



**FIRST ASSET
FINANCIAL**
Member SIPC

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

Re: FINRA Rule 2231 covered by Regulatory Notice 14-35 proposed Supplementary Material .02

Dear Ms. Asquith:

While there is important intent to protect customer privacy, this rule lacks important and essential reference to the investment advisory community, firms and other third parties. The weaknesses of the proposed rule include:

1. No specific mention of the ability of investment advisory firms to receive copies of confirmations or statements. The Rule is mute on this point.
2. No relief for broker dealers who are required by NASD/FINRA to supervise the activities of investment adviser representatives that are dually registered under NASD Notice to Members 94-44 and 96-33 is given under the proposed rule. FINRA specifically requires under 94-44 and 96-33 to review records to determine "the suitability of the transactions."*
3. Failure to recognize that some third parties, such as investment advisers, trust departments, custodians (particularly IRA custodians) and pension plan trustees have a need to receive a duplicate statement of the client for the client's benefit. Some of these third parties cannot function without these copies and, in fact, may be in violation federal, state or SRO rules and regulations. This does not benefit the customer or client (Item 3, page 8 of Regulatory Notice 14-35).
4. While the right to receive customer/client statements and confirmations may be included in the paperwork of the third parties (& signed by the customer/clients) mentioned in item 3, it is highly likely that the broker dealer dispensing the customer statements/confirmations will not recognize this request and require a broker dealer specific form (in addition to the 3rd party paperwork) germane to the issuing B/D to deliver the duplicates under this rule. There is no specific reference to the ability for a broker dealer to accept forms generated by a third party (that may include other aspects of the relationship between the customer/client and the third party as well as permission to receive duplicate statements) giving permission to the broker dealer to send duplicate statements/confirmations to the third party.
5. The proposed Rule fails to recognize that the customer/client information is required and critical for an investment advisory firm to perform its duties to the customer/client. As RIA firms do not fall under the definition in the Rule as a "general securities member" they are not included as an entity entitled to the customer/client information under the Rule.
6. As proposed, the Rule appears to provide a "Catch 22" scenario, whereby FINRA expects to see information about RIA supervision and RIA client information for

dually registered persons at the broker dealer who is expected to supervise this activity, yet this rule does not easily provide for such information to be available to the supervising b/d in the proposed rule.

7. Although the rule is promulgated under the guise of customer benefit via privacy protection, the customer will be asked to sign yet another form allowing the custodian broker dealer to provide the statements to a third party (RIA, trust, IRA custodian or broker dealer of the dually registered person). This additional form is additional work and cost for the issuing broker dealer, supervising broker dealer (of the dually register IAR), the third party and the client. Simply wording the Rule to specifically allow the third party's contract/form/agreement to meet FINRA's requirement for customer permission for the issuing broker dealer to provide duplicate statements/confirmations to the third party. FINRA should even consider providing that specific wording that could be included in the third party's agreement, contract or other internal paperwork in the Rule.

In conclusion, the failure of the Rule to specifically allow Registered Investment Advisors, IRA Custodians and perhaps other third party entities (e.g., trusts, Solicitors, etc.) impacts the benefit and costs of the proposed Rule. The proposed Supplementary Material .02 results in a burden being imposed on the broker dealer issuing the statements/confirmations and the customer. As a practical matter, broker dealers who issue statements and confirms of the customers will most likely require their own (in house) permission form to be signed by the customer(s) to allow duplicate statements to be sent to a third party. This will be the result of the strong wording of the proposed rule and necessary to protect the issuing broker dealer. The direct costs of issuance, tracking and retaining the forms would not benefit the issuing broker dealer. The indirect cost of time spent on the additional form does not benefit the customer/client, broker dealer or third parties.

The proposed Rule is incomplete and will have negative consequences for all involved parties. Please add specific language to the Rule either to except those third parties who are integrally involved in the customer account(s) (RIA, Solicitor, Custodian, etc.) allow broker dealers issuing statements to send such statements (preferable without requiring customer consent by simply relying on the nature of the third party) or include specific language to allow the third party entities to receive statements/confirmations based on the third party's documentation.

The costs imposed by proposed Supplementary Material .02 is **NOT** warranted by the potential protection to the customer where there is no need to "protect" the customer from their own Registered Investment Advisors who are advising them, Custodians of the Customer's IRA, or the trust company managing the customer's account! The proposed Supplementary Material .02 provides a barrier, rather than assistance to the customer and third parties. It would further complicate the business practices of an already complicated business. Please make further changes in this Rule to benefit the parties involved before adopting the final Rule.

Best Regards,



Robert L. (Bob) Hamman, President
Small Firm Representative, FINRA District IV Committee