software, and procedures making it more expensive for the average small broker dealer. Additionally, due to competitive reasons firms do not want to provide detailed departmental data.

Sincerely,
Curtis Christensen

Curtis Christensen

EVP-Chief Financial
Officer

Chief Compliance Officer

curtis@mshowells.com

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M.S. Howells & Co.

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**From: Martin Cohen, President
Balanced Financial Securities
CRD 7735**

I am a one man small broker dealer specializing in raising institutional capital for public and private companies. I have no retail client that would impact my financial condition. I assume there are many other small broker dealers that spend an inordinate amount of time keeping up with expanding rule requirements. I recommend that you provide for an exemption of this rule for smaller broker dealers.

Regarding Notice 10-33 it would appear that if FINRA has questions regarding "other" income or any aspect of a firm's Focus report, they would normally call and ask. We are a small institutional firm with a very limited product offering. The requirement to file a detailed report each quarter or month is somewhat onerous and completely unnecessary. We use an outside firm, Renaissance Regulatory, to prepare our financials and file our Focus. This new request would probably add to our workload, Renaissance's and that of FINRA unnecessarily. I certainly appreciate the need to qualify the information that you need to regulate, but this appears to me as a small firm owner to be overkill. The rules are currently in place to allow FINRA to ask about any particular area in the Focus report and it is our experience that when a question arises, we receive a call from our examiner.

Respectfully,

Richard F. Curcio



INTEGRITY
INVESTMENTS, INC.

Richard F. Curcio

President

221 Pensacola Road

Venice FL, 34285

(800) 242-9340 (toll-free)

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rcurcio@reitsales.com



Wilson-Davis & Co., Inc.
236 S Main
Salt Lake City, UT 84101
Tel: (801) 532-1313
Toll Free: (800) 621-1571
Fax: (801) 578-2823

Marcia E. Asquith, Office of the Corporate Secretary

It is our desire to comment on the proposed rule change and thus submit this e-mail. As a general comment, we are concerned about this major incursion into our operations and to the increased burden and costs placed upon us to account for each item coupled with the accompanying threat of sanctions for failure to be accurate. We are a small firm and will feel the impact of this regulator action much more directly than the larger firms.

Specifically we state the following:

1. Some of the line items in the proposed supplement are vague and misleading for example it states "when revenue...exceeds 10 percent of total revenue". Does total revenue refer to like items; this month only; this quarter, etc.
2. The quantity of line items is overwhelming especially to smaller firms.
3. If this information is essential there should be a threshold level that would exempt smaller firms who would experience increased costs when filing a monthly FOCUS.
4. We envision future examinations bringing punitive action against a firm for improperly reporting income and expenses by the new list of line items and thus subjecting the firm to "falsifying or keeping inaccurate books and records" with accompanying sanctions large or small.
5. You have stated that "this information is needed for the protection of investors". Can you be more specific in this claim. Detailed information may be interesting but not always as helpful as projected.
6. You have stated that "additional information...gives FINRA a more complete and detailed view of a member firm's business operations." This is probably desirable but routine exams do the same without adding this heavy burden on accounting for the numbers each month.
7. This rule change will cause programming costs but will not bring added benefits to the broker/dealer.

Lyle W. Davis
Sec/Treas
Wilson-Davis & Co., Inc.

To Whom It May Concern,

Please see attached comment on proposed FINRA Rule 4524 and consider limiting the required supplemental information.

Regards,

Aileen Gallagher

Comment on proposed FINRA Rule 4524

I am FINOP of a small broker dealer with limited resources. My understanding is that proposed FINRA Rule 4524 requires filing a detailed breakdown of each revenue and expense category shown on Schedule B's Proposed Statement of Income (Loss) with each Focus Report.

Preparing and reporting this degree of detail would be an extremely time consuming process, which would add an unreasonable work load on limited staff of small BDs and possibly require an increase in staffing that would not be offset by increasing revenues. Please consider limiting the required supplemental information to the general categories rather than subcategories for each income and expense item. A description of other revenue/other expenses that are 10% or more of total revenues/total expenses is reasonable.



**FIRST ASSET
FINANCIAL Inc.**
Member SIPC ♦ FINRA

Robert Hamman, President

**110 East Iron Ave.
Salina, KS 67401**
(785) 825-5050
Fax (785) 823-9207

August 17, 2010

Attn: Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 2006-1506

Re: Regulatory Notice 10-33

Dear Ms. Asquith:

In regard to your proposal for additional reporting from member firms, I find that such proposal comes at a time when FINRA is losing membership in significant numbers. This heightened reporting will, no doubt further that exodus of members.

As a “minimum capital” broker dealer, we perform “riskless principal” transactions. It is not clear under the line items in Regulatory Notice 10-33 whether we would be required to report those transactions. If we are required to do so, it is additional work, time and effort and the information is truly meaningless to FINRA as we do not take down inventory to participate in such activity. It is really not significantly different than a straight commission trade. Hence, it appears you are asking for additional work from members for no reason or beneficial outcome for either party.

The timing of this additional reporting is very poor. Our business is down and we don't need additional expenses of changing our bookkeeping system. I can't imagine the disruption and expense a larger firm would face as a result of this proposal being instituted.

This is a significant change in reporting and its impact on firms should be considered. I oppose this proposed change based on the fact that it will increase expenses and there has been no definitive statement by FINRA exactly how the reporting will increase the ability of FINRA to identify problematic situations any earlier than with current reports.

Sincerely,

Robert L. Hamman
President & CCO



Allegheny Investments

Stone Quarry Crossing, 811 Camp Horne Road, Suite 100, Pittsburgh, PA 15237 p 412-367-3880 f 412-367-8353

We have reviewed Regulatory Notice 10-33 regarding Supplemental FOCUS information when preparing and submitting monthly and quarterly FOCUS reports.

We understand and appreciate FINRA's efforts to capture more detailed revenue and expense information in an effort to provide more transparency into member firm's business activities. However, we do have concerns regarding the additional costs to member firms of complying with the rule and with the application of the "10 percent" rule.

In recent years, member firms have had to add staff (and related costs) to their accounting and compliance departments in order to comply with the additional reporting requirements from FINRA and the SEC. We do understand the importance of compliance in our industry and how the regulations are meant to protect the consumer. Furthermore, we have found many of these requirements to be common sense, helpful, and easy to implement. However, there are also requirements that have little or no application to firms our size. The cost of implementation of procedures and controls necessary to comply with them is prohibitive.

We are a small broker dealer. If these new requirements are implemented we estimate that each month it will take us five or six times as long to prepare the FOCUS report. We acknowledge that the information contained in the report would not only be useful to FINRA, but to the member firm to better analyze and monitor their business. However, given the time required to complete the form and the benefit derived, we submit that there are more cost effective methods of accomplishing the same goal.

FINRA has always had the authority to request additional information when required. The firm's core examiner could request that this form be completed on an "as needed" basis. The form could also be completed for a set period as a part of the periodic examination of the firm. FINRA might also consider only requiring that this information be submitted annually with the audit report. If needed the core auditor or the audit team could request that this information be submitted on a more frequent basis, as needed.

According to the proposed regulation additional reporting would only be necessary when a member firm's underwriting and/or selling group activities exceed 10% of total revenue. The rule does not clarify whether this calculation is to be performed on a monthly or annual basis. If on a monthly basis, is the report only due for the month in which these fees exceed 10%? It would be quite possible (and even likely) that firms would be required to report the detailed information in one month but not the rest of the year. Again, perhaps this report could be implemented on an annual or otherwise random basis, with the same effect and less expense.

Thank you for the opportunity to make comment on the proposed regulation and please consider clarification of the required application of this rule.

Sincerely,

Stephen T. Hawbaker

Stephen T. Hawbaker

Vice President of Finance

Allegheny Investments, LTD FINRA member firm CRD# 7597

This proposal would cause an undue burden on small member firms. Not only in extra work, but a huge expense both in accountant man hours and the complete reworking of software systems to capture this information. We have about 14 brokers and we do not have a full time accountant on staff.

Let me state the obvious....Business is way down for small firms. Small firms are still trying to maintain a high level of service and a real relationship with their clients. That alone is the best protection for the customers.

This proposal, along with the Dodd-Frank financial reform bill may cause the Small firms in the industry to close their doors. The expenses incurred by small firms over the past five years due to additional compliance regulation has been an extreme drain on budgets and bottom line profitability. Most companies have gone from having the principals of the firm both run operations/ or compliance and still have a productive book of business to help offset their salaries. In the current environment of over regulation, these operational and compliance jobs have not only become full time, but also require additional staff to be hired to support these efforts. The Patriot Act and AML requirements have been eroding small firm profitability for the past few years.

These new regulations will punish the small business entrepreneur, and will be of no real consequence to the large firms with their in house counsel and the lobbyist pushing for loopholes.

I strongly and respectfully object to the Proposed 10-33

Camille Hodges Hays
Chief Operating Officer
Hodges Capital Management
First Dallas Securities
2905 Maple Avenue
Dallas, TX 75201
214-954-1177
chodgeshays@hodgescapital.com



August 17, 2010

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

Re: Regulatory Notice 10-33/Proposed FINRA Rule 4524,
Supplemental FOCUS Information

Dear Ms. Asquith:

The Capital Committee (“the Committee”) of the Securities Industry and Financial Markets Association (“SIFMA”) has reviewed the above Regulatory Notice (“the Notice”). As outlined, firms would be required to submit additional financial and operational information pursuant to the schedule set forth in the Notice as a means of supplementing the current SEC FOCUS reports. The Committee has the following observations and recommendations:

- We would recommend that reporting be on a quarterly basis. Many firms as a matter of course have more detailed reporting requirements -- both internal and external -- on a quarterly basis, which would facilitate this additional FINRA reporting while limiting the need for additional resources.
- Supplemental P&L should be filed within the time frames for current supplemental reporting and not on the FOCUS filing date. This would minimize the claim on resources and be consistent with other reporting time frames.
- The request for trading P&L should be based on established units (a business view, not a product) within a firm, such as a trading desk (or cost center), as such units typically use various products to hedge their main trading product. For example, a firm’s corporate debt trading desk is very likely to use government securities and interest rate swaps to hedge their positions. It would be our recommendation that all of the P&L for that desk be contained in the corporate debt category, notwithstanding that some transactions including non-corporate debt would be included.

- A separate P&L category should be established for GAAP Accounting Adjustments that do not represent revenues or expenses that would be realized by the Firm (i.e. FASB 167). This category should be below the Total FOCUS Revenue line in order to keep these accounting adjustments from flowing into the various assessments that utilize the FOCUS Revenues as the basis for calculation.

In addition, the Committee had an opportunity to review a draft of the proposed schedule earlier this year. At the time we commented that many firms organize revenue information around their own definitions of business lines rather than by product categories, particularly with respect to trading activities. At the time, the Committee conducted an informal survey of its member firms and determined that none of the firms' data systems were currently capturing all of the financial data that would be required by the proposed schedule, thus creating significant barriers to ensuring full compliance with the proposed requirements. While the circumstances of each firm varied depending upon a number of factors, all indicated that they would need substantial time to make the operational and systems changes that would be necessary under the proposal.

Consequently, the Committee respectfully requests that if FINRA adopts the Notice, that it consult with member firms to ensure that an implementation date is chosen which will provide sufficient lead time for a smooth transition to the new rule.

If you have any questions about our letter, please feel free to contact the undersigned at 212-902-1360 or the Committee's staff advisors, Jerry Quinn (212-313-1207) or Kyle Brandon (212-313-1280). Thank you.

Sincerely,

Mark Holloway,
Chairman
Capital Committee

WEDBUSH

August 18, 2010

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

Re: Proposed Rule for Supplemental FOCUS Information

Dear Ms. Asquith,

Wedbush Securities Inc. (WS) appreciates the opportunity to provide the Financial Industry Regulatory Authority (FINRA) with comments on the proposed rule requiring the filing of supplemental FOCUS Information and on the proposed supplementary schedule to the Statement of Income (Loss) Page of FOCUS Report Parts II and IIA.

WS is a self-clearing broker registered with the SEC under Section 15 of the Exchange Act. WS executes and clears trades for retail clients, institutional clients, proprietary accounts and those of its correspondent broker-dealers (which also include computer algorithmic trading firms, hedge funds, electronic communications networks, network service providers and other high volume electronic trading entities). WS has been among the top liquidity providers on NASDAQ for NASDAQ and/or NYSE listed stocks since June 2006. Accordingly, WS is a major provider of both liquidity and volume in the U.S. securities markets.

WS believes that the FOCUS report (including the Statement of Income (Loss) page) should be prepared on a basis that is consistent with generally accepted accounting principles ("GAAP"), which requires transactions done as a principal to be reported gross, and transactions done as an agent on a net basis. There is little clarity in the proposed rule as to whether and in what circumstances revenues and expenses should be reported on a gross or net basis. The reporting of inappropriately "grossed up" revenues and expenses will result in an unfair collection of SIPC assessments, FINRA annual member regulation fees and SIFMA dues, since these fees are computed based on revenues reported on FOCUS. These fees may be duplicated over multiple member firms, since the same revenues may be reported by more than one entity. Examples are outlined below:

1) Commissions earned from transactions with clients of correspondent firms. The proposed rule should clarify that the clearing firm should not report as FOCUS revenues the gross commissions collected from the correspondent firm's clients. Instead, the clearing firm should report revenues equal to the amount of the fee charged to the correspondent for execution and clearance for the transaction, i.e. the commission received less the commission rebated to the correspondent.

2) Interest. There are many instances when "net interest" is more relevant as a management and analytical tool. In a matched book business (whether "conduit" for securities lending, or for repurchase activity) reporting the spread earned is more relevant than the gross income on the long side and gross expense on the short side. The proposed rule should allow for reporting interest on a net basis for such matched book or other relevant "hedged" activities.

3) Reimbursable expenses. Expenses incurred by the firm that are paid on behalf of others (whether for clients, affiliates or others) with the amounts recovered from the other entities, should not be reported as expenses of the firm. Such activity generally indicates that the firm is acting as an agent and the expense is normally recorded in financial statements directly as a receivable from the other entity. Alternatively, if FINRA wishes to see the amount of expenses paid by the firm on behalf of others, then the same category should include a "contra expense" line to show that the expenses have been recharged and show any under or over-recovery of the expense.

4) Rebateable income. Conversely, a firm that receives income on behalf of others and pays (“rebates”) such income to those others should show the amount as a payable, or at least show the revenue with an offsetting “contra revenue” line in the same category to indicate the amount rebated and any difference between the total of receipts and payments.

5) “Soft dollar costs.” The proposed rules requires the reporting of “Soft dollar costs” as an expense. The income that is directly related to the expense is included in commissions, thus resulting in the gross-up of revenues. The rule should provide that soft dollar costs incurred for institutional clients may be netted against institutional commission revenues, especially since the firms are acting as a paying agent and not as a principal. In other words, because they are not the expenses of the broker-dealer, soft dollar costs should be treated as pass-thru costs and should be shown net of associated revenues.

6) “Business expenses of other broker-dealers” and “Business expenses of affiliates or subsidiaries.” Broker-dealers generally expect to be reimbursed for business expenses incurred on behalf of other entities. If reimbursable expenses are to be recorded as expenses, then the proposed rule should provide a line that allows the reimbursement to be reported as a contra expense. Without such treatment, firms would report the reimbursement as revenues.

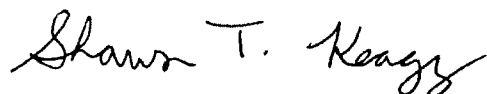
7) “Commission rebate/recapture.” It is unclear what should be included in “Commission rebate/recapture,” but if it is related to commission or rebate income then this line should an offsetting “contra revenue” rather than an expense so that there is no gross-up of revenues.

8) “Fees Paid Under a Service Level Agreement to Vendors and Outsourcing Providers.” Because other expense lines conflict with “Fees Paid Under a Service Level Agreement to Vendors and Outsourcing Providers,” this expense line should be either clarified or removed. For example, the proper classification of expenses paid to a third party for data processing services could be reported in either or both “Technology, data and communications” or “Fees Paid Under a Service Level Agreement to Vendors and Outsourcing Providers.”

The proposed rules seek to incorporate informational details (such as “Costs incurred on behalf of affiliates or clients”) into the Schedule of Income (Loss), but in so doing, the Schedule of Income (Loss) is no longer consistent with GAAP. Many of the line items in the proposed rules suggest improper gross-up revenue reporting, which is not only inconsistent with GAAP but would also result in unfair increases in industry costs. Instead, the items should be reported as informational lines elsewhere on the FOCUS report rather than in the Schedule of Income (Loss).

In conclusion, WS believes that FINRA should provide member firms with more guidance on the expected content for each category of revenues and expenses to avoid differing interpretations and inconsistent reporting. Thank you for the consideration of our comments. Please feel free to contact me at (213)688-4516 to discuss them in more detail.

