



March 28, 2014

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

**Re: Regulatory Notice 14-02**

Dear Ms. Asquith,

Crescent Securities Group, Inc. (Crescent) welcomes the opportunity to provide comment on FINRA's proposed amendments to Rule 4210 outlined in Regulatory Notice 14-02 concerning transactions in the TBA Market.

It is Crescent's view that the amendments as proposed will put mid and small sized broker/dealers at a competitive disadvantage to large firms when dealing in the TBA market. Requiring firms to post margin and mark-to-market prior to trade settlement will put significant restraints on capital for a small firm such as Crescent, and would most likely prevent us from continuing to participate in this market.

Should such requirements be imposed, Crescent would most likely have no recourse but to go to our end customers for the additional margin. It is questionable whether our end customers would be inclined to provide the additional capital that would be required. We believe they would not, and the end result would be a loss of customers and business for Crescent.

Crescent has always and continues to take our counter-party risk seriously. A failure has the potential to seriously impact our net capital requirements. In over thirteen years of dealing in the TBA market, we have never experienced a failure.

The proposed requirements will certainly have a negative impact on the overall TBA market. The pricing of these assets will most likely increase to provide for the additional capital risk posed to firms. Spreads would also increase. The largest dealers in the marketplace would possess too much pricing power over smaller firms who must watch their capital more closely. None of this makes for a more efficient market.

Crescent appreciates the reasons for the proposed amendments and does support efforts to reduce counterparty risk. It is our opinion that the market would be best served by crafting additional exemptions for transactions in the TBA market. It is unusual to have a TBA trade with a

settlement date six months out as mentioned in the proposal. In instances such as these, additional margin makes sense. We would encourage FINRA to consider exemptions from the proposed margin requirements for any TBA trades settling more than 30 days from trade date. Additionally, we would recommend the *de minimus* transfer amount be raised to no smaller than \$5,000,000 per transaction.

Crescent believes the amendments as currently proposed would have a negative impact on mid and smaller dealers, end customers, and the TBA market overall.

Thank you for the opportunity to comment on this proposal.

Regards,

A handwritten signature in black ink, appearing to read "Nick Duren". The signature is written in a cursive, flowing style with a long horizontal flourish extending to the right.

Nick Duren  
President  
Crescent Securities Group, Inc.