

Memorandum

Date: January 1, 2018
To: Philip Shaikun, VP, Office of General Counsel
From: Stephen Kohn
Subject: Comment on a Proposal to Amend Rule 3110
Cc:

Pursuant to your Request for Comment concerning FINRA Rule 3110(c) which addresses Branch Office Inspections of those offices or locations at which few associated persons reside and limited or low-risk activities occur, I respectfully submit the following.

My Firm, founded in 1996, is a non-custodial, small, introducing Broker/Dealer having a clearing/custody relationship with National Financial Services (“NFS”).

The Firm has one OSJ, that being the main, corporate office. Until now, its most recent FINRA “Cycle” Exam, the Firm has had one registered Branch Office location and thirteen non-registered locations. Now we are told that three locations, because the solitary Reps populating them MAY see a customer at their office, must become registered locations. I add that I have complied with the young examiner and registered these locations as “branches” since there are other, more important issues with which I need to devote my time.

All customer files are maintained and all transactional processing is carried out at the OSJ.

The task of conducting on-site exams has been, and will continue to be a burden. A rational mind would deduce no earthly reason for having to “visit” the non-registered locations except to sit down with a cup of coffee with the “office manager.”

I think the bigger issue here is that we’re looking at a “One Size Fits All” rulebook that relies on TRADITION, without taking into consideration any situation that deviates from the pre-electronic era in which they it was written.

Now, I’m not going to be so bold as to say that a circumstance requiring a physical inspection will never present itself. That could clearly happen and the responsibility for that remains with the Broker/Dealer. However, one must accept the fact that there is so much fear in the eyes of the small firms that most any infraction that may be inadvertent is perceived to be deliberate.

It’s time the small Broker/Dealer is allowed to have some discretion in how it complies with 3110(c) rather than be held to a draconian tradition of making very costly “visits.”

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