Respectfully,



Shawn T. Keagy
Vice President

August 15, 2010

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

Dear Sirs,

In response to your request, the following are my comments on the proposals included in FINRA Regulatory Notice 10-33:

1. The proposed "additional financial or operational schedules or reports" appear to be unduly burdensome. FINRA already has the authority to request any and all information about broker-dealer financial and operational matters whenever it deems such information to be useful. In fact, FINRA does make regular inquiry of broker-dealers whenever any deviation from the norm appears on a filed Focus report. The 10-33 proposal moves the additional burden of such additional reporting from an exception basis to an ongoing routine basis.
2. To the extent that any additional financial or operational information IS needed on a ongoing basis, such information should be gathered by FINRA via a modification of the existing FOCUS reporting system rather than the imposition of additional and duplicative schedules or reports. In order to avoid expanding the existing FOCUS Statement of Income from the currently mandated 27 line items on 1 page to the proposed 124 line items on 4 pages, toggle switches could offer multiple subcategory selections on Statement of Income entries to the FOCUS IIA report, similar to the toggles currently offered on items 4550 through 4695 on the existing FOCUS IIA report.
3. Existing broker-dealer reporting systems often do not supply information by product or other categories as requested in the proposed Statement of Income. For example, principal trading gains are often captured from trading accounts "by trader" rather than "by product" in order to capture the total trading revenue produced by each trader (to in turn compute the commission payout to each trader). Any single trader may trade multiple categories of securities in a single account, including equities, US Govts, Municipals, and Corporate Debt. In order to capture such income data by product would require a trading account for each product category for each trader, which in turn would exponentially expand the burden to capture and report such data by product category.
4. Broker-dealers who transact business on a fully-disclosed basis with a clearing broker are usually at the mercy of the clearing reports supplied by the clearing broker. Often such reports do not break down income by category, or do so in such an obtuse manner that sorting out the data is unduly burdensome.
5. Many of the expense categories in the proposed Statement of Income are not mutually exclusive. Without clear definition, reporting by broker-dealers will be inconsistent and therefore useless or misleading. In the broader view, FINRA should be required to specifically

articulate to the SEC and to its member firms how its understanding of a broker-dealer's categorization of expenses is at all necessary or appropriate for the protection of investors or in the public interest.

6. The most egregious expansion of categories in the proposed Statement of Income is the expansion of "provision for income taxes" into four categories: federal current, federal deferred, other (state) current, and other (state) deferred. Virtually no broker-dealer or other business prepares the complex, time-consuming analysis of deferred taxes more often than annually. Further, few if any regulatory examiners appear to understand the sources or implications of deferred taxes. While deferred tax assets and liabilities have impact on the computation of net capital at fiscal year end, the breakdown of deferred provision vs current provision on the income statement has no regulatory significance.

7. Any requirement for expansion of reporting categories should be accompanied by a clear statement by FINRA that such extended categorization is required only for amounts which are material to the financial statements of the broker-dealer. After all, SEC Rule 17a-5 states that broker-dealer financial statements are to be prepared in accordance with generally accepted accounting principles, and such principles do include a materiality principle which is often ignored by regulatory examiners.

8. Imposing Operational Page reporting on offerings "to extent revenue...exceeds 10% of Total Revenue" creates an unfair bias against and burden upon smaller firms, who would likely be required to provide such information on substantially ALL offerings, whereas larger firms would RARELY be required to report ANY such operational information. If such information is of significance to and required by FINRA, it should be applied to all offerings in excess of a fixed (and material) dollar offering amount, rather than offerings "in excess of 10% of Total Revenue".

9. Any Operational Page reporting should be disassociated with Financial reporting for any broker-dealer filing Focus Part IIA (not filing Focus Part II). The broker-dealer personnel who are knowledgeable about the data reportable on the proposed Operational Page are usually not the same personnel who capture and report Financial information. The reporting of Operational data should have its own format, frequency, and deadline schedule separate and apart from the format, frequency, and deadline schedule for FOCUS Part IIA financial data.

10. It appears clear that FINRA is morphing the broker-dealer financial reporting system away from its original purpose of "demonstrating compliance with financial responsibility rules" into a new purpose of "providing FINRA an ongoing understanding of each firm's business operations". It appears that FINRA seeks the "benefit of additional information" without reasonably considering the cost to member firms of providing such additional information. The suggestion of requiring additional (and duplicative) financial reports instead of modifying the existing FOCUS reporting system suggests a disturbing FINRA insensitivity and disconnect with the concept of cost-benefit analysis. The proposals for Operational Page reporting are clearly and unfairly burdensome to smaller broker-dealers (Comment #7 above). In aggregate, the proposals of Regulatory Notice 10-33 are unduly burdensome to all broker-dealers.

Respectfully submitted,

Stephen Kinkade CPA
Financial Principal
San Rafael, CA

If you do ask for additional information, you might want to separate “securities revenue” from Consulting/Advisory revenue unrelated to SIPC insurance. Specifically, M&A banks receive “fees” for services and which may not relate to a securities transaction. We then must explain to SIPC the difference when paying our annual fees.

Robert R. Lind
Managing Director
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Member: FINRA/SIPC

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I would certainly hope that the proposed rule, if implemented, would be applied only to those firms which are of a certain size with respect to employees and revenues.

As principal of a one man firm dealing only in corporate financial advisory functions, the proposed detailing of income and expenses is onerous and non-productive. To me it represents yet another proposed regulation where one size fits all. The detailing of the 5 largest unregistered securities issues in various categories also is unproductive in that this could include all unregistered issues without any quantification as to size except with respect to the number done by the reporting firm. Does FINRA truly want to know about every private placement issue down to less than \$1 million?

Again, other than the quest for additional information, which will require substantial additional staff time for both the BD and FINRA, this proposed Rule 4524 seems like regulatory overkill in the instance of most of the BD's, particularly those considered to be small which comprise around 4800 and where the financial cost of increased reporting is most destructive to profitability

Henry C Marshall Jr.
Hunter, Keith, Marshall & Co., Inc
450 Seventh Ave. Suite 1505
New York, NY 10123
212-736-6140 Office
212-629-4391 Fax
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In our opinion this Rule would be costly for a broker dealer to implement. The tracking of each dollar received by category and maintaining a three month rolling average would be a large burden.

This rule would hurt smaller firms because we have less revenue sources than the large broker dealers.

The filing of FUCUS reports have not help in stopping firms from having financial issue. Bear Stearns and Lehman Brothers are an example.

Sincerely,

William H. McCance, President



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Reading, MA 01867
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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.

Page 3

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 "M. Nicholas".

Michael Nicholas
Chief Executive Officer

I am responding to your request for comment on FINRA Regulatory Notice 10-33.

We are a small firm (about 30 employees) with limited financial systems and staff resources. We are concerned about additional administrative burden this additional reporting would place on smaller organizations like ours. The granularity required appears to be geared toward larger firms but places a significant burden on smaller firms.

We keep books and records in order to

- Comply with GAAP
- Satisfy our own internal management reporting in order to manage our business operations.

The groupings required, particularly on the expense side, are not necessarily in line with how we group our data today for the above purposes. Therefore, a significant amount of manual grouping would need to be performed for each FOCUS filing in order to provide the data required. It is unclear how providing expense data in categories such as "Technology, data and communications costs" and "Occupancy Costs" would provide a more detailed view of our business operations that would facilitate discharging your regulatory obligations.

I appreciate the chance to respond. Please let me know if you have any questions regarding my comments.

Sincerely,

Sinead O'Sullivan

Financial Controller

On behalf of Probitas Funds Group, LLC.

Probitas Partners

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Dear Sir/Madam,

We strongly support FINRA's intention to request supplemental FOCUS information from member firms as it is ultimately in the public interest or for the protection of investors. We do believe the information contained in this report should be as transparent and detailed as possible. Transparency and details play a key role in helping understand the business goals and operations of any firm, and they can ultimately lead to gain public trust.

Luis Pimentel
FINOP
IBG Trading Inc. (Firm ID 109819)
1691 Michigan Avenue
Suite 240
Miami, Florida 33139
305-492-7450



August 18, 2010

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

Re: Regulatory Notice 10-33
Proposed Rule Requiring the Filing of Supplemental FOCUS Information and
Supplementary Schedule to the Statement of Income (Loss) Parts II and IIA

Dear Ms. Asquith:

The National Association of Independent Brokers-Dealers, Inc. (NAIBD or the association) was formed in 1979 to positively impact rules, regulations, and legislation by facilitating a consistent, productive relationship between industry professionals and regulatory organizations. The association is national in scope with 350+ Broker-Dealer and Industry Associate Members.

We support the initiative to gather additional detail regarding firms' finances and operations for the purpose of staying tuned in to industry and membership trends. Notwithstanding this, we believe that the proposal is overly broad in some respects, and not adequately flexible in others.

In general, to balance scope with impact, we suggest that additional detail be required only for those line items exceeding a fixed threshold of more than one dimension. We suggest a diminimus threshold in the range of 5-10% along with a dollar amount of \$25,000. We believe this recommendation is consistent with the 10% threshold already incorporated in certain parts of the data sheet, and that it will serve to decrease any unnecessary burden on small firms.

As an alternative to this recommendation, we suggest that implementation be staged as a series of pilots, beginning with clearing firms, then gradually covering the membership by firm size, specifically, in descending order, so that small firms are afforded the benefit of time and experience, before the complete requirements become effective across the board.

As proposed, we are concerned that the level of detail required for unregistered offerings unfairly targets investment banking firms, which will always meet the 10% income threshold requiring supplemental information. This aspect of the rule should be reconsidered because it is overly burdensome on this category of firm with no proportionate value to the regulator. To balance the impact on small firms, FINRA should consider adding a minimum dollar value threshold (such as \$25,000), below which these particular additional reporting requirements would not apply.

Further, we are concerned that the amendment as proposed presents issues related to the level of confidentiality inherent to private deals. Most investment banking engagements entail a high

level of confidentiality on all terms and conditions of the offering, even post-closing. Broker-dealers specializing in restructuring/distressed situations are frequently bound to confidentiality by U.S. bankruptcy laws that would preclude the release of certain information.

In addition to raising specific contractual obstacles, there may be other unintended consequences. For instance, requiring FINRA member firms engaged in such highly sensitive banking deals to disclose detailed deal information to FINRA may cause issuers seeking to raise debt or equity in the private capital markets to work with an intermediary that is not subject to such stringent reporting guidelines in order to maintain confidentiality.

In order to comply with the enhancements proposed in Regulatory Notice 10-33 broker-dealers would have to modify their general ledger to align to the new income and expense categories proposed by FINRA. The proposed effective date of the new rule may or may not align with a particular firm's fiscal year end, and any modifications to the general ledger made in the midst of a fiscal year could cause inaccurate or confusing books and records. For this reason, we request that FINRA consider implementation on a firm-by-firm basis, within a reasonable time of each firms' fiscal year end.

We recognize that information requested by the Operational Page Supplement (for Firm Underwriting and Selling Group Arrangements) is identical to the information the regulator routinely requests by email upon following a blue-sheet transaction. If this supplement is incorporated as represented in this proposal, we believe that the separate FINRA information requests are redundant. As such, should the rule be implemented as proposed, we suggest that FINRA cease routinely requiring firms to provide this information on an individualized basis.

Because the additional requirements for supplementary information represent a sweeping change, and with concern regarding the extent to which specific line items may prove to be missing or irrelevant over time, we object to the aspect of the proposal that would allow FINRA to make direct rule filings with the SEC, and request instead that the regulator's customary rule cycle beginning with seeking member comment continue to be observed.

We suggest that the FINRA draft and distribute a subsequent information notice to clarify and better define items such as "insurance costs" (does this include health insurance?), and also to describe the extent to which firms are permitted latitude in reporting (input for items such as 'technology, data and communications' might vary greatly from firm to firm).

Above all, we urge FINRA to make good on a commitment that it represents is the underpinning to the rule proposal: a more focused examination program. Surely with this detailed supplementary financial and operational data, FINRA will have information that will enable it to segment the membership such that the regulator's examination efforts can be fine-tuned, contributing to an inspection process that is both meaningful and effective.

NAIBD appreciates the opportunity to comment on the proposed rule noted above. We hope that our expressed views will have constructive value.

Best regards,

Lisa Roth
Chair, NAIBD Member Advocacy Committee

Ladies & Gentlemen;

This afternoon, I received your weekly regulatory email. And contained therein is Notice to Members 10-33, in which you propose to dramatically expand financial reporting for broker/dealers. I am extremely upset to see that your cutoff for public comments is the very day on which you sent the notice. I also see that your weekly notice was time stamped at 4:29PM CDT. Why in the world would you ask for public comments and then send out the notice with only 1 minute of time to respond? This is the absolute height of bureaucratic and regulatory arrogance. FOR SHAME.

There may be many valid reasons for expanded financial reporting. And I certainly don't object to the concept. But you do everyone a grave disservice by not allowing the public the opportunity to study the matter and offer comments that have been carefully considered.

Respectfully submitted,
Richard Sandow

Richard L. Sandow, President
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This Supplemental Focus Information requirement will necessitate substantially more work creating additional, heavier burdens on already time-and-resource challenged firms.

Perhaps FINRA might consider developing this supplemental information form in an EXCEL spreadsheet format that is easily transportable into most firms' existing financial reporting systems permitting faster automation and smooth transition. The unfortunate alternative is to further burden all firms regardless of size and perhaps be the proverbial "straw that breaks the camel's back" for some of our smaller broker-dealers.

Frank L. Smith
President
Foresters Equity Services, Inc.
Member, FINRA, SIPC

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August 18, 2010

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

VIA Electronic Mail

**Re: Regulatory Notice 10-33: Supplemental FOCUS
 Information**

Dear Ms. Asquith:

This letter is submitted on behalf of our client, the Committee of Annuity Insurers (the “Committee”), in response to the publication of Regulatory Notice 10-33, “Supplemental FOCUS Information” (the “Notice”).¹ The Notice proposes a new FINRA rule (Rule 4524) and a new supplementary schedule (the “Proposed Schedule”) to the Statement of Income (Loss) page of FOCUS Report Parts II and IIA. We thank you for your solicitation of comments on this important proposal.

Our comments below first address the Proposed Schedule and then comment on proposed Rule 4524. For the reasons stated below, the Committee does not believe that a new form of financial reporting should be adopted at this time. The Proposed Schedule introduces many new items of revenue and expense that would need to be made consistent with the FOCUS Report, possibly through the development of instructions. This work will take significant time and energy on the part of member firms and regulators at a time when there are other pressing needs. If a new form of financial regulatory reporting is determined to be needed, we firmly believe that there are alternatives to the Proposed Schedule that should be explored.

¹The Committee of Annuity Insurers is a coalition of 31 life insurance companies that issue fixed and variable annuities. The Committee was formed in 1981 to participate in the development of federal securities law regulation and federal tax policy affecting annuities. The member companies of the Committee represent more than 80% of the annuity business in the United States. A list of the Committee’s member companies is attached as Appendix A.

Ms. Marcia Asquith
 August 18, 2010
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I. The Proposed Schedule

The Notice proposes that member firms file the Proposed Schedule with FINRA in addition to filing their FOCUS Reports. The Proposed Schedule – although characterized in the Notice as a supplement to the FOCUS Report – would require all member firms to report new revenue and expense items and use different account groupings than are currently used in the FOCUS Report. In this regard, we estimate that the Proposed Schedule would require member firms to report revenue for one (1) new category and approximately fifty (50) new sub-categories that are not reported on FOCUS Parts II or IIA; Part II filers would report expenses for eight (8) new categories; and Part IIA filers would report for eleven (11) new expense categories. Part II and IIA filers would each report expenses in sixteen (16) sub-categories that are not reported on FOCUS Parts II or IIA.

Comments. The Committee has a number of concerns with regard to the Proposed Schedule. Our primary concern is that the Proposed Schedule will unnecessarily lead to member firm and regulatory confusion because it is not a supplement to the FOCUS Report; it is a new report. We believe that, rather than adopt a new reporting form at this time, FINRA should look for alternative ways in which to augment the information already provided in the FOCUS Report.

We also believe that the legal status of the Proposed Schedule under the Securities Exchange Act of 1934 (the “Exchange Act”) would need to be established before a new reporting form is developed so that member firms and their outside auditors understand how that form of reporting fits into Exchange Act requirements, *e.g.*, member firm annual audits. Finally, we are not aware of a compelling regulatory need for a new form of financial reporting at this time and, given other pending regulatory proposals and studies (*e.g.*, the re-examination of SEC Rule 12b-1 and rules emanating from the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act), we question whether now is the best time to undertake such an initiative.

The following paragraphs elaborate on our concerns.

A. Two Different Reporting Schemes Will Lead to Member Firm and Regulatory Confusion and Inconsistencies Among Member Firm Reports

In analyzing FINRA’s proposal to adopt the Proposed Schedule, the Committee compared the line item reporting requirements of the Proposed Schedule to those of FOCUS Parts II and IIA. The differences the Committee noted between the FOCUS Report and the Proposed Schedule are shown in the charts included in Appendix B to this letter.

The charts illustrate several important points:

- The Proposed Schedule is a new report independent from the existing FOCUS Report. It lists categories that do not correspond to or supplement the categories in the Statement of Income (Loss) page and requires non-financial information to

Ms. Marcia Asquith
 August 18, 2010
 Page 3

be reported. For example, eight (8) new categories of expense have been added for Part II filers: (1) costs incurred on behalf of affiliates or clients; (2) fees paid under a service agreement to outsourcing providers; (3) finder fees; (4) research; (5) professional fees; (6) litigation, settlement, restitution and rescission related costs; (7) insurance costs; and (8) other expenses, which are categories amounting to 10% or more of total expenses. Non-financial items such as the registration exemption relied upon and the total number of customers to whom securities were sold would be part of the Proposed Schedule.

- Member firms will need to maintain two financial reporting systems – one for the FOCUS Report and another for the Proposed Schedule.
- Each member firm will have to devise its own solution for dealing with inconsistencies between reporting requirements for the FOCUS Report and the Proposed Schedule – in this regard, we note that there are instructions to the FOCUS Report but no instructions for the Proposed Schedule.
- Each member firm will need to develop its own definitions for terms used in the Proposed Schedule and try to reconcile FOCUS Report instructions with those terms.

