

We are a small broker dealer doing business only in municipal bonds and only for the accounts of our principals and employees, and their family members. All these accounts are discretionary, and there are about 20 of them. All our other business is trading with other BDs or institutions acting like BDs.

Regulatory notice 08-25, Section C (2), regarding rule 3110 (c) (3) contains end note 9 referring to the possibility that the SEC would require BDs having discretionary accounts to become Registered Investment Advisers. I would complain about the additional regulatory burden that implies if I knew what it is.

Would we need additional procedures and compliance practices, or would it involve simply mailing in some forms? Are there any exemptions proposed for small specialty firms? Does it cost money?

Dan Mayfield
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