MOUNTAINVIEW
SECURITIES, LLC

March 28, 2014

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

RE: Regulatory Notice 14-02

Dear Ms. Asquith,

MountainView Securities, LLC (the “Firm”) is an introducing broker and is fully-disclosed through its clearing firm, and is subject to the collateral requirements of the Fixed Income Clearing Corporation (FICC) for itself and the entities on behalf of which we place trades. The Firm assists mortgage bankers, both depository and non-depository, in trading to-be-announced (“TBA”) securities for the purpose of hedging their mortgage pipelines. Thank you for the opportunity to comment on the proposed amendment to FINRA Rule 4210.

As noted above, the Firm places TBA trades on behalf of mortgage bankers. These mortgage bankers are utilizing the TBA market as a hedge tool to manage the interest rate risk associated with committed consumer mortgage loans during the loan origination process. Our primary concerns with FINRA Rule 4210 are that the Rule (i) create uniformity and clarity in TBA collateral requirements including amount and timing, with respect to all interested parties (including the FICC, clearing firms, FINRA, etc.); (ii) establish margin requirements at levels that are reasonable in relation to market exposures; and (iii) allow market participants to continue to utilize the TBA market for hedging purposes in a cost effective manner.

Although perhaps not of immediate concern to FINRA, increased costs of hedging will obviously have an immediate and direct impact on the cost and availability of funds for home mortgages and we believe this should be given due consideration. In this regard, it is important that FINRA preserve the ability of smaller mortgage bankers to participate in TBA hedging activities. To the extent these mortgage bankers are forced to hedge their mortgage pipelines using methods that are more expensive than TBA hedging, such as mandatory or best efforts whole loan execution, these costs will likely be passed on to the consumers most likely in the form of higher interest rates.

Standardizing a TBA margin system across all regulatory and other interested parties (the FICC, clearing members, FINRA, etc.) will provide much needed transparency for the mortgage banker. Without clear and consistent guidelines surrounding collateral requirements, mortgage bankers are unable to plan their cash flow needs and adequately understand the true costs associated with hedge activities. At present, firms clearing through FICC are subject to the FICC’s collateral requirements which in many cases are set as a percentage of mark to market and established on a case by case basis. Under the proposed Rule as we understand it, transactions that are cleared through a registered clearing agency, and subject to the margin requirements of that clearing agency, will not be subject to the FINRA margin requirements. We believe it is important that the FINRA Rule establishes the compliance requirements that must be met for all market participants regardless of the settlement platform. Accordingly, we do not support a two tiered system, one of which is not transparent and we believe varies from participant to participant (e.g. FICC) and the other which is fully disclosed and consistently applied (FINRA). Accordingly, we believe that the FINRA requirements, once adopted should establish the market standard for TBA margin.

With respect to margin levels and timing, these must be set in reference to the associated market exposures and the attendant increase in hedging costs. Under the proposed Rule as we understand it, there will be no initial or maintenance margin requirements for mortgage bankers that qualify as 'exempt accounts' by virtue of their hedging activities. However, as noted above, FICC may independently impose both initial margin requirements (as high as 2.5% of TBA market value or higher) and variation margin requirements (100% of any mark to market) which thereby effectively removes the benefits of the Rule's exemption for smaller mortgage bankers. This will put smaller mortgage bankers at a distinct competitive disadvantage to larger mortgage bankers who may be able to negotiate more favorable (or no) initial margin requirements even though both smaller and larger entities are hedging the same interest rate risk.

We believe that to the extent smaller firms such as ours are no longer able to provide hedging execution at competitive levels, the exit of these smaller firms from the TBA market will have a significant adverse impact on the mortgage banking business and in particular, the small to mid-sized originators. Accordingly, to the extent that Rule 4210 becomes the exclusive standard for margin and the FICC is no longer in a position to arbitrarily set these requirements, we recognize that some reasonable level of initial margin (e.g. 1% of TBA market value may be necessary and would support that in order for a level playing field for market participants. As a related concept, we believe that the de minimis requirement for the margin calls should also be consistent across the market. Although FINRA has proposed a $250,000 de minimis requirement, it may be that as a compromise taking into account FICC collateral requirements (and the collateral requirements of other market participants) the de minimis requirement may perhaps be appropriately set at a number closer to $100,000 in order to promote uniformity.

Thank you for the opportunity to comment on the proposed rule change.

Sincerely,

MountainView Securities, LLC