Below are several examples to illustrate our points.

Example 1: Revenue Reporting

Member firms currently report revenue from the sale of mutual funds as a single line item on Parts II and IIA of the FOCUS Report.² Member firms separately report fees received for account supervision, investment advisory and administrative services, with no underlying sub-categories.³ The Proposed Schedule would require member firms to report SEC Rule 12b-1 fees and “Other Mutual Fund Revenue” under the new “Fee Income” category, each as a separate sub-category.

In this example, the Proposed Schedule appears to require a member firm to report various fees received in connection with mutual fund sales in different combinations and breakdowns than on Parts II and IIA. This difference raises a number of questions. For example, should member firms try to match the numbers reported for mutual fund revenue on Parts II and IIA to the number represented by the sum of 12b-1 fees and “Other Mutual Fund Revenue” on the Proposed Schedule? Would it be permissible for a member company to report two sets of numbers that do not equal each other?

² See FOCUS Part II item 6 and Part IIA item 5.

³ See FOCUS Part II item 7 and Part IIA item 7.

Ms. Marcia Asquith
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This example illustrates one of the problems we see with the Proposed Schedule: numbers reported on the FOCUS Report and the Proposed Schedule will not automatically “match.” Every firm will either have to work “backwards” in order to populate the FOCUS Report with numbers from the Proposed Schedule, manipulating those numbers as necessary to make them work, or in the alternative, simply let any inconsistencies between the Report and the Proposed Schedule go unreconciled.

Example 2: Expense Reporting

Member firms currently report “promotional costs” in Part II as a separate category of expense. Part IIA does not have a line item for promotional costs. The Proposed Schedule would require Part II and Part IIA filers to report “Promotional fees” without any additional sub-categories. The Proposed Schedule, however, also contains a new expense category titled “Costs incurred on Behalf of Affiliates or Clients,” which consists of four sub-categories. Two of the sub-categories – “Business Expenses of Other Broker-Dealers” and “Business Expenses of Affiliates or Subsidiaries” – could include promotional items.

This example illustrates another problem with the Proposed Schedule: it does not define key terms or provide guidance regarding how a member firm should classify items that can be classified in multiple ways. Another example of the problem created by the lack of instructions relates to accounting for compensation costs. Currently, member firms report commissions paid to other broker-dealers in a separate line item on FOCUS Part II.⁴ The Proposed Schedule contains no line item for this expense; instead, it contains a line item for “Compensation paid to producing associated persons” (without indicating whether this item should include compensation paid to other broker-dealers who pass commissions along to their registered persons).

Example 3: Revenue Reporting

The Supplement would require additional information with respect to a member firm’s registered and unregistered debt and equity offerings. It would also impose an additional reporting obligation when revenue from unregistered offerings exceeds 10 percent of total revenue. Under this additional reporting obligation, member firms would be required to provide additional information regarding unregistered offerings on a new “Operational Page.” The Operational Page contains thirteen (13) reporting items, including minimum and maximum offering amounts and percentage information from the offering memorandum regarding the member firm’s use of proceeds.

⁴ See FOCUS Part II item 17 and FOCUS Report General Instructions discussing reporting for commissions and floor brokerage.

Ms. Marcia Asquith
 August 18, 2010
 Page 5

This example illustrates the need for clarity with respect to the intended reach of certain reporting items, in this case, items related to registered and unregistered offerings. Current FINRA rules (specifically Rule 5110) exclude insurance products from certain filing requirements. The Committee requests clarification that insurance products, variable and non-variable, would not be covered by the new reporting requirements for registered and unregistered offerings. This example also illustrates the fact that the Proposed Schedule goes beyond reporting revenue and expense numbers because it calls for details regarding the legal status of offerings and other non-financial information, such as the total number of customers to whom securities were sold.

The Committee believes that having two different reporting forms and methodologies will inevitably lead to member firm and regulatory confusion. Differences in reporting among member firms will burden SEC and FINRA examiners and other staff and member firms as everyone questions what methodology a particular firm used to report its results and whether that methodology is consistent with regulatory objectives. There may be situations where there is no “right” or “wrong” answer to certain classification issues but it will take significant time to work through classification and other interpretative issues. The Committee believes that, without detailed guidance from FINRA, member firms will make different decisions, on an ad-hoc basis, regarding how best to classify various items and reconcile the two different reports. There may also be GAAP reporting issues.

These examples are intended to highlight the many issues raised by the Proposed Schedule and the substantial burden that would be imposed on member firms. For the reasons stated below, the Committee does not believe a new form of regulatory reporting should be adopted at this time; if, however, FINRA wants to pursue a new reporting scheme, the Committee urges FINRA to work with an advisory group of member firms on issues raised by that scheme.

B. The Legal Status of the Proposed Schedule Under SEC Rule 17a-5 is Unclear

The Proposed Schedule is described in the Notice as a supplement to the FOCUS Report but there is no discussion in the Notice regarding how the Proposed Schedule fits within the legal framework created by Section 17 of the Exchange Act and Rule 17a-5 thereunder. For example, FOCUS Reports and the requirement to file them are mandated by Rule 17a-5 but Rule 17a-5 does not seem to authorize a self-regulatory organization to supplement the FOCUS Report.⁵

The legal authority issue is critical because none of the requirements of Rule 17a-5 can be viewed in isolation. For example, SEC Rule 17a-5 requires member firm annual audited

⁵ Section 17 authorizes the SEC by rule to prescribe records and reports that must be made and kept by broker-dealers and others. Rule 17a-5 permits a broker-dealer’s designated examining authority (DEA) to require a particular member firm (but not all member firms) to file other financial or operational information if the SEC or the DEA provides written notice to the broker-dealer that requests the broker-dealer to change the time of filing its Part II or IIA filings.

Ms. Marcia Asquith
August 18, 2010
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reports to contain a Statement of Financial Condition that is in a format and on a basis which is consistent with the totals reported on Part II or Part IIA. It also requires a registered principal of the broker-dealer to provide an oath or affirmation which refers specifically to the financial statements and schedules included with the annual report. If FINRA wants to adopt a reporting form that supplements the FOCUS Report, then it would seem to be necessary to address how that form fits into all the other SEC financial reporting requirements to which member firms are subject.

The Committee believes that FINRA would need to make clear that, for purposes of annual audit report rules, independent public accountants and member firms are not required to treat the Proposed Schedule as part of Part II or Part IIA. If this is not made clear, audit reports may note inconsistencies between the Proposed Schedule and Parts II and IIA, whichever is applicable.

A related issue is whether the same information can be required from Part IIA filers as is proposed to be required from Part II filers. The Proposed Schedule makes no distinction between the two types of filers, but there is such a distinction in Rule 17a-5, and it permits Part IIA filers to report fewer categories and subcategories than filers of Part II. The Notice does not explain why FINRA is not honoring these distinctions nor does it say anything about FINRA's analysis of legal authority issues or its conclusions with respect to them. The Committee believes that the legal authority issues should be addressed in conjunction with issues that relate to the content of the Proposed Schedule, *e.g.*, consistency, interpretation and definitional issues.

C. The Need for a Second Type of Financial Reporting Has Not Been Demonstrated

The Committee is not aware of a demonstrated need for a new type of financial reporting for member firms. Broker-dealers already report revenue and expense numbers to FINRA and the SEC, and examiners have the opportunity to verify the accuracy of those numbers during regularly-scheduled and surprise exams. FINRA and SEC staff can request more information from a member firm about any financial item at any time.

This is not an area where there is a lack of regulation or a regulatory problem that needs immediate attention. Current broker-dealer financial reporting is consistent from firm to firm because there is one form of report, one set of instructions and a long history of practice and interpretation with respect to the correct reporting of each line item. Before any new form of regulatory reporting could be implemented, detailed instructions regarding how the new report would work would need to be proposed and commented on by member firms.

The significant cost involved in developing a new financial reporting system and then maintaining two reporting systems for the life of a broker-dealer is multiplied for companies that have several broker-dealers within their structures. We believe FINRA should study the likely costs of the Proposed Schedule and provide member firms and the SEC with this information so that any perceived need for the form that is not already addressed by other forms of reporting or through FINRA's examination program is balanced by a close examination of its cost.

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II. Alternative Approaches

The Committee believes that there are significant issues associated with the introduction of another form of financial reporting, and that FINRA should consider whether, in view of competing regulatory demands, now is the right time to try to develop a second financial report. As part of this evaluation, the Committee believes it would be appropriate for FINRA to meet with member firms to consider the issues. Individual member firm input is critical to considering whether a new form of regulatory reporting is needed; what format works best with the FOCUS Report; and what the costs of such a system would be.

The Committee believes there are alternatives to the Proposed Schedule that would be less costly and burdensome. If, for example, an individual member firm was only required to report at a more granular level when an item of revenue or expense reaches a certain threshold, *e.g.*, 10 percent of all revenue (or expenses), then the likelihood of mismatches between the FOCUS Report and the Proposed Schedule would be minimized, and the expense of a second type of financial reporting for all member firms would be decreased.

III. Proposed Rule 4524

The Notice sets forth the text of proposed FINRA Rule 4524. If adopted, the rule would require member firms to file with FINRA such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest. The text of the rule states that FINRA will provide member firms with the specifics of any new required report or schedule in a Regulatory Notice or similar communication and file that document with the SEC. The Notice does not state whether the specifics of the new required report or schedule would be published by the SEC for notice and comment before the effectiveness of the new schedule or report.

Comment. The Committee believes that member firms should have an ability to comment on any new proposed financial reporting schedules before such schedules take effect. As shown by our comments above with respect to the Proposed Schedule, other laws and rules to which member firms are subject, *e.g.*, FOCUS Report and annual audit reporting requirements, may conflict with new FINRA schedules and reports. New schedules or reports would almost undoubtedly increase member firm costs. We believe that FINRA should submit any new report or schedule to the SEC in the form of a proposed rule change, and such rule should be required to be published, public comment should be solicited thereon, and the SEC should approve such report or schedule before it is allowed to be effective.

Conclusion

The Committee appreciates the opportunity to comment on the Notice. We strongly believe that the proposed rule and the Proposed Schedule should not be submitted to the SEC

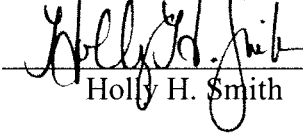
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until member firms discuss all of the issues with FINRA staff and explore alternative approaches.

Please contact Holly Smith (202.383.0245) or Susan Krawczyk (202.383.0197) if you have any questions. We would be happy to meet with you at your convenience.

Sincerely,

SUTHERLAND ASBILL & BRENNAN LLP

BY: 
Holly H. Smith

BY: 
Susan S. Krawczyk

FOR THE COMMITTEE OF ANNUITY
INSURERS

Attachments: Appendix A
Appendix B

Appendix A

THE COMMITTEE OF ANNUITY INSURERS

AEGON Group of Companies
Allstate Financial
American General Life Insurance Companies
AVIVA USA Corporation
AXA Equitable Life Insurance Company
Commonwealth Annuity and Life Insurance Company
CNO Financial Group, Inc.
Fidelity Investments Life Insurance Company
Genworth Financial
Great American Life Insurance Co.
Guardian Insurance & Annuity Co., Inc.
Hartford Life Insurance Company
ING North America Insurance Corporation
Jackson National Life Insurance Company
John Hancock Life Insurance Company
Life Insurance Company of the Southwest
Lincoln Financial Group
Massachusetts Mutual Life Insurance Company
Metropolitan Life Insurance Company
Nationwide Life Insurance Companies
New York Life Insurance Company
Northwestern Mutual Life Insurance Company
Ohio National Financial Services
Pacific Life Insurance Company
Protective Life Insurance Company
Prudential Insurance Company of America
RiverSource Life Insurance Company
(an Ameriprise Financial company)
SunAmerica Annuity and Life Insurance Company
Sun Life Financial
Symetra Financial
TIAA-CREF
USAA Life Insurance Company

Appendix B

Explanatory Note: This Appendix B was prepared in conjunction with the comment letter submitted by the Committee of Annuity Insurers regarding Regulatory Notice 10-33: Supplemental FOCUS Information.

Statement of Income (Loss)

REVENUE:

The paragraphs below attempt to correlate the line item categories and sub-categories in the Proposed Supplementary Schedule (“Proposed Schedule”) to the categories currently found in either FOCUS Parts II or IIA. Currently, Part II has 11 revenue categories and Part IIA has 8 revenue categories. The Proposed Schedule would result in 7 categories for each part.⁶

1. Commissions

Under the current Part II, filers report commissions under 4 sub-categories (item 1). Under the current Part IIA, filers report commissions under 3 sub-categories (item 1). Under the Proposed Schedule, as shown below, both Part II and IIA filers would report commissions under 15 sub-categories.

Current Part II Commissions	Current Part IIA Commissions	Proposed Schedule Commissions
Listed equity securities executed on an exchange	Listed equity securities executed on an exchange	Equities, ETFs and Closed End Funds
Listed equity securities executed over-the-counter		
Listed options	Listed options	Listed options
All other securities commissions	All other securities commissions	U.S. Governments and Agencies
		Foreign Sovereign Debt
		Corporate Debt
		Asset Backed Securities
		Municipals
		Foreign Exchange
		Commodities
		Investment Company Shares
		Unit Investment Trusts
		Annuities – reporting separately those attributable to Variable Annuities and those attributable to Fixed Annuities
		Other Insurance Based Products
		Other

⁶ The seven categories are: (1) Net gains (losses) on principal trades; (2) Commissions; (3) Commodities related, other than commissions; (4) Interest/rebate/dividend income; (5) Underwritings; (6) Fee Income; and (7) Other Revenue.

2. Gains or Losses on Firm Securities Trading Accounts

Under the current Part II, filers report “Gains or Losses on Firm Securities Trading Accounts” under 4 sub-categories (item 2). Under the current Part IIA, filers report “Gains or Losses on Firm Securities Trading Accounts” under 2 sub-categories (item 2). Under the Proposed Schedule, as shown below, filers would report under 13 sub-categories the “Net Gains or Losses on Principal Trades.”

Current Part II Gains or Losses on Firm Securities Trading Accounts	Current Part IIA Gains or Losses on Firm Securities Trading Accounts	Proposed Schedule Net Gains or Losses on Principal Trades
Market making in OTC equity securities	Market making in options on a national securities exchange	Equities, ETFs and Closed End Funds
Trading in debt securities	All other trading	U.S. Governments and Agencies
Market making in options on a national securities exchange		Foreign Sovereign Debt
All other trading		Corporate Debt
		Asset Backed Securities
		Municipals
		Foreign Exchange
		Commodities
		Listed Options
		OTC Options
		Derivatives, other than listed/unlisted options
		Other
		Capital Gains/Losses on Firm Investments

3. Gains or Losses on Firm Securities Investment Accounts

Under the current Part II, filers report “Gains or Losses on Firm Securities Investment Accounts” under 2 sub-categories – realized and unrealized gains (losses) (item 3). Under the current Part IIA, filers report “Gains or Losses on Firm Securities Investment Accounts” without any sub-categories (item 3). Under the Proposed Schedule, as shown below, filers would report 9 sub-categories under the new category titled “Interest/Rebate/Dividend Income,” which appears to roughly correspond to “Gains or Losses on Firm Securities Investment Accounts” under current Part II and Part IIA.

Current Part II Gains or Losses on Firm Securities Investment Accounts	Current Part IIA Gains or Losses on Firm Securities Investment Accounts	Proposed Schedule Interest/Rebate/Dividend Income
Realized gains		Interest received on trading and investment accounts
Unrealized gains		Securities Borrowing
		Reverse Repurchase transactions
		Dividend Income
		Margin Account interest

		Other Interest Income
		Compensation (including interest earned on customer bank sweep programs)
		Fees earned on customer sweep programs to '40 Act Investments
		Rebates earned including margin rebates

4. Profits or Losses from Underwriting and Selling Groups

Under the current Part II, filers report gains or losses from underwriting and selling groups (item 4) with one sub-category (underwriting income from corporate equity securities). Under the current Part IIA, filers report profit or loss from underwriting and selling group activities without any underlying sub-categories (item 4). Under the Proposed Schedule, as shown below, filers would report under 9 sub-categories.

Current Part II Profits or (losses) from Underwriting and Selling Groups	Current Part IIA Profits (loss) from Underwriting and Selling Groups	Proposed Schedule Underwritings
Corporate equity securities		Underwriting and selling group participations: municipal offerings
		Registered equity offerings, other than self or affiliate ⁷ offerings
		Registered debt offerings, other than self or affiliate offerings
		Registered equity offerings, self or affiliate offerings
		Registered debt offerings, self or affiliate offerings
		Unregistered equity offerings, other than self or affiliate offerings (Section 1) ⁸
		Unregistered debt offerings, other than self or affiliate offerings (Section 2)
		Unregistered equity offerings, self or affiliate offerings (Section 3)
		Unregistered debt offerings, self or affiliate offerings (Section 4)

⁷ "Affiliate" is defined as in NASD Rule 2720(f)(1).

⁸ To the extent revenue reflected in the four unregistered offerings fields exceeds 10% of total revenue, filers must complete the referenced section on a proposed new "Operational Page," appended to Regulatory Notice 10-33 at Attachment B.

5. Margin Interest

Under the current Part II, filers report margin interest as a separate line item (item 5). Current Part IIA does not contain a line item for reporting margin interest. Under the Proposed Schedule, filers would report margin account interest as a sub-category of the new “Interest/rebate/dividend income” category.

