Wachtel & Co Inc
1101-14th Street, NW #800
Washington, DC 20005

February 12, 2013

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

Re: FINRA Rule 4524 - Proposed Supplemental Schedule for Inventory Positions

Dear Ms. Asquith:

This comment is submitted by Wachtel & Co Inc, a small self-clearing broker dealer.

We encourage FINRA to take appropriate steps to reduce the burden on firms–and particularly small self clearing firms–that this proposal would entail. We believe FINRA's stated objectives will best be served if additional financial reporting is limited to those firms where such reporting will meaningfully impact regulatory risk analysis. Such recognition presumably underlies the staff suggestion that firms which solely own US Treasury securities would be exempt from the new requirement. However, that exemption we believe is a poor match with regulatory objectives. A different exemption– one focused on a firm's level of excess capital and leverage– will meet the desired criteria.

Let's start with the purpose of this proposal: "to provide FINRA with greater insights into the market risk associated with firms' inventory positions, … and enable FINRA staff to assess the related impact on firm's liquidity and funding needs." Consider in this connection the situation of two firms. Firm A carries only Treasury securities of mixed duration in amounts sufficient to slightly exceed required net capital. Firm B carries a mix of marketable debt and equity (revealed by category on monthly Focus forms) but with a value that exceeds net capital requirements by a factor of five. Which firm is in a more precarious financial position requiring escalated regulatory attention and filing? Firm A will be out of ratio on any significant rise in interest rates, victim to what some current observers have described as a bond bubble. Firm B on the other hand has a cushion to withstand an 80% decline in the markets – a collapse exceeding 2008. We submit that by any sensible regulatory analysis, Firm A should be subject to additional scrutiny and burdens, Firm B should be exempt. If Firm A is levered and Firm B is not, that result is even more stark.

Any reader familiar with this firm will recognize the outline of our business in the example

presented above. This firm does not use leverage, carries no margin accounts or short positions, and holds excess net capital of more than ten times our regulatory requirement. We can speculate on the cost of compliance with FINRA's proposal, but no speculation is necessary to assess the regulatory benefit. That benefit will be zero, because our financial risk is negligible. We have raised these points several times in the past with respect to other filing requirements, and are quite frustrated with FINRA's apparent unwillingness to experiment with exemptions based on the **real** risk factors in the industry: undercapitalization and leverage. Were new exemptions to be introduced, many small firms might choose to increase their capital to reduce the burden of filing requirements. We know the high caliber and creativity of the FINRA rule designers. Please make an effort in this direction!

We now turn to the cost of compliance with the proposed rule. At this firm, it will not be "minimal" as FINRA suggests. Every such rule requires the following actions: review of requirements, research of ambiguous provisions; development of new worksheets, completion of form with special focus on rounding errors which are ubiquitous in FINRA filings because of the requirement to reconcile to the nearest dollar (an extraordinarily burdensome requirement); double check for accuracy, input to computer and correct any human error in the input process. Finally, spend hours responding to multiple regulators to explain the responses on the form. We estimate that the new form will increase the effort of monthly filing by 15%, only slightly less than the 20% increase we have experienced with the new income schedule (SSOI). In short, the burden is significant. And strictly as a practical matter, we request that any new requirements be incorporated into the original Focus form-- rather than requiring separate schedules that entail burdensome duplication and reconciliations.

In summary, with respect to this firm, the proposed schedule--like its income counterpart--entails significant costs with no benefit. The cumulation of such requirements threatens the viability of this and all similar small firms. We strongly suggest that such firms should be exempt from both requirements.

Sincerely yours,

Wachtel & Co Inc

Wendie L Wachtel, COO