6. Revenue from Sale of Investment Company Shares

Under the current Part II and Part IIA, filers report revenue from the sale of investment company shares without any underlying sub-categories (items 6 and 5 respectively).

7. Fees for Account Supervision, Investment Advisory and Administrative Services

Under the current Part II and Part IIA, filers report fees received for account supervision, investment advisory and administrative services without any additional underlying sub-categories (both item 7). Under the Proposed Schedule, filers would report these fees under 14 sub-categories under a new category labeled “Fee Income.”

Current Part II Fees for Account Supervision, Investment Advisory and Administrative Services	Current Part IIA Fees for Account Supervision, Investment Advisory and Administrative Services	Proposed Schedule Fee Income
		Investment Banking Services/M&A Advisory
		Account Management (Firm manages discretionary account: Yes or No)
		Investment Advisory (for dual BD/IA's)
		Advisory Fees (for dual SEC/CFTC members)
		Research Services
		Rebates Received from Exchanges, ECNs, and ATSS
		Earned under a Service Level Agreement with Affiliates
		Earned under a Service Level Agreement with 3 rd Parties
		12b-1 Fees
		Other Mutual Fund Revenue
		Execution Services
		Clearing Services
		Administrative Fees
		Other Fees

8. Revenue from Research Services

Under the current Part II, filers report revenue from research services without any underlying sub-categories (item 8). Under the current Part IIA, research services are not included in the reporting requirements under revenue. Under the Proposed Schedule, filers would report revenue from research services as a sub-category of “Fee Income,” noted above in Section 7.

9. Commodities Revenue

Under the current Part II and Part IIA, filers report commodities revenue without any additional sub-categories (items 9 and 6 respectively). Under the Proposed Schedule, filers of Part II and IIA would report commodities revenue without any additional sub-categories; however, the reporting category is labeled as revenue that is “Commodities related, other than commissions.”

10. Other Revenue Related to Securities Business

Under the current Part II, filers report “Other revenue related to the securities business” without any additional sub-categories (item 10). Under the current Part IIA, there is no separate line item for other revenue related to the securities business. Under the Proposed Schedule, filers of Part II and IIA would report “other revenue” rather than report revenue related to the securities business; however, filers are also required to “describe categories amounting to 10% or more of Total Revenue.”

11. Other Revenue

Under the current Part II and Part IIA, filers report other revenue without any underlying sub-categories (items 11 and 8 respectively). Under the Proposed Schedule, filers would report other revenue, but as noted above in Section 10, filers are also required to “describe categories amounting to 10% or more of Total Revenue.”

EXPENSES:

The categories below correspond to the categories currently found in either FOCUS Part II or IIA. Currently, Part II has 15 expense categories and Part IIA has 6 expense categories. FINRA’s proposal would result in 17 categories for each part.

1. Compensation

Under the current Part II, filers report compensation expenses under 3 major categories – registered representative compensation; clerical and administrative employees’ expenses; and salaries and other employment costs of general partners and voting stockholder officers (items 13, 14 and 15). Under the current Part IIA, filers report compensation expenses under 2 major categories – salaries and other employment costs for general partners and voting stockholder officers and other employee compensation and benefits (items 10 and 11). The proposed reporting schedule for both Part II and IIA requires filers to report compensation costs as one category with 5 sub-categories.

Current Part II	Current Part IIA	Proposed Compensation Costs
Registered Representative’s Compensation	Registered Representative’s Compensation	Compensation paid to Producing Associated Persons
Clerical and Administrative Employees’ Expenses	Clerical and Administrative Employees’ Expenses	Operational, administrative and clerical
Salaries and Other Employment Costs for General Partners, and Voting Stockholder Officers (includes interest credited to General and Limited Partners capital accounts)	Salaries and Other Employment Costs for General Partners, and Voting Stockholder Officers (includes interest credited to General and Limited Partners capital accounts)	Guaranteed Payments to LLC Members & Limited Partners
		Bonuses
		All Other Direct Compensation Costs

2. Floor Brokerage, Commissions, and Clearance

Under the current Part II, filers report brokerage, commissions and clearance expenses under 3 major categories of expenses – floor brokerage paid to certain brokers, commissions and clearance paid to all other brokers, and clearance paid to non-brokers (items 16, 17 and 18). Under the current Part IIA, filers report commissions under one major category of expenses – commissions paid to other broker-dealers (item 12). The proposed reporting schedule for both Part II and IIA requires filers to report brokerage, commissions and clearance expenses under one category titled “Commission and Clearance Costs” with 5 sub-categories.

Current Part II	Current Part IIA	Commission and Clearance Costs
Floor Brokerage Paid to Certain Brokers	Commissions Paid to Other Broker-Dealers	Floor Brokerage Commissions
Commissions and Clearance Paid to All Other Brokers		Remittances paid to exchanges, ECNs, and ATSS

Clearance Paid to Non-Brokers		Execution
		Clearance & Settlement
		Custody

3. Communications

Under the current Part II, filers report communication expenses without any additional sub-categories (item 19). The current Part IIA does not have a line item for communication expenses. Under the Proposed Schedule, filers of Part II and IIA would report communication expenses under a new category titled “Technology, data and communication costs.”

4. Occupancy and Equipment Costs

Under the current Part II, filers report occupancy and equipment costs without any additional sub-categories (item 20). The current Part IIA does not have a line item for reporting occupancy and equipment expenses. Under the Proposed Schedule, filers of Part II and IIA would report “Occupancy costs” as a separate line item with no sub-categories.

5. Promotional Costs

Under the current Part II, filers report promotional costs without any additional sub-categories (item 21). The current Part IIA does not have a line item for promotional expenses. Under the Proposed Schedule, filers of Part II and IIA would report “Promotional fees” without any additional sub-categories.

6. Interest Expense

Under the current Part II and Part IIA, filers report “interest expense” (including interest on accounts subject to subordination agreements) (items 22 and 13 respectively). Under the Proposed Schedule, filers would report interest expenses under the “Interest/rebate costs” category, with 6 sub-categories.

Interest Expense	Interest/Rebate Costs
Includes interest on accounts subject to subordination agreements	Interest on Instruments where Broker-Dealer is the Obligor (including subordination agreements)
	Interest on Bank Loans
	Interest Paid on Customer Balances
	Securities Loaned Rebates and Interest Paid
	Repurchase Agreements
	Other Interest

7. Losses in Error Account and Bad Debts

Under the current Part II, filers report losses in error accounts and bad debts without any additional sub-categories (item 23). The current Part IIA does not have a line item for reporting losses in error accounts and bad debts. Under the Proposed Schedule, filers of Part II and IIA

would report “Losses in error accounts and bad debt costs” without any additional sub-categories.

8. Data Processing Costs (including service bureau service charges)

Under the current Part II, filers report data processing costs (including service bureau service charges) as a separate category of expenses (item 24). The current Part IIA does not have a line item for reporting data processing costs. Under the Proposed Schedule, filers would likely report data processing costs under the proposed new category titled “Technology, data and communication costs.”

9. Non-recurring Charges

Under the current Part II, filers report non-recurring charges as a separate category of expenses (item 25). The current Part IIA does not have a line item for reporting non-recurring charges. The Proposed Schedule does not include any specific category or sub-category for non-recurring charges.

10. Regulatory Fees and Expenses

Under the current Part II and Part IIA, filers report “Regulatory fees and expenses” without any additional sub-categories (items 26 and 14 respectively). Similarly, under the Proposed Schedule, filers would report “regulatory fees” as a separate category of expenses without any additional sub-categories.

11. Other Expenses

Under the current Part II and Part IIA, filers report in general “other expenses” (items 27 and 15 respectively). Under the Proposed Schedule, filers would continue to report “other expenses” but are also required to “describe categories amounting to 10% or more of Total Expenses.”

Proposed Expense Categories Not Currently Required by Part II or Part IIA

The following categories and sub-categories noted in the tables below currently are not included as separate line items in FOCUS Report Part II or Part IIA.

12. Costs incurred on Behalf of Affiliates or Clients

Part II (Not Required)	Part IIA (Not Required)	Costs Incurred on Behalf of Affiliates or Clients
		Business Expenses of Other Broker-Dealers
		Business Expenses of Affiliates or Subsidiaries

		Soft Dollar Costs
		Commission Rebate/Recapture

13. Fees Paid Under a Service Agreement to Outsourcing Providers

Part II (Not Required)	Part IIA (Not Required)	Proposed Fees Paid under a Service Agreement to Outsourcing Providers
		To Third Parties
		To Affiliates

14. Finder Fees

15. Research

16. Depreciation and Amortization

17. Professional Fees

18. Litigation, Settlement, Restitution and Rescission Related Costs

19. Insurance Costs



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August 18, 2010

Marcia E. Asquith
Office of the Corporate Secretary
FINRA

Via email pubcom@finra.org
Re: Regulatory Notice 10-33

Integrated Management Solutions (“IMS”) is pleased to have the opportunity to comment on FINRA’s proposed Rule 4524 (the “Rule”) requiring the filing of Supplemental FOCUS Information and a Proposed Supplementary Schedule to the Statement of Income (Loss) Page of FOCUS Report Parts II and IIA. By way of background, IMS is one of the largest providers of financial accounting and compliance consultants to the securities industry, providing such services to about 100 FINRA Members. We believe that this perspective enables us to assess the impact of the Rule on FINRA Member firms.

On an overall basis, we agree that FINRA should have sufficient data so that it can perform its functions. To that end, insufficient FOCUS report information does not allow FINRA to do its job properly. Were FINRA to ask for just a little more detail to avoid Members stuffing data into the “other” categories in the FOCUS report we would quite understand. Instead FINRA has proposed overbearing report formats that do not make total sense to us. And the burden on most of FINRA’s Members, of data which arguably are of dubious usefulness to FINRA or the Members, is quite considerable.

A. The Flaw in Broad Undefined Powers

In the Rule, FINRA is requesting broad, open-ended authority to “...require[] firms to file such additional financial or operational schedules or reports as FINRA may deem necessary or appropriate for the protection of investors or in the public interest.” Such “...schedules and reports, their formats and the frequency of such supplemental filings, would be specified in a future *Regulatory Notice* (or similar communication) to be filed with the SEC.”

While the need for such regulatory discretion may appear, at first blush, laudable, it is seriously flawed on both procedural and substantive grounds. As a procedural matter, FINRA is attempting to create a dangerous precedent in asking for authority to implement changes without complying with the usual procedural and notice safeguards

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to Members. These safeguards are vital to allow Members to both comment on, and make any necessary internal adjustments as a result and in anticipation of, the proposed changes. Data preparation for FOCUS Reporting, which many firms have systematized and computerized, is not an emergency enforcement issue that requires immediate internal changes regardless of cost, personnel and systemic burdens, inconvenience and the likelihood of errors because the changes have not been adequately analyzed or tested. As a matter of substance, the exercise by FINRA of such broad, undefined power fails to recognize the unintended consequences to Members that hastily implemented requirements may impose. FINRA recognizes the importance and consequences of imposing its protocols summarily by seeking comments on their impact such as by issuing the Regulatory Notice that prompts this response. What justifies FINRA's change in procedure now?

FINRA Members should generally not be asked to compile information in a FINRA-designated format that the Members themselves would not utilize and which they do not necessarily have at their fingertips. In fact, many FINRA Members maintain their books and records in diverse ways to suit their individual needs. Rather than always requiring Members to adapt their reporting to FINRA's convenience, Members should be able to report based upon the nature and scope of their businesses, their size, etc.

For example, we note that at many Members income earned is not defined by a particular product but rather by which locale generates the income or by which business-generating unit produces the income. This diversity in record compilation techniques often reflects the perception that a particular Member has of its business operations. Imagine a trading desk that buys or sells options and their underlying stocks. Aside from the fact that it is often virtually impossible to isolate the income attributable to options or stock, especially if they are being traded in tandem, why should anyone care? At some Members, the stock trading department handles all of these transactions; at others, the options department handles them. At still others, there's a single trading department and all the income is accumulated in a single account. We do not object to FINRA knowing on a broad basis the tenor of the products traded by its Members; our objection is that FINRA need not know how much money is earned by each product. In fact, the knowledge by product is arguably misleading or counterproductive to FINRA itself and it is hard for us to imagine that FINRA sees a need to compile information for which the Members themselves find little use in managing their businesses.

As a general comment, we feel the format of the proposed Schedule is disorganized and not logical in terms of business activities. We are not concerned about the number of new categories proposed, as some in the press and elsewhere have emphasized, but rather on the relevance of some of the proposals, the burdens they impose without a corresponding benefit, particularly in their impact on small firms, and their failure to recognize how Member firms record income and expense.

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Separately, in the interest of transparency into a Member firm's business activities and to better understand industry trends, FINRA is also proposing a supplementary schedule to the Statement of Income (Loss) page of the FOCUS Report Parts II and IIA. FINRA is seeking greater detail of revenues earned or expenses incurred by product or other more specific categories to correct the practice of many firms which now report much of their revenue and expense as "other" (miscellaneous). In mitigation, FINRA asserts that this proposed regulatory burden would not affect firms with limited product offerings. We applaud FINRA for seeking a better breakdown of "other" income and expense, but have concerns as to whether the current proposal meets FINRA's goals efficiently and consistent with how Members operate.

FINRA also proposes to require additional information about a Member firm's underwriting and/or selling group activities when revenue from unregistered offerings exceeds 10 percent of total revenue. When that 10 percent threshold is reached, Member firms would be required to complete the corresponding section of a new Operational Page that is referenced in the proposed supplementary schedule. The proposed regulations create problems of implementation, including, for example, the timing of the reporting requirements and whether small firms which do a private placement perhaps less frequently than once per month are disproportionately burdened by these additional reporting requirements.

One of the biggest problems with the proposed supplemental data form is that the classifications in some instances are absurdly ridiculous and are not consistent with the way firms accumulate data. Another problem is that FINRA has not provided any definitions or instructions. Still another problem is that for some items, the form doesn't conform to generally accepted accounting principles ("GAAP"). This would create the need for two or more sets of books, one for FINRA's FOCUS Report Supplement, a second for a Member's external financial statements, which are constrained by GAAP, and even another for its internal management reporting. We do not see much incremental benefit to FINRA, the securities industry, or its customers by providing a reporting regimen that many Members just don't use for any other purposes.

B. Capital Gains from Investments

Our industry correctly recognized years ago that all similar financial instruments issued by the same issuer are fungible. Their values are the same no matter whether they are acquired to be held for a year, a month or a second. Accordingly, securities broker-dealer financial statements prepared under generally accepted accounting principles make no distinction between how long financial instruments are held or whether they are part of trading portfolios, which presumably are short term in nature, or part of investment portfolios. We simply don't care about how the instruments are treated for tax purposes. The accounting profession recognized this lack of distinction years ago

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by combining income from trading and investment portfolios of financial instruments. The industry audit guide published by no less an authority than the American Institute of Certified Public Accountants recognizes that phenomenon, too. Furthermore, different Members may treat the very same transaction differently. For example, a market maker may treat its position in a particular security as a trading position but another broker-dealer that perhaps trades almost as actively may treat the same position as part of its investment account. In fact, a market maker may have a trading position in a particular security and also have a position in the same security in an investment account. We believe that the income from proprietary transactions in financial instruments should all be merged together, without tax distinctions.

We are surprised that FINRA would propose to capture trading income data for twelve separate product categories but at the same time would have only one line for capital gains or losses. Even if FINRA did not agree with our comment, we note that for Members all of the securities transactional income of which is considered to be capital gains, the form as proposed defeats the very purpose of providing more granular information by product. Why have the information reported only on one line when by combining gains or losses from all financial instruments without regard to how they are classified tax-wise, the relevant information would be reported with greater detail? A further benefit of this approach is that FINRA examiners will not need to ask for a further breakdown of the income that is subject to capital gains treatment.

We do note that for purposes of the SIPC assessment, that tax and other definitions do apply. But that's not a reason for thrusting irrelevant or insufficient information before the eyes of FINRA examiners.

C. Specific Comments on Attachment B

The Regulatory Notice includes an Attachment B, which details the new information FINRA is requesting. Under the category "Interest/rebate/dividend income," FINRA should separately add: income earned on accounts or other business introduced to other broker-dealers, including referral fees and interest. The question under "Fee Income" of whether the firm manages discretionary accounts is appropriate, but simply does not belong in a financial disclosure document. The "Compensation Costs" guaranteed to LLC Members and Limited Partners inexplicably excludes general partners, officers and directors. We further note that the words "guaranteed to" should be replaced by the word "for" so that all owner compensation can be included in a similar fashion. Finally, the category "Losses in error accounts and bad debt costs" should be amended as follows: "Losses in error accounts, if not reflected in income, and bad debt costs".

We are well aware that at some Members, rather than receiving compensation, owners receive profit distributions or, perhaps, regular periodic draws. We see some merit to

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FINRA gaining an understanding of Member profitability by knowing more about how income is distributed to owners or the other stakeholders of a Member, such as employees. However, FINRA has not recognized this important issue in the Regulatory Notice.

We assume that FINRA may choose to receive more detailed information regarding other parts of the FOCUS report at some time in the future, at which time, FINRA might wish to further modify the information requested in the proposed Supplemental Schedule. Simply put, while it may be easier to roll out schedules one by one, they all really should be looked at as a totality because the systems necessary to produce data in areas other than revenue and expense are similar to those that produce data about Member assets, liabilities and capital.

D. Instructions

It is an exercise in futility to comment on specific line items without instructions. We note with great dismay that there are inconsistencies even in the current instructions between the way that certain transactions are reported in Part II when compared to how they're reported in Part IIA. This evidences, in part, how confusing FOCUS preparation has become. The income from a riskless principal transaction may find its way into commission income at one Member or into trading income at another Member. We are not offended by these differences. We just hope that each Member will report consistently. We need instructions badly.

* * * * *

Thank you for the opportunity to comment on this matter.

Should you have any questions about our comments, feel free to call me at your convenience at 212-897-1688.

Very truly yours,



Howard Spindel
Senior Managing Director

HS:ab

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

Ms. Asquith,

The following comments, observations and questions are submitted in response to FINRA's request for comment regarding the supplemental P&L reporting.

Please let me know if you have any questions or need add'l info.

Thanks,

Bill Tirrell

Bank of America Merrill Lynch

201-671-0132

General Comments:

- Supplemental P&L Reporting should be on a Quarterly basis - many firms have more detail reporting requirements, internal and external, on the Quarters which would facilitate this supplemental FINRA reporting while limiting the need for additional resources.
- The Supplemental P&L Report should be filed within the time frames for current supplemental reporting and not on the FOCUS filing date. This would minimize the impact on recourses and be consistent with other detail reporting time frames.
- Trading P&L should be based on trading desk or cost centers as a trading desk uses different products to hedge their main trading product. i.e. Corporate Bond debt desk may use gov't and interest rate swaps to hedge their positions - recommendation - all P&L for this desk would be captured in the corporate debt category.
- A separate P&L category should be established for GAAP Accounting Adjustments that do not represent revenues or expenses that would be realized by the Firm (i.e. FASB 167). This category should be below the Total FOCUS Revenue line in order to keep these accounting adjustments from flowing into the various assessments that utilize the FOCUS revenues line as the basis for assessments.

Specific Questions and Observations related to the Proposed Statement of Income:

Revenue -

- "Net gains or losses on Principal Transactions" - Keep dividend and interest on trading accounts within this category, use sub categories to break out if needed. Firms that are engaging in dividend arbitrage or interest plays could have large swings between "PT's" and the interest lines that would not provide FINRA with a view to the impact from these trading strategies.

- OTC Option should be included with the Derivatives as they can be traded on the same desk and it would be very difficult to break out the P&L.
- "Commissions related to transactions in" - It can very difficult to break out "Investment Company shares and Unit Investment Trust" and should be reported as one category.
 - Same is true with "Annuities" - report as a single category as it can be difficult to break out variable from fixed.
- "Fee Income" - Need clarification on the items that FINRA would anticipates to be included in the following categories:
 - Investment advisory (for dual BD/IA's
 - Advisory fees (for dual SEC/CFTC members)
 - Other Mutual Fund Revenue

Expenses - Need Clarification on the following items:

- "Commission and Clearing Costs" - what cost would FINRA anticipate in the "Custody" category?
- "Cost incurred on behalf of affiliates or clients" - what distinguishing factors would FINRA use to determine the difference between "soft dollar" and "business expenses" costs?
- "Finder fees" - what cost would FINRA anticipate in this category?
- "Insurance costs" - Should SIPC and Excess SIPC be include in this category or in "Regulatory Fees"
- "Other Income Taxes" - is this for state and local taxes?



388 Greenwich Street
New York, NY 10013

August 20, 2010

PUBCOM@FINRA.ORG
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Regulatory Notice 10-33; Supplemental FOCUS Information

To whom it may concern:

Citigroup Global Markets Inc. ("CGMI") is pleased to offer its comments in response to the above-referenced Regulatory Notice. We appreciate FINRA's efforts to review the information received in FOCUS reports in furtherance of its important role in ensuring the financial soundness of broker-dealer firms and promoting investor confidence in the institutions with whom they conduct business.

As active members of SIFMA, CGMI has participated in drafting SIFMA's comment letter¹ and wishes to express our strong support for the opinions expressed therein. As one of the world's largest financial services firms, we operate global businesses through multiple legal vehicles in over 100 countries. The chief implementation challenge presented by this proposal, as noted in the SIFMA letter, arises from the fact that the additional financial data sought by FINRA is not currently captured in the precise form and according to the same methodology that would be required by the proposed FINRA schedule. The resulting burden on firms could be significantly alleviated by allowing P&L information to be based on established units within a firm (e.g., trading desk, cost center, etc...) as opposed to the product view that the proposal would require. For example, product-specific information would be easier to produce for a firm-recognized entity such as a business or desk. This would have the added benefit of providing FINRA with a more meaningful view of firm business operations.

Moreover, CGMI wishes to emphasize that the more complicated the engineering effort required to prepare the information in the required format, the more lead time firms will need to

¹See letter from Mark Holloway, Chairman SIFMA Capital Committee, to Marcia E. Asquith, FINRA (August 17, 2010).



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make the significant operational and systems changes necessary to comply. It is therefore essential that the final rule include an implementation date that allows for sufficient lead time for firms to make the necessary changes needed to comply.

CGMI suggests that FINRA develop instructions and definitions to explain all of the data requirements for all of the reporting lines in the required supplements. In particular, CGMI requests clarification for the following data elements (to the degree they are required in the final rule):

Revenue:

Please clarify whether interest revenue associated with the product lines are to be reported in the "Principal Trades" section or under the "Interest Section".

Please provide definitions for the reporting lines in the "Fee Income" section.

Expenses:

Please provide definitions for reporting lines in the sections for; "Costs Incurred on behalf of affiliates or clients" and "Fees Paid Under a Service Agreement to Outsourcing Providers".

Operational Pages:

"Total Amount of Securities Sold During Reporting Period" - Does this also include secondary trading? Also unclear if amount sold should include amounts allocated to other syndicate members or just sold to customers?

"Total Number of Customers to whom Securities were Sold" - Does this also include secondary trading? Also unclear if amount sold to customers should include amounts allocated to other syndicate members or just sold to customers?

"Per Offering Memorandum, % of Proceeds to be used by BD affiliated with issuer or its associated persons (APs) as working capital, debt reduction or retirement, or credit facility



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extension, or otherwise directed to the BD or its APs.” Please provide a detailed explanation for this requirement and an example if possible.

In conclusion, we believe that expanded FOCUS reporting ought to leverage existing financial data systems maintained by firms, provide sufficient time for programming and other implementation steps and clarify requested information as noted. We appreciate the opportunity to provide FINRA with our comments. Should you have any questions or wish to discuss the comments in this letter, please contact the undersigned at 212-816-6450.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Cliff Verron", with a long horizontal flourish extending to the right.

Cliff Verron
Chief Financial Officer
Citigroup Global Markets, Inc.

Cc: Kris Dailey, Vice President, Risk Oversight & Operational Regulation
Susan DeMando Scott, Associate Vice President, Financial Operations Department

Comment on Proposed Rule Requiring the Filing of Supplemental FOCUS Information and Supplementary Schedule to the Statement of Income (Loss) Parts II and IIA

These comments are submitted by management of Wachtel & Co., Inc. The firm is a small self-clearing broker-dealer – regrettably, one of the few such firms remaining in business.

We oppose the new rules unless amended to include appropriate exclusion thresholds and/or exemptions that reflect the burden on firms--particularly small firms--weighed against expected regulatory benefit.

Such amendments should be easy to devise. For example, we suggest that more detailed information should not be required unless the particular line item represents the greater of a specified percentage of a firm's business or at least \$20,000. We further recommend that all amounts on the Focus form should allow rounding to the nearest thousand dollars, and firms with revenues below a certain threshold should have the option of reporting on a simplified form.

FINRA should know that the Focus form is a significant regulatory burden that escalates with every increase in the quantity and detail of information required. Many of the categories are developed by painstaking review of individual daily blotters. Amounts must be separately characterized from the presentation required for financial reporting, and in some cases, characterized again for other FINRA requirements. Every month, the effort requires hours of tedious concentration, and we believe this burden is greatest for less computerized small firms. We also that believe the burden could be cut in half with reasonable simplification -- with no significant loss of regulatory utility to FINRA.

The intense detail anticipated by the new requirements promises an environment not just more costly to firms but to regulators as well. Large percentage changes in small amounts should be unimportant from a regulatory standpoint, but most of us have received calls from examiners sparked by the presence of such items on exception reports. Efficient and effective regulation demands that resources be directed to material items, not squandered on minutia. Focus reporting should reflect a priority on cost-effective requirements -- appropriately tailored to different industry members and the different size and risk profiles they entail.

For all of the above reasons, we urge a cost/benefit analysis be undertaken with an eye to amendment, if not abandonment, of the proposed new requirements. We would be happy to discuss the matter in greater detail upon request.

Thank you for the opportunity to present these comments.

Respectfully submitted, this 16th day of August, 2010.

Wendie L. Wachtel, COO

SUPPLEMENTAL STATEMENT OF INCOME

GENERAL INSTRUCTIONS

The Supplemental Statement of Income (SSOI) is intended to provide more detailed information about a member's revenue and expenses that are reflected on the FOCUS Report (Forms Part II, Part IIA or Part II CSE, as appropriate). The SSOI must be filed by all FINRA members as a supplement to the FOCUS Report within 17 business days after the end of each calendar quarter. The SSOI must reflect revenue and expenses for the calendar quarter.

All revenue and expense items must be reported in accordance with Generally Accepted Accounting Principles (GAAP).

Intercompany transactions must be included on the respective lines, as if they were third party transactions, unless otherwise noted.

Related FOCUS lines are included on the SSOI for your reference. Each of the revenue and expense lines on the FOCUS Report has a four digit number that begins with a "3" or "4". The related line on the SSOI has a five digit number that begins with "1" and is followed by the same number from the FOCUS Report. For example, "Other revenue" on the FOCUS Report is referenced by Line 3995 and on the SSOI as Line 13995. The lines on the SSOI that are not directly related to a line on the FOCUS Report are referenced by a five digit number beginning with "11", or with an "11" or "19" on the Operational Page.

Further, each line on the SSOI that has a related line on the FOCUS Report is preceded by one of the following prefixes:

- "C" if the line is reflected on the Part II CSE of the FOCUS Report;
- "II" if the line is reflected on the Part II of the FOCUS Report;
- "IIA" if the line is reflected on the Part IIA of the FOCUS Report; and
- "A" if the line is reflected on all three versions (Part II CSE, Part II and Part IIA) of the FOCUS Report.

Certain sections of the SSOI permit firms to report all revenue or expenses associated with a given section *on a single line* if the total revenue or expenses for that section is \$5,000 or less for the reporting period. Using Section 1 (Commissions) as an example, if the firm's total commissions for the reporting period are \$5,000 or less, the firm may report the aggregate amount on Item M. If the firm reports on Item M, the firm may not provide a breakdown on Items A through L. If the firm's commission revenue for the reporting period is more than \$5,000, the firm must reflect the source of the revenue using Items A through L, leaving Item M blank. Sections 1 (Commissions), 4 (Net Gains or Losses on Principal Trades), 6 (Interest / Rebate / Dividend Income), 8 (Fees Earned), 11 (Compensation Expenses), 12 (Commission, Clearance and Custodial Expenses), 14 (Interest and Dividend Expenses), and 16 (General, Administrative, Regulatory and Miscellaneous Expenses) permit firms to report the aggregate amount if the total revenue or expenses, as applicable, is \$5,000 or less for the reporting period. In addition, as noted on the SSOI, a firm does not need to report the three largest components of Line 13995 (Section 10, Item B, Other Revenue) or Line 14100 (Section 17, Item A, Other Expenses), if these amounts are \$5,000 or less.

Please note that the following lines on the SSOI must equal the amounts reflected on the FOCUS Report:

<u>SSOI Line</u>	<u>FOCUS Report Line & Title (Related FOCUS Report)</u>
13940	Line 3940 Total commissions (C); Total securities commissions (II/IIA)
13926	Line 3926 Derivative Trading Desks - Total gains or (losses) (C)
13950	Line 3950 Total gains or (losses) (C/II); Total gain (loss) (IIA)
13952	Line 3952 Gains or losses on Firm Securities Investment Accounts (C/IIA); Total realized and unrealized gains (losses) (II)
14030	Line 4030 Total revenue (A)
14075	Line 4075 Interest expense (A)
14200	Line 4200 Total expenses (A)
14210	Line 4210 Income (loss) before Federal income taxes and items below (A)
14220	Line 4220 Provision for Federal income taxes (for parent only) (A)
14222	Line 4222 Equity in earnings (losses) of unconsolidated subsidiaries not included above (A)
14224	Line 4224 Extraordinary gains (losses) (A)
14225	Line 4225 Cumulative effect of changes in accounting principles (A)
14230	Line 4230 Net income (loss) after Federal income taxes and extraordinary items (A)

Some lines on the SSOI apply only to certain firms. In such cases, these instructions will refer to the types of firms, or the FOCUS Report filed, as follows:

- ANC filers refer to firms that compute Net Capital in accordance with Appendix E of Rule 15c3-1 under the Securities Exchange Act of 1934 (SEA), and which utilize the Part II CSE.
- Part II filers or Part II
- Part IIA filers or Part IIA

SPECIFIC INSTRUCTIONS

Instructions are not intended to be comprehensive, but are included to provide clarity. Terms used in the SSOI shall have the same meaning as those defined in the instructions to the FOCUS Report unless otherwise specified. Where guidance or a definition is warranted to assist firms in the preparation of the SSOI, including the Operational Page, the line referenced is from the SSOI. As such, instructions are not provided for each line.

In certain instances, firms are given a choice as to which section and/or line on the SSOI to reflect revenue or expense. With respect to each of these situations, a firm must apply its approach consistently across reporting periods. Such methodology must be documented and made available to FINRA staff upon request. For ease of reference, these instructions contain the reference "[FSM]" (for firm selected methodology) to highlight areas where firms have an option on how to report and a responsibility to document their methodology.

With respect to the Specific Instructions to the SSOI, the term *customer(s)* includes any person (natural or otherwise), other than a broker or dealer, with whom the member has engaged, or has sought to engage, in securities activities.

REVENUE

1. Commissions

Note: If the firm's total commission revenue for the reporting period is \$5,000 or less, the firm may complete Item M, leaving Items A through L blank.

With respect to this section, in cases where a transaction is subject to SEA Rule 10b-10, any remuneration that would need to be disclosed (either in writing at or before completion of a transaction on the confirmation, or made available to the customer on request) would be a "commission" for SSOI reporting purposes. For products in this section not subject to SEA Rule 10b-10, firms must report revenue in this section when they have engaged in the transaction as an agent. Costs to the broker-dealer associated with soft dollar, rebate or recapture payments must be reflected in the Expense section of the SSOI. Net gains or losses from transactions made by the broker-dealer when acting as principal, or riskless principal, must be reported in Section 4 (Net Gains or Losses on Principal Trades) of the SSOI.

This section includes commissions related to the referenced products, as follows:

Line 13937 (Exchange Listed Equity Securities Executed OTC) – OTC includes, but is not limited to, commissions from transactions in securities quoted on OTC Markets or on the OTC Bulletin Board.

Line 11001 (U.S. Government and Agencies) – Include commissions from the sale of debt of the U.S. government or U.S. government agencies. Commissions from sales of mortgage-backed securities issued by U.S. government agencies must be reported on Line 11004 (Mortgage-Backed and Other Asset-Backed Securities).

Line 11004 (Mortgage-Backed and Other Asset-Backed Securities) – Include commissions from private label asset-backed securities as well as government agency asset-backed securities.

Line 11005 (Municipals) – Include commissions from the sale of municipal securities, including 529 plans.

Line 11006 (OTC Options) – Commissions from the sale of options contracts other than those executed on a recognized exchange.

Line 13991 (Commodity Transactions) – This line is to be used by ANC filers only. All other broker-dealers must report commodities related commissions on Line 13990 (Commodities Revenue) in Section 9 (Commodities Revenue).

Line 11007 (Foreign Exchange) – This line is to be used by Part II and Part IIA filers only. Foreign Exchange refers to the purchase or sale of foreign currency. If the transaction was assessed a commission, such commission must be reflected on this line. Any other revenue derived from transactions in foreign exchange/foreign currency transactions must be reported on Line 13902 (Foreign Exchange) in Section 4 (Net Gains or Losses on Principal Trades).

Line 11008 (Aggregate amount if \$5,000 or less) – As noted above, this section allows aggregate reporting for firms that have total commissions for the reporting period of \$5,000 or less.

Line 11009 (Is any portion of Item M related to municipal securities?) – If the firm has reported revenue on Item M, the firm must complete Line 11009. Municipal securities include 529 plans.

2. Revenue From:

This section includes revenue earned from assisting in or facilitating the purchase or sale of the referenced instruments.

Line 13970 (Sale of Investment Company Shares) – Include concessions earned from the sales of open-end mutual funds that contain a load. Include commissions charged on transactions in no-load funds. Firms may include revenue from UITs to the extent they are open-end companies. 12b-1 fees must be reported on Line 11094 (12b-1 Fees) in Section 8 (Fees Earned). All other mutual fund revenue must be reported on Line 11095 (Mutual Fund Revenue other than Concessions or 12b-1 Fees) in Section 8 (Fees Earned).

Line 11020 (Sale of Variable Contracts) – Include revenue from any variable annuity or any other financial instrument that contains an insurance and security component.

3. Gains or Losses on Derivative Trading Desks

This section aligns with the related section on the FOCUS Report Part II CSE. ANC filers must use this section of the SSOI to report revenue. All other firms must report trading gains/losses in Section 4 (Net Gains or Losses on Principal Trades).

Total return swaps must be included on the line that reflects the nature of the underlying asset.

4. Net Gains or Losses on Principal Trades

Note: If the firm's total net gains or losses on principal trades for the reporting period is \$5,000 or less, the firm may complete Item O, leaving Items A through N blank.

To be included in this section:

- All realized and unrealized gains and losses resulting from proprietary trading and market making activities in the referenced securities and contract instruments.
- Net gains or losses from "riskless" principal transactions.

Net gains or losses from:

- Fixed income instruments with a foreign currency component must be reported as fixed income.
- Transactions in TBAs must be reported on the line relating to the underlying product.
- Transactions in forward contracts must be reported on the line relating to the underlying product.

[FSM]: Firms may include related hedges in this section. Firms electing to include related hedges must report gains or losses from hedges on the line of the instrument being hedged in accordance with a consistently applied methodology selected by the firm. For example, if a firm is hedging government securities and corporate debt, the firm may report the aggregated transaction in either of these two categories. However, firms' classification methodology with respect to including hedges must be consistent from one reporting period to the next for similar transactions.

[FSM]: Firms may include interest and dividends earned on the instrument traded in this section or in Section 6 (Interest / Rebate / Dividend Income).

Note to Part II filers: Line 3941 (Gains or losses on firm securities trading accounts from market making in over-the-counter equity securities) is not brought forward from the FOCUS Report to the SSOI. Firms are expected to report revenue from these lines into one or more of the classifications in Section 4 (Net Gains or Losses on Principal Trades) of the SSOI as appropriate.

Note to Part IIA filers: Lines 3945 (Gains or losses on firm securities trading accounts from market making in options on a national securities exchange) and 3949 (Gains or losses on firm securities trading accounts from all other trading) are not brought forward from the FOCUS Report to the SSOI. Firms are expected to report revenue from these lines into one or more of the classifications in Section 4 (Net Gains or Losses on Principal Trades) of the SSOI as appropriate.

Note to Part II CSE filers: Lines 11032 (U.S. Government and Agencies), 11034 (Foreign Sovereign Debt), 11036 (Corporate Debt), 11038 (Mortgage-Backed and Other Asset-Backed Securities), and 13901 (Municipals) include a reference to C: 3901 given that the FOCUS Report Part II CSE aggregates the net gains or losses on principal trades from each of the referenced products on a single line (i.e., Line 3901, Interest Rate/Fixed Income). Part II CSE filers must reflect revenue from Line C: 3901 on the appropriate lines on the SSOI as it relates to the underlying security.

Note to All Firms: Firms are expected to reflect trading gains and losses to the extent possible across the first 13 classifications (A through M) within this Section 4 (Net Gains or Losses on Principal Trades). Revenue that cannot otherwise be reflected across the first 13 classifications may be included on Line 13951 (Other).

Line 11032 (U.S. Government and Agencies) – Include net gains or losses from the debt of the U.S. government and U.S. government agencies. Net gains or losses from mortgage-backed securities issued by U.S. government agencies must be reported on Line 11038 (Mortgage-Backed and Other Asset-Backed Securities).

Line 11038 (Mortgage-Backed and Other Asset-Backed Securities) – Include net gains or losses from private label asset-backed securities as well as government agency asset-backed securities.

Line 11042 (Securities Based Swaps) – Include net gains or losses from security-based swaps, as that term is defined in Section 3(a)(68) of the SEA.

Line 11043 (All Other Swaps) – Include net gains or losses from swaps, other than those included on Line 11042 (Securities Based Swaps).

Line 13904 (Commodity Transactions) – This line is to be used by ANC filers only. All other filers must report commodities related net gains or losses on Line 13990 (Commodities Revenue) in Section 9 (Commodities Revenue).

Line 11045 (Aggregate amount if \$5,000 or less) – As noted above, this section allows aggregate reporting for firms that have total net gains or losses on principal trades for the reporting period of \$5,000 or less.

Line 11046 (Is any portion of Item O related to municipal securities?) – If the firm has reported revenue on Item O, the firm must complete Line 11046.

5. Capital Gains (Losses) on Firm Investments

[FSM]: Firms may include interest and dividends earned on the investment in this section, or in Section 6 (Interest / Rebate / Dividend Income).

6. Interest / Rebate / Dividend Income

Note: If the firm's total interest, rebate and dividend income for the reporting period is \$5,000 or less, the firm may complete Item H, leaving Items A through G blank.

Line 11060 (Securities Borrowings) and Line 11061 (Reverse Repurchase Transactions) – Include rebates and/or interest earned from such transactions.

Line 13960 (Margin Interest) – Interest earned on margin loans to customers, including customers whose accounts are cleared by the firm on a fully disclosed basis. Include amounts earned by an introducing firm from the margin interest charged by the clearing firm to its introduced customer accounts.

Line 11062 (Interest earned from customer bank sweep (FDIC insured products) programs) – Interest earned by the firm from customer funds swept into FDIC-insured products. Include interest received by an introducing firm from its carrying/clearing firm when customers that are introduced to the carrying/clearing firm on a fully disclosed basis have funds swept into such products.

Line 11063 (Interest earned from customer fund sweeps into '40 Act Investments) – Interest earned by the firm for funds swept into products offered pursuant to the Investment Company Act of 1940. Include interest received by an introducing firm from its carrying/clearing firm when customers that are introduced to the carrying/clearing firm on a fully disclosed basis have funds swept into such products.

Line 11064 (Interest and/or Dividends on Securities held in Firm Inventory (not reported in Sections 4 or 5)) – [FSM]: Interest and dividends other than those which the firm has elected to include in Sections 4 (Net Gains or Losses on Principal Trades) or 5 (Capital Gains (Losses) on Firm Investments).

Line 13953 (Other Interest) – Include interest earned on proprietary bank deposits and deposits with clearing agencies.

Line 11065 (Aggregate amount if \$5,000 or less) – As noted above, this section allows aggregate reporting for firms that have total interest, rebate and dividend income for the reporting period of \$5,000 or less.

7. Revenue from Underwritings and Selling Group Participation

For revenue from underwritings and selling group participation, include amounts earned from participating in underwritings in any capacity, e.g., lead or co-manager, selling group member, or a broker-dealer that is allocated revenue related to such offerings.

Note: If the broker-dealer has sold Certificates of Deposit (CDs) issued by an affiliate in the reporting period, the revenue earned from such sales must be recorded on Line 11126 (Total Revenue from sale of Certificates of Deposit (CDs) issued by an affiliate) in Section 10.

Line 11070 (Municipal Offerings) – Include revenue from offerings of municipal securities as defined in Section 3(a)(29) of the SEA.

Registered Offerings

For purposes of this form, an "affiliate" is an entity that controls, is controlled by or is under common control with a member as defined by FINRA Rule 5121(f)(1). The term "entity" means a company, corporation, partnership, trust, sole proprietorship, association or organized group of persons; and excludes: (1) an investment company registered under the Investment Company Act of 1940; or (2) a "separate account" as defined in Section 2(a)(37) of the Investment Company Act of 1940. The term "control" means: (1) beneficial ownership of 10 percent or more of the outstanding common equity of an entity, including any right to receive such securities within 60 days of the member's participation in a public offering; (2) the right to 10 percent or more of the distributable profits or losses of an entity that is a partnership, including any right to receive an interest in such distributable profits or losses within 60 days of the member's participation in a public offering; or (3) the power to direct or cause the direction of the management or policies of the entity.

Unregistered Offerings

Line 11080 (Did the broker or dealer filing this report participate in the sale of any unregistered offering during the reporting period for which it received no compensation?) – This question is intended to capture situations, for example, where the broker-dealer sells securities of a parent or affiliate irrespective of whether compensation is received by the broker or dealer for its sales efforts. The issuer may also be affiliated with an associated person of the firm. Irrespective of the relationship(s) in a given offering, if the broker or dealer participated in sales efforts without the benefit of compensation during the reporting period, the firm would answer yes to this question.

In this section, an unregistered offering is one in which the security is not registered with the SEC in reliance on an exemption from registration pursuant to the Securities Act of 1933. "Affiliate," "entity" and "control" have the same meanings as referenced in the "Registered Offerings" section above.

Note: Once revenue from Line 11089 (Total Revenue from Unregistered Offerings) exceeds 10 percent of Line 14030 (Total Revenue) in Section 10 (Other Revenue), the member *must* complete each section on the operational page where the firm earned *any* revenue from the sale of securities in an unregistered offering.

8. **Fees Earned**

Note: If the firm's total fees earned for the reporting period is \$5,000 or less, the firm may complete Item O, leaving Items A through N blank.

Line 11090 (Fees earned from affiliated entities) – Include fees earned from affiliated entities to the extent that the fees relate to products or services enumerated in Items B through N in this section. Firms must use the definition of "affiliate" provided in Section 7 (Revenue from Underwritings and Selling Group Participation) of these instructions.

Line 11091 (Investment Banking Fees; M&A Advisory) – Fees earned for services provided in conjunction with a proposed, or completed, merger or acquisition. The firm must include fees for advisory work pertaining to a proposed offering of securities, but exclude underwriting or sales-based compensation earned in conjunction with the offering of such securities. Do not include fees that are reported in Item A of this section.

Line 13975 (Account Supervision and Investment Advisory Services) – Fees earned for account supervision are those fees charged by the firm for providing investment advisory services where there is no fee charged for trade execution. Investment Advisory Services generally encompass investment advisory work and execution of client transactions, e.g., wrap arrangements. Include fees charged by broker-dealers that are also registered with the Commodity Futures Trading Commission (CFTC). Do not include fees that are reported in Item A of this section.

Line 11092 (Administrative Fees) – Include retirement account fees, account transfer fees (ACATS), postage and handling fees, termination of account fees, or any other fee from a service provided by the firm to its customers. This line must be used by clearing and/or carrying firms, introducing firms, and all other broker-dealers that assess fees to customers. Do not include fees that are reported in Item A of this section.

Line 13980 (Revenue from Research Services) – Fees earned from the sale or distribution of firm-prepared research or research obtained from third parties and distributed by the firm. Do not include fees that are reported in Item A of this section.

Line 11093 (Rebates from Exchanges, ECNs, and ATSS) – Revenues earned by the firm from exchanges, ECNs and ATSS for the routing of orders for execution to such venues. Do not include revenue that is reported in Item A of this section.

Line 11094 (12b-1 Fees) – Fees earned pursuant to Rule 12b-1 under the Investment Company Act of 1940. Do not include fees that are reported in Item A of this section. When evaluating whether gross or net recognition is required under ASC 605-45, consideration should be given to the risks of not recovering advance payments made on Class C and similar shares.

Line 11095 (Mutual Fund Revenue other than Concessions or 12b-1 Fees) – Include marketing advances received, networking fees earned, cost reimbursements or any other revenue earned in conjunction with the sale of securities registered under the Investment Company Act of 1940 that have not been otherwise included on any other lines of the SSOI. Do not include fees that are reported in Item A of this section.

Line 11096 (Execution Services) – Fees earned for executing transactions on behalf of others. Do not include fees that are billed and reported as part of a transaction confirmation. Do not include fees that are reported in Item A of this section.

Line 11097 (Clearing Services) – Fees earned by clearing and/or carrying firms for facilitating the clearance and settlement of transactions or for providing any other service directly related to clearance and settlement, and that are not specifically referenced elsewhere in this "Fees Earned" section of the SSOI. Do not include fees that are reported in Item A of this section.

Line 11098 (Fees earned from customer bank sweep (FDIC insured products) programs) – Fees earned (other than interest and interest rebates reported on Line 11062 in Section 6 (Interest / Rebate / Dividend Income)) by a carrying/clearing firm from customer funds swept into FDIC-insured products. Include fees earned by introducing firm from its carrying/clearing firm when customers that are introduced to the carrying/clearing firm on a fully disclosed basis have funds swept into such products. Do not include fees that are reported in Item A of this section.

Line 11099 (Fees earned from sweep programs into '40 Act Investments) – Fees earned (other than interest and rebates of interest reported on Line 11063 in Section 6 (Interest / Rebate / Dividend Income)) by the firm for funds swept into products offered pursuant to the Investment Company Act of 1940. Include fees earned by introducing firm from its carrying/clearing firm when customers that are introduced to a carrying/clearing firm on a fully disclosed basis have funds swept into such products. Do not include fees that are reported in Item A of this section.

Line 11100 (Networking Fees from '40 Act Companies) – Include fees earned for maintaining an omnibus account at a mutual fund for customers' investments in such fund (e.g., networking fees are usually paid by a fund to a carrying/clearing firm that sends customer confirmations and statements to the beneficial owner of the fund's shares). Do not include fees that are reported in Item A of this section.

Line 11102 (Aggregate amount if \$5,000 or less) – As noted above, this section allows aggregate reporting for firms that have total fees earned for the reporting period of \$5,000 or less.

9. Commodities Revenue

This section, Line 13990 (Commodities Revenue), is to be used by Parts II and IIA filers only. Include revenue earned related to products that qualify as commodities under CFTC regulations, whether from principal or agency trades. This section is not to be used by ANC filers. ANC filers must reflect commodities revenue on Lines 13991 (Commodity Transactions) in Section 1 (Commissions), 13924 (Commodity Products) in Section 3 (Gains or Losses on Derivative Trading Desks) or 13904 (Commodity Transactions) in Section 4 (Net Gains or Losses on Principal Trades), as appropriate.

10. Other Revenue

Line 11126 (Total Revenue from sale of Certificates of Deposit (CDs) issued by an affiliate) – Include all CDs even if they do not meet the definition of a security.

Note to Part II filers: Line 3985 (Other revenue related to securities business) from the FOCUS Report *is not* reflected on the SSOI; such revenue is to be reflected on the SSOI in one or more of the lines contained herein.

Line 13995 (Other Revenue) on the SSOI will likely be less than Line 3995 (Other revenue) on the FOCUS Report.

Note: If Line 13995 (Other Revenue) exceeds 10 percent of Line 14030 (Total Revenue), the firm *must* provide a description of the three largest components of other revenue along with the associated revenue from each unless the firm had other revenue of \$5,000 or less for the reporting period.

Total Revenue

Line 14030 (Total Revenue) – As previously noted, this line *must* equal Line 4030 (Total revenue) on the FOCUS Report.

EXPENSES

11. Compensation Expenses

Note: If the firm's total compensation expenses for the reporting period are \$5,000 or less, the firm may complete Item F, leaving Items A through E blank.

Note: Line 4120 (Salaries and other employment costs for general partners and voting stockholder officers) from Part II and Part IIA, and Line 4115 (Other employee compensation and benefits) from Part IIA *are not* reflected on the SSOI. Firms must assess the nature of the compensation and include the amounts in the appropriate line(s) of the SSOI.

Line 14110 (Registered Representatives Compensation) – Compensation paid to personnel whose activities are primarily sales related (e.g., persons with a Series 7, General Securities Representative). Compensation paid to management personnel (e.g., Series 24, General Securities Principal) must be reflected on Line 14040 (Compensation paid to all other revenue producing personnel). Firms offering special products must follow a similar convention when reporting revenue between Lines 14110 (Registered Representatives Compensation) and 14040 (Compensation paid to all other revenue producing personnel) for their revenue producing personnel. Do not include bonuses. Bonuses must be reported on Line 11201 (Bonuses).

Line 14040 (Compensation paid to all other revenue producing personnel) – Compensation paid to revenue producing employees and management, other than registered representatives. Exclude amounts paid as part of an outsourcing agreement. Do not include bonuses. Bonuses must be reported on Line 11201 (Bonuses).

Line 11200 (Compensation paid to non-revenue producing personnel (including temporary personnel)) – Include compensation paid to all non-revenue producing management, administrative and clerical personnel. Do not include bonuses. Bonuses must be reported on Line 11201 (Bonuses).

Line 11201 (Bonuses) – Incentive compensation for all employees. Include payments made to induce employment (e.g., hiring bonuses).

Line 11202 (Other compensation expenses) – Include costs associated with employee benefits (e.g., health benefits, 401(k) matching contributions), employer FICA, unemployment insurance and similar expenses.

Line 11203 (Aggregate amount if \$5,000 or less) – As noted above, this section allows aggregate reporting for firms that have total compensation expenses for the reporting period of \$5,000 or less.

12. Commission, Clearance and Custodial Expenses

Note: If the firm's total commission, clearance and custodial expenses for the reporting period are \$5,000 or less, the firm may complete Item H, leaving Items A through G blank.

Line 14055 (Floor brokerage and fees paid) – Fees paid to other broker-dealers for the execution of trades on a recognized exchange. Includes floor brokers and liquidity providers.

Line 14145 (Amounts paid to Exchanges, ECNs and ATs) – Amounts paid to exchanges, ECNs and ATs for the routing of orders for execution.

Line 11210 (Clearance Fees Paid to broker-dealers) – Fees paid to other broker-dealers for clearance and settlement of transactions and for the custody of assets. Include any fees paid by an introducing firm to a carrying/clearing firm, if the clearing firm does not bill the introducing firm separately for each service. If the introducing firm is billed for each service, the introducing firm must report such amounts on the SSOI based on the nature of the fee(s). If such fees are not separately identifiable, the aggregate fees may be reported on Line 11210 (Clearance Fees Paid to broker-dealers).

Line 14135 (Clearance Fees Paid to non-broker-dealers) – All fees paid to an entity that is other than a broker-dealer for the clearance and settlement of transactions (e.g., NSCC, FICC and clearing agent banks).

Line 14140 (Commission Paid to other broker-dealers) – Include commissions or fees paid to inter-dealer brokers and service/distribution fees paid in connection with mutual funds.

Line 11211 (12b-1 Fees) - 12b-1 fees paid to other broker-dealers or institutions. When evaluating whether gross or net recognition is required under ASC 605-45, consideration should be given to the risks of not recovering advance payments made on Class C and similar shares.

Line 11212 (Custodial Fees) – Fees paid to an entity to maintain safekeeping of customer or firm securities (e.g., DTCC, CDS, Euroclear, banks acting as custodians).

Line 11213 (Aggregate amount if \$5,000 or less) – As noted above, this section allows aggregate reporting for firms that have total commission, clearance and custodial expenses for the reporting period of \$5,000 or less.

13. Expenses Incurred on Behalf of Affiliates and Others

Firms must use the definition of affiliate provided in Section 7 (Revenue from Underwritings and Selling Group Participation) of these instructions.

Line 11220 (Soft dollar expenses) – Expenses incurred in connection with goods or services provided in accordance with Section 28(e) of the SEA.

Line 11221 (Rebates/Recapture of commissions) – The direct or indirect return to a customer of commissions charged by the firm.

14. Interest and Dividend Expenses

Note: If the firm's total interest and dividend expenses for the reporting period are \$5,000 or less, the firm may complete Item H, leaving Items A through G blank.

Line 11237 (Aggregate amount if \$5,000 or less) – As noted above, this section allows aggregate reporting for firms that have total interest and dividend expenses for the reporting period of \$5,000 or less.

As previously noted, the total of Line 14075 (Total Interest and Dividend Expenses) must equal Line 4075 (Interest expense) from the FOCUS Report.

15. Fees Paid To Third Party Service Providers

Line 11240 (To Affiliates) – Include payments to an affiliate for services provided to the broker-dealer. Firms must use the definition of "affiliate" provided in Section 7 (Revenue from Underwritings and Selling Group Participation) of these instructions.

Line 11241 (To Third Parties) – Include payments to third party service providers performing activities related to the broker-dealer's business.

16. General, Administrative, Regulatory and Miscellaneous Expenses

Note: If the firm's total general, administrative, regulatory and miscellaneous expenses for the reporting period are \$5,000 or less, the firm may complete Item M, leaving Items A through L blank.

Line 11250 (Finders' Fees) – Fees paid to persons not registered with the firm for the referral of customers. For purposes of this form, "customers" include any person (natural or otherwise), other than a broker or dealer, with whom the member has engaged, or has sought to engage, in securities activities.

Line 14060 (Technology, data and communication costs) – Expenses incurred related to hardware, software or communications services or payments to the entities directly contracted to provide such hardware, software or communications services. Excludes compensation to employees or to independent contractors with which the broker-dealer has direct arrangements. Excludes expenses incurred from the outsourcing of functions related to the broker-dealer's business.

Note: [FSM]: Lines 4060 (Communications) and 4186 (Data processing costs) from Parts II and II CSE may be combined and reported on Line 14060 (Technology, data and communication costs) of the SSOI, as long as they meet the requirements described in the instructions for this line. Part IIA filers may report technology, data and communication costs on Line

14100 (Other Expenses) in Section 17 (Other Expenses) of the SSOI. All firms may include expenses incurred for procurement of market data on this line or on Line 11251 (Research).

Line 11251 (Research) – Fees paid to providers of research services. Excludes amounts paid for publications commercially available to the investing public. Such amounts must be reported on Line 14100 (Other Expenses) in Section 17 (Other Expenses).

Note: [FSM]: Firms may include expenses incurred for procurement of market data in this category, or under Line 14060 (Technology, data and communication costs).

Line 14150 (Promotional Fees) – Include advertising (e.g., print media, TV, radio), expenses and costs incurred for sales related events, conferences, seminars or similar gatherings, literature or marketing materials intended to initiate interest in products/services offered by the broker-dealer.

Line 14080 (Occupancy and equipment expenses) – Include rent/lease costs.

Line 14195 (Regulatory Fees) – Include fees paid to all regulatory agencies and self-regulatory organizations (e.g., FINRA, SEC) and SIPC. Regulatory fees include SEA Section 31 fees.

Line 11253 (Professional Service Fees) – Include fees paid to outside accountants, consultants, and other professionals. Include payments to outside counsel for corporate, general or administrative work. Fees related to litigation, settlement, restitution and rescission must be reported on Line 11254 (Litigation, settlement, restitution and rescission, and related outside counsel legal fees).

Line 11254 (Litigation, arbitration, settlement, restitution and rescission, and related outside counsel legal fees) – Expenses related to the satisfaction (in whole or in part) of arbitration or court awards, legal settlements, restitution or rescission. Include payments to outside counsel for legal work related thereto and filing fees with courts or entities that provide a forum for dispute resolution.

Line 14170 (Losses in error accounts and bad debts) – Include in this section:

- Losses incurred by a clearing or carrying firm due to transactions with a (direct) customer, broker-dealer or counterparty.
- Losses incurred by a clearing or carrying firm related to an account introduced to the firm by a correspondent broker-dealer, including instances where the correspondent is contractually responsible for the loss.
- Losses incurred by a correspondent firm for accounts it introduces to a clearing or carrying firm due to transactions/activity/failure to perform of an introduced account, including instances where the correspondent is contractually responsible for the loss. This expense *may not* be reduced by potential off-sets (e.g., insurance coverage, right to pursue litigation).
- Losses associated with a firm trading out of error positions.

Line 11256 (Aggregate amount if \$5,000 or less) – As noted above, this section allows aggregate reporting for firms that have total general, administrative, regulatory and miscellaneous expenses for the reporting period of \$5,000 or less.

17. **Other Expenses**

Line 14100 (Other Expenses) on the SSOI will likely be less than Line 4100 (Other expenses) on the FOCUS Report. Line 14100 includes 12b-1 service and distribution fees and other expenses not otherwise provided for in the SSOI.

Note: If Line 14100 (Other Expenses) exceeds 10 percent of Line 14200 (Total Expenses), the firm *must* provide a description of the three largest components of other expenses along with the associated cost of each unless the firm had other expenses of \$5,000 or less for the reporting period.

Total Expenses

Line 14200 (Total Expenses) – As previously noted, this line *must* equal Line 4200 (Total expenses) on the FOCUS Report.

OPERATIONAL PAGE INSTRUCTIONS

The Operational Page to the SSOI (SSOI Ops Page) must be completed once revenue from Line 11089 (Total Revenue from Unregistered Offerings) on the SSOI exceeds 10% of Line 14030 (Total Revenue) on the SSOI for a given reporting period. Any member required to complete the SSOI Ops Page *must* complete each section on the operational page where the firm earned *any* revenue from the sale of securities in an unregistered offering.

The SSOI Ops Page is divided into two sections, which align with Section 7, Item C (Unregistered Offerings) on the SSOI. The SSOI Ops Page excludes municipal offerings.

Section 1: Unregistered offerings other than self or affiliate offerings.

Section 2: Unregistered offerings, self or affiliate offerings.

The following definitions apply to the SSOI Ops Page:

- “Affiliate” is an entity that controls, is controlled by or is under common control with a member as defined by FINRA Rule 5121(f)(1).
- “Entity” means a company, corporation, partnership, trust, sole proprietorship, association or organized group of persons; and excludes: (1) an investment company registered under the Investment Company Act of 1940 or (2) a “separate account” as defined in Section 2(a)(37) of the Investment Company Act of 1940.
- “Control” means (1) beneficial ownership of 10 percent or more of the outstanding common equity of an entity, including any right to receive such securities within 60 days of the member’s participation in a public offering; (2) the right to 10 percent or more of the distributable profits or losses of an entity that is a partnership, including any right to receive an interest in such distributable profits or losses within 60 days of the member’s participation in a public offering, or (3) the power to direct or cause the direction of the management or policies of the entity.

Each section of the SSOI Ops Page requires that for each offering in which the member participated in the Reporting Period it must provide the information noted with respect to its five (5) largest offerings *in terms of the aggregate dollar amount of the securities sold*.

For example, if the member’s total revenue from unregistered offerings on Line 11089 (Total Revenue from Unregistered Offerings) of the SSOI is 15% of total revenue on Line 14030 (Total Revenue), the member must complete each section of the SSOI Ops Page where any revenue was earned by the member. If the member participated in more than five (5) offerings under a section, *the member must list the five (5) largest offerings in terms of the aggregate dollar amount of the securities sold, not revenue earned, by the member*. Using this criteria, the member must report the offerings in descending order.

For each subsection (Subsections 1 through 5 of Section 1; and 6 through 10 of Section 2):

- (1) Items A, B, F, G, H, I and J require free-text entries that are either alpha or numeric (numbers or dollar amounts) as indicated. Each item must be completed as noted.
- (2) Item C contains a drop-down menu from which the member can populate the line. For Items D and E, select all that apply.

Subsections 6 through 10 of Section 2 require members to provide further information through an additional drop down menu (Item K Issuer/Sponsor’s affiliation to Broker-Dealer filing this report). For the drop down menu, “Guaranteed Subsidiary” refers to a subsidiary for which the member consolidates the assets and liabilities of such subsidiary pursuant to Appendix C of SEA Rule 15c3-1. “Other Affiliate” means an entity other than those listed (i.e., parent, indirect or direct, or guaranteed or non-guaranteed subsidiary) that would meet the definition of affiliate as defined by FINRA Rule 5121(f)(1).

FINRA
FORM
SSOI

SUPPLEMENTAL STATEMENT OF INCOME

(Please read instructions before completing Form)

NAME OF BROKER-DEALER _____	13	SEC FILE NO. _____	14
ADDRESS OF PRINCIPAL PLACE OF BUSINESS _____	20	FIRM ID NO. _____	15
(No. and Street)			
_____ 21 _____ 22 _____ 23		FOR PERIOD BEGINNING (MM/DD/YY) _____	24
(City) (State) (Zip Code)		AND ENDING (MM/DD/YY) _____	25
NAME OF PERSON COMPLETING THIS REPORT _____			11290
TELEPHONE NO. OF PERSON COMPLETING THIS REPORT _____			11291

REVENUE

**FOCUS Report
Reference Line**

1. Commissions

A. Equities, ETFs and Closed End Funds.....	\$ _____	13935	A: 3935
B. Exchange Listed Equity Securities Executed OTC.....	\$ _____	13937	C/II: 3937
C. U.S. Government and Agencies	\$ _____	11001	
D. Foreign Sovereign debt.....	\$ _____	11002	
E. Corporate debt	\$ _____	11003	
F. Mortgage-Backed and Other Asset-Backed Securities.....	\$ _____	11004	
G. Municipals	\$ _____	11005	
H. Listed Options.....	\$ _____	13938	A: 3938
I. OTC Options.....	\$ _____	11006	
J. All Other Securities Commissions.....	\$ _____	13939	A: 3939
K. Commodity Transactions.....	\$ _____	13991	C: 3991
L. Foreign Exchange.....	\$ _____	11007	
M. Aggregate amount if \$5,000 or less (Do not complete Items A-L).....	\$ _____	11008	
1. Is any portion of Item M related to municipal securities? Yes <input type="checkbox"/> No <input type="checkbox"/> 11009			
Total Commissions:		\$ _____	13940 A: 3940

2. Revenue From:

A. Sale of Investment Company Shares.....	\$ _____	13970	A: 3970
B. Sale of Variable Contracts.....	\$ _____	11020	
C. Non-Securities Insurance Based Products.....	\$ _____	11021	
Total Revenue From Referenced Products:		\$ _____	11029

3. Gains or Losses on Derivative Trading Desks

A. Interest Rate/Fixed Income Products.....	\$ _____	13921	C: 3921
B. Currency.....	\$ _____	13922	C: 3922
C. Equity Products.....	\$ _____	13923	C: 3923
D. Commodity Products.....	\$ _____	13924	C: 3924
E. Other.....	\$ _____	13925	C: 3925
Total Gains or Losses on Derivative Trading Desks:		\$ _____	13926 C: 3926

4. Net Gains or Losses on Principal Trades

A. Equities, ETFs and Closed End Funds. Includes Dividends:.....	Yes <input type="checkbox"/> No <input type="checkbox"/> 11030	\$ _____	13903 C: 3903
B. U.S. Government and Agencies. Includes interest:	Yes <input type="checkbox"/> No <input type="checkbox"/> 11031	\$ _____	11032 C: 3901
C. Foreign Sovereign Debt. Includes interest:.....	Yes <input type="checkbox"/> No <input type="checkbox"/> 11033	\$ _____	11034 C: 3901

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SUPPLEMENTAL STATEMENT OF INCOME

BROKER-DEALER

For the period (MMDDYY) from _____ 3932 to _____ 3933

Number of months included in this statement _____ 3931

**FOCUS Report
Reference Line**

D. Corporate Debt. Includes interest:	Yes <input type="checkbox"/> No <input type="checkbox"/>	11035	\$ _____	11036	C: 3901
E. Mortgage-Backed and Other					
Asset-Backed Securities. Includes interest:.....	Yes <input type="checkbox"/> No <input type="checkbox"/>	11037	\$ _____	11038	C: 3901
F. Municipals. Includes interest:.....	Yes <input type="checkbox"/> No <input type="checkbox"/>	11039	\$ _____	13901	C: 3901
G. Foreign Exchange.....			\$ _____	13902	C: 3902
H. Listed Options.....			\$ _____	11040	
I. OTC Options.....			\$ _____	11041	
J. Securities Based Swaps			\$ _____	11042	
K. All Other Swaps			\$ _____	11043	
L. Futures.....			\$ _____	11044	
M. Commodity Transactions.....			\$ _____	13904	C: 3904
N. Other.....			\$ _____	13951	C: 3951
O. Aggregate amount if \$5,000 or less (Do not complete Items A-N).....			\$ _____	11045	
1. Is any portion of Item O related to municipal securities? Yes <input type="checkbox"/> No <input type="checkbox"/>		11046			
Total Net Gains or Losses on Principal Trades:			\$ _____	13950	A: 3950
5. Capital Gains (Losses) on Firm Investments			\$ _____	13952	A: 3952
Includes Dividends and/or Interest:.....	Yes <input type="checkbox"/> No <input type="checkbox"/>	11053			
6. Interest / Rebate / Dividend Income					
A. Securities Borrowings			\$ _____	11060	
B. Reverse Repurchase Transactions.....			\$ _____	11061	
C. Margin Interest.....			\$ _____	13960	C/II: 3960
D. Interest earned from customer bank sweep (FDIC insured products) programs.....			\$ _____	11062	
E. Interest earned from customer fund sweeps into '40 Act Investments.....			\$ _____	11063	
F. Interest and/or Dividends on Securities held in Firm Inventory (not reported in Sections 4 or 5).....			\$ _____	11064	
G. Other Interest.....			\$ _____	13953	C: 3953
H. Aggregate amount if \$5,000 or less (Do not complete Items A-G).....			\$ _____	11065	
Total Interest / Rebate / Dividend Income:			\$ _____	11069	
7. Revenue from Underwritings and Selling Group Participation					
A. Municipal Offerings.....			\$ _____	11070	
B. Registered Offerings					
1. Offerings other than self or affiliate. Excludes municipals.....			\$ _____	11071	
2. Offerings, self or affiliate. Excludes municipals.....			\$ _____	11072	
Total Revenue from Registered Offerings:			\$ _____	11079	
C. Unregistered Offerings (Excludes municipal offerings) Sections below refer to Operational Page – See Instructions					
Did the broker or dealer filing this report participate in the sale of any unregistered offering during the reporting period for which it received no compensation?	Yes <input type="checkbox"/> No <input type="checkbox"/>	11080			
1. Unregistered offerings, other than self or affiliate offerings. Section 1.....			\$ _____	11081	
2. Unregistered offerings, self or affiliate offerings. Section 2.....			\$ _____	11082	
Total Revenue from Unregistered Offerings:			\$ _____	11089	
Total Revenue from Underwritings and Selling Group Participation:			\$ _____	13955	A:3955

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SUPPLEMENTAL STATEMENT OF INCOME

BROKER-DEALER

For the period (MMDDYY) from _____ 3932 to _____ 3933

Number of months included in this statement _____ 3931

FOCUS Report

8. Fees Earned

Reference Line

A. Fees earned from affiliated entities.....	\$ _____	11090	
B. Investment Banking Fees; M&A Advisory	\$ _____	11091	
C. Account Supervision and Investment Advisory Services.....	\$ _____	13975	A: 3975
D. Administrative Fees	\$ _____	11092	A: 3975
E. Revenue from Research Services	\$ _____	13980	C/II: 3980
F. Rebates from Exchanges, ECNs, and ATSS.....	\$ _____	11093	
G. 12b-1 Fees.....	\$ _____	11094	
H. Mutual Fund Revenue other than Concessions or 12b-1 Fees	\$ _____	11095	
I. Execution Services.....	\$ _____	11096	
J. Clearing Services.....	\$ _____	11097	
K. Fees earned on customer bank sweep (FDIC insured products) programs.....	\$ _____	11098	
L. Fees earned from sweep programs into '40 Act Investments.....	\$ _____	11099	
M. Networking Fees from '40 Act Companies.....	\$ _____	11100	
N. Other Fees.....	\$ _____	11101	
O. Aggregate amount if \$5,000 or less (Do not complete Items A-N)	\$ _____	11102	
Total Fees Earned:	\$ _____	11109	

9. Commodities Revenue \$ _____ 13990 II/IIA: 3990

10. Other Revenue

A. Total Revenue from sale of Certificates of Deposit (CDs) issued by an affiliate.....	\$ _____	11126	
B. Other Revenue.....	\$ _____	13995	A: 3995

If Other Revenue line 13995 is more than 10% of Total Revenue line 14030 and it is greater than \$5,000; provide a description of the 3 largest components of Other Revenue, along with the associated revenue for each.

B-1. Description of : 1st largest component of Other Revenue:

_____ 11120 \$ _____ 11121

B-2. Description of : 2nd largest component of Other Revenue:

_____ 11122 \$ _____ 11123

B-3. Description of : 3rd largest component of Other Revenue:

_____ 11124 \$ _____ 11125

Total Revenue: \$ _____ 14030 A: 4030

EXPENSES

11. Compensation Expenses

A. Registered Representatives Compensation.....	\$ _____	14110	C/II: 4110
B. Compensation paid to all other revenue producing personnel.....	\$ _____	14040	C/II: 4040
C. Compensation paid to non-revenue producing personnel (including temporary personnel)	\$ _____	11200	
D. Bonuses.....	\$ _____	11201	
E. Other compensation expenses.....	\$ _____	11202	
F. Aggregate amount if \$5,000 or less (Do not complete Items A-E)	\$ _____	11203	
Total Compensation Expenses:	\$ _____	11209	

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SUPPLEMENTAL STATEMENT OF INCOME

BROKER-DEALER _____

For the period (MMDDYY) from _____ 3932 to _____ 3933

Number of months included in this statement _____ 3931

**FOCUS Report
Reference Line**

12. Commission, Clearance and Custodial Expenses

A. Floor brokerage and fees paid	\$ _____	14055	C/II: 4055
B. Amounts paid to Exchanges, ECNs, and ATSS.....	\$ _____	14145	C/II: 4145
C. Clearance Fees Paid to broker-dealers.....	\$ _____	11210	
D. Clearance Fees Paid to non-broker-dealers.....	\$ _____	14135	C/II: 4135
E. Commission Paid to other broker-dealers.....	\$ _____	14140	IIA: 4140
F. 12b-1 Fees.....	\$ _____	11211	
G. Custodial Fees.....	\$ _____	11212	
H. Aggregate amount if \$5,000 or less (Do not complete Items A-G).....	\$ _____	11213	
Total Commission, Clearance and Custodial Fees:	\$ _____	11219	

13. Expenses Incurred on Behalf of Affiliates and Others

A. Soft dollar expenses	\$ _____	11220	
B. Rebates/Recapture of commissions	\$ _____	11221	
Total Expenses incurred on Behalf of Affiliates and Others:	\$ _____	11229	

14. Interest and Dividend Expenses

A. Interest paid on bank loans.....	\$ _____	11230	
B. Interest paid on debt instruments where broker-dealer is the obligor, including subordination agreements.....	\$ _____	11231	
C. Interest paid on customer balances	\$ _____	11232	
D. Interest paid on Securities Loaned transactions	\$ _____	11233	
E. Interest paid on Repurchase Agreements	\$ _____	11234	
F. Interest and/or Dividends on Short Securities Inventory.....	\$ _____	11235	
G. Other interest expenses.....	\$ _____	11236	
H. Aggregate amount if \$5,000 or less (Do not complete Items A-G).....	\$ _____	11237	
Total Interest and Dividend Expenses:	\$ _____	14075	A:4075

15. Fees Paid to Third Party Service Providers

A. To Affiliates.....	\$ _____	11240	
B. To Third Parties.....	\$ _____	11241	
Total Fees Paid to Third Party Service Providers:	\$ _____	11249	

16. General, Administrative, Regulatory and Miscellaneous Expenses

A. Finders' Fees.....	\$ _____	11250	
B. Technology, data and communication costs.....	\$ _____	14060	C/II: 4060, 4186
C. Research.....	\$ _____	11251	
D. Promotional Fees.....	\$ _____	14150	C/II: 4150
E. Travel and Entertainment.....	\$ _____	11252	
F. Occupancy and equipment expenses.....	\$ _____	14080	C/II: 4080
G. Non-recurring charges.....	\$ _____	14190	C/II: 4190
H. Regulatory Fees	\$ _____	14195	A: 4195
I. Professional Service Fees.....	\$ _____	11253	

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SUPPLEMENTAL STATEMENT OF INCOME

BROKER-DEALER

For the period (MMDDYY) from _____ 3932 to _____ 3933

Number of months included in this statement _____ 3931

**FOCUS Report
Reference Line**

J. Litigation, arbitration, settlement, restitution and rescission, and related outside counsel			
legal fees.....	\$ _____	11254	
K. Losses in error accounts and bad debts.....	\$ _____	14170	C/II: 4170
L. State and local income taxes.....	\$ _____	11255	
M. Aggregate amount if \$5,000 or less (Do not complete Items A-L).....	\$ _____	11256	
Total General, Administrative, Regulatory and Miscellaneous Expenses:		\$ _____	11269

17. Other Expenses

A. Other Expenses.....	\$ _____	14100	A: 4100
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If Other Expenses line 14100 is more than 10% of Total Expenses line 14200 and it is greater than \$5,000; provide a description of the 3 largest components of Other Expenses, along with the associated expense for each.

A-1. Description of : 1st largest component of Other Expenses:

	11280	\$ _____	11281
--	-------	----------	-------

A-2. Description of : 2nd largest component of Other Expenses:

	11282	\$ _____	11283
--	-------	----------	-------

A-3. Description of : 3rd largest component of Other Expenses:

	11284	\$ _____	11285
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Total Expenses: \$ _____ 14200 A: 4200

NET INCOME

18. Net Income

A. Income (loss) before Federal income taxes and items below.....	\$ _____	14210	A: 4210
B. Provision for Federal income taxes (for parent only).....	\$ _____	14220	A: 4220
C. Equity in earnings (losses) of unconsolidated subsidiaries not included above.....	\$ _____	14222	A: 4222
D. Extraordinary gains (losses).....	\$ _____	14224	A: 4224
E. Cumulative effect of changes in accounting principles.....	\$ _____	14225	A: 4225
F. Net income (loss) after Federal income taxes and extraordinary item.....	\$ _____	14230	A: 4230
Total Net Income:		\$ _____	11299

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FINRA
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(Please read instructions before completing Form)

SECTION 1: Unregistered offerings other than self or affiliate offerings

For each offering in which the firm participated in the Reporting Period, provide the following information. If firm engaged in more than five (5) such offerings during the Reporting Period, list the five (5) largest offerings in terms of total securities sold by dollar amount in descending order.

1. Unregistered offering other than self or affiliate offering:

- A. Name of Issuer/Sponsor: _____ 11310
- B. If Form D has been filed by the issuer, enter CIK (Filer ID Number): _____ 11311
- C. Industry Group (Select One): _____ 11312
- D. Federal Exemptions and Exclusions Claimed (Select all that apply):
- Rule 504(b)(1) (not (i), (ii) or (iii))..... 11313
 - Rule 504(b)(1)(i) 19000
 - Rule 504(b)(1)(ii) 19001
 - Rule 504(b)(1)(iii)..... 19002
 - Rule 505..... 19003
 - Rule 506..... 19004
 - Securities Act Section 4(6) 19005
 - Investment Company Act Section 3(c).... 19006
- E. Type(s) of Securities Offered (Select all that apply):
- Equity..... 11314
 - Debt..... 19010
 - Option, Warrant or Other Right to Acquire Another Security..... 19011
 - Security to be Acquired Upon Exercise of Option, Warrant or Other Right to Acquire Security..... 19012
 - Pooled Investment Fund Interests..... 19013
 - Tenant-in-Common Securities..... 19014
 - Mineral Property Securities..... 19015
 - Other..... 19016
- F. Minimum Investment accepted from any outside investor:.....\$ _____ 11315
- G. Total Offering Amount in dollars:.....\$ _____ 11316
- or check "Indefinite".....Indefinite 11317
- H. Total amount in dollars of securities sold during the reporting period by the member:.....\$ _____ 11318
- I. Total number of customers to whom securities were sold with respect to the sales reported for Item H:..... 11319
- J. Amount of revenue earned by the member with respect to the sales reported for Item H:.....\$ _____ 11320

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For the period (MMDDYY) from 3932 to 3933

Number of months included in this statement 3931

2. Unregistered offering other than self or affiliate offering:

- A. Name of Issuer/Sponsor: _____ 11330
- B. If Form D has been filed by the issuer, enter CIK (Filer ID Number): _____ 11331
- C. Industry Group (Select One): _____ 11332
- D. Federal Exemptions and Exclusions Claimed (Select all that apply):
- Rule 504(b)(1) (not (i), (ii) or (iii))..... 11333
 - Rule 504(b)(1)(i) 19020
 - Rule 504(b)(1)(ii) 19021
 - Rule 504(b)(1)(iii)..... 19022
 - Rule 505..... 19023
 - Rule 506..... 19024
 - Securities Act Section 4(6) 19025
 - Investment Company Act Section 3(c).... 19026
- E. Type(s) of Securities Offered (Select all that apply):
- Equity..... 11334
 - Debt..... 19030
 - Option, Warrant or Other Right to Acquire Another Security..... 19031
 - Security to be Acquired Upon Exercise of Option, Warrant or Other Right to Acquire Security..... 19032
 - Pooled Investment Fund Interests..... 19033
 - Tenant-in-Common Securities..... 19034
 - Mineral Property Securities..... 19035
 - Other..... 19036
- F. Minimum Investment accepted from any outside investor:.....\$ _____ 11335
- G. Total Offering Amount in dollars:.....\$ _____ 11336
- or check "Indefinite"..... Indefinite 11337
- H. Total amount in dollars of securities sold during the reporting period by the member:.....\$ _____ 11338
- I. Total number of customers to whom securities were sold with respect to the sales reported for Item H:..... 11339
- J. Amount of revenue earned by the member with respect to the sales reported for Item H:.....\$ _____ 11340

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For the period (MMDDYY) from 3932 to 3933

Number of months included in this statement 3931

5. Unregistered offering other than self or affiliate offering:

- A. Name of Issuer/Sponsor: _____ 11390
- B. If Form D has been filed by the issuer, enter CIK (Filer ID Number): _____ 11391
- C. Industry Group (Select One): _____ 11392
- D. Federal Exemptions and Exclusions Claimed (Select all that apply):
- Rule 504(b)(1) (not (i), (ii) or (iii))..... 11393
 - Rule 504(b)(1)(i) 19080
 - Rule 504(b)(1)(ii) 19081
 - Rule 504(b)(1)(iii)..... 19082
 - Rule 505..... 19083
 - Rule 506..... 19084
 - Securities Act Section 4(6) 19085
 - Investment Company Act Section 3(c).... 19086
- E. Type(s) of Securities Offered (Select all that apply):
- Equity..... 11394
 - Debt..... 19090
 - Option, Warrant or Other Right to Acquire Another Security..... 19091
 - Security to be Acquired Upon Exercise of Option, Warrant or Other Right to Acquire Security..... 19092
 - Pooled Investment Fund Interests..... 19093
 - Tenant-in-Common Securities..... 19094
 - Mineral Property Securities..... 19095
 - Other..... 19096
- F. Minimum Investment accepted from any outside investor:.....\$ _____ 11395
- G. Total Offering Amount in dollars:.....\$ _____ 11396
 or check "Indefinite".....Indefinite 11397
- H. Total amount in dollars of securities sold during the reporting period by the member:.....\$ _____ 11398
- I. Total number of customers to whom securities were sold with respect to the sales reported for Item H:..... 11399
- J. Amount of revenue earned by the member with respect to the sales reported for Item H:.....\$ _____ 11400

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For the period (MMDDYY) from _____ 3932 to _____ 3933

_____ Number of months included in this statement _____ 3931

8. Unregistered offerings; self or affiliate offerings:

- A. Name of Issuer/Sponsor: _____ 11450
- B. If Form D has been filed by the issuer, enter CIK (Filer ID Number): _____ 11451
- C. Industry Group (Select One): _____ 11452
- D. Federal Exemptions and Exclusions Claimed (Select all that apply):
- Rule 504(b)(1) (not (i), (ii) or (iii))..... 11453
 - Rule 504(b)(1)(i) 19140
 - Rule 504(b)(1)(ii) 19141
 - Rule 504(b)(1)(iii)..... 19142
 - Rule 505..... 19143
 - Rule 506..... 19144
 - Securities Act Section 4(6) 19145
 - Investment Company Act Section 3(c).... 19146
- E. Type(s) of Securities Offered (Select all that apply):
- Equity..... 11454
 - Debt..... 19150
 - Option, Warrant or Other Right to Acquire Another Security..... 19151
 - Security to be Acquired Upon Exercise of Option, Warrant or Other Right to Acquire Security..... 19152
 - Pooled Investment Fund Interests..... 19153
 - Tenant-in-Common Securities..... 19154
 - Mineral Property Securities..... 19155
 - Other..... 19156
- F. Minimum Investment accepted from any outside investor:.....\$ _____ 11455
- G. Total Offering Amount in dollars:.....\$ _____ 11456
- or check "Indefinite".....Indefinite 11457
- H. Total amount in dollars of securities sold during the reporting period by the member:.....\$ _____ 11458
- I. Total number of customers to whom securities were sold with respect to the sales reported for Item H:..... _____ 11459
- J. Amount of revenue earned by the member with respect to the sales reported for Item H:.....\$ _____ 11460
- K. Issuer/Sponsor's affiliation to Broker-Dealer filing this Report (Select One): _____ 11461

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For the period (MMDDYY) from _____ 3932 to _____ 3933

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9. Unregistered offerings; self or affiliate offerings:

- A. Name of Issuer/Sponsor: _____ 11470
- B. If Form D has been filed by the issuer, enter CIK (Filer ID Number): _____ 11471
- C. Industry Group (Select One): _____ 11472
- D. Federal Exemptions and Exclusions Claimed (Select all that apply):
- Rule 504(b)(1) (not (i), (ii) or (iii))..... 11473
 - Rule 504(b)(1)(i) 19160
 - Rule 504(b)(1)(ii) 19161
 - Rule 504(b)(1)(iii)..... 19162
 - Rule 505..... 19163
 - Rule 506..... 19164
 - Securities Act Section 4(6) 19165
 - Investment Company Act Section 3(c).... 19166
- E. Type(s) of Securities Offered (Select all that apply):
- Equity..... 11474
 - Debt..... 19170
 - Option, Warrant or Other Right to Acquire Another Security..... 19171
 - Security to be Acquired Upon Exercise of Option, Warrant or Other Right to Acquire Security..... 19172
 - Pooled Investment Fund Interests..... 19173
 - Tenant-in-Common Securities..... 19174
 - Mineral Property Securities..... 19175
 - Other..... 19176
- F. Minimum Investment accepted from any outside investor:.....\$ _____ 11475
- G. Total Offering Amount in dollars:.....\$ _____ 11476
- or check "Indefinite".....Indefinite 11477
- H. Total amount in dollars of securities sold during the reporting period by the member:.....\$ _____ 11478
- I. Total number of customers to whom securities were sold with respect to the sales reported for Item H:..... 11479
- J. Amount of revenue earned by the member with respect to the sales reported for Item H:.....\$ _____ 11480
- K. Issuer/Sponsor's affiliation to Broker-Dealer filing this Report (Select One): _____ 11481

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For the period (MMDDYY) from _____ 3932 to _____ 3933

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10. Unregistered offerings; self or affiliate offerings:

- A. Name of Issuer/Sponsor: _____ 11490
- B. If Form D has been filed by the issuer, enter CIK (Filer ID Number): _____ 11491
- C. Industry Group (Select One): _____ 11492
- D. Federal Exemptions and Exclusions Claimed (Select all that apply):
- Rule 504(b)(1) (not (i), (ii) or (iii))..... 11493
 - Rule 504(b)(1)(i) 19180
 - Rule 504(b)(1)(ii) 19181
 - Rule 504(b)(1)(iii)..... 19182
 - Rule 505..... 19183
 - Rule 506..... 19184
 - Securities Act Section 4(6) 19185
 - Investment Company Act Section 3(c).... 19186
- E. Type(s) of Securities Offered (Select all that apply):
- Equity..... 11494
 - Debt..... 19190
 - Option, Warrant or Other Right to Acquire Another Security..... 19191
 - Security to be Acquired Upon Exercise of Option, Warrant or Other Right to Acquire Security..... 19192
 - Pooled Investment Fund Interests..... 19193
 - Tenant-in-Common Securities..... 19194
 - Mineral Property Securities..... 19195
 - Other..... 19196
- F. Minimum Investment accepted from any outside investor:.....\$ _____ 11495
- G. Total Offering Amount in dollars:.....\$ _____ 11496
- or check "Indefinite"..... Indefinite 11497
- H. Total amount in dollars of securities sold during the reporting period by the member:.....\$ _____ 11498
- I. Total number of customers to whom securities were sold with respect to the sales reported for Item H:..... _____ 11499
- J. Amount of revenue earned by the member with respect to the sales reported for Item H:..... \$ _____ 11500
- K. Issuer/Sponsor's affiliation to Broker-Dealer filing this Report (Select One): _____ 11501

Dropdown Values for Related Fields

C. Industry Group (Select One):.....

- Agriculture
- Banking and Financial Services
- Business Services
- Energy
- Health Care
- Manufacturing
- Real Estate
- Retailing
- Restaurants
- Technology
- Travel
- Other

K. Issuer/Sponsor's affiliation to Broker-Dealer filing this Report (Select One):.....

- Parent, indirect
- Parent, direct
- Guaranteed Subsidiary
- Non-guaranteed Subsidiary
- Other Affiliate