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Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number SR-FINRA-2008-030

Integrated Management Solutions ("IMS") appreciates the opportunity to comment on proposed FINRA Rule 3130 ("3130"). This letter represents the views of IMS but does not necessarily reflect the views of our clients, or firms with which IMS personnel are associated.

By way of background, IMS is a financial consulting firm that was established in 1985 to provide accounting and compliance services to the broker dealer industry. At the present time, IMS personnel act as Financial and Operations Principals and/or General Securities Principals, or provide compliance assistance as well as other support, at approximately 100 companies, the vast majority of which are FINRA member firms.

As 3130 will essentially replace existing Rule 3013 and IM-3013 ("3013"), without material changes, our comments relate to our clients' experiences in working with 3013. By virtue of the fact that FINRA Rule 3012 ("3012") is closely associated with 3013, some of our comments refer as well to 3012.

In general, while we consider as admirable the purpose of 3013, which we understand to be to establish senior level accountability, we have found that parts of 3013 are by and large unworkable for the small FINRA member firms. We note that FINRA has attempted to accommodate the structural differences of the larger broker dealers – in fact, much space is devoted in 3013 to those firms that might have more than one Chief Compliance Officer ("CCO"). But wording that makes sense in the context of a medium- or large-size broker dealer can be completely inapplicable to small broker dealers. In our opinion, FINRA should pay the same attention – if not more, considering the firms' limited resources – to the particular circumstances of the smaller broker dealers, which, according to FINRA itself, are the bulk of its constituency.

In a portion of IM-3013, as well as in the proposed rule, FINRA does address the structure of some small firms, stating "The requirement that a member's processes include providing the report to the board of directors and audit committee (required by paragraph 3 of the certification) does not apply to members that do not utilize these types of governing bodies and committees in the conduct of their business." This is helpful, as it acknowledges the reality for many small

firms. However, these few words do not go far enough. We believe that 3130 should devote more time to examining the different situations that might result in small broker dealers being unable to comply with the letter of the proposed rule in its current form.

Under the current rules, FINRA has failed to acknowledge the operating environment of the small broker dealer, and, in our opinion, this leads over time to the tendency of those firms to view the obligations under 3013 (and associated 3012) as meaningless paperwork. Because of this, 3130 as well will not achieve – for those small firms – FINRA's goal of furthering Chief Executive Officer ("CEO") awareness of any shortcomings in systems and procedures, and ensuring accountability for same.

It is our hope that proposed 3130 will incorporate changes that lift the burden on small firms of compliance with the letter of 3013 – a rule that has become, in so many instances, ineffectual.

Here are some of the specific points we find troublesome with 3013 as currently worded:

- 3013 directs that the CCO's conclusions (or those of his delegate), derived from annual testing, be discussed with the CEO and then presented to the firm's board of directors or equivalent. The theory is that having the testing results go to the top of the management hierarchy allows the CCO to be honest and candid, and hopefully insulates him from retribution by line supervisors. For many small firms, however, this simply does not work. Even if there are separate supervisors serving as CEO, CCO, and various department heads, the small-firm CCO is, in practice, understandably reluctant to present the CEO with a report criticizing the firm's compliance follow through. The very nature of the small-firm environment exposes the CCO to the type of retribution that 3013 is designed to avoid. Certainly one can say that this should not be the case, and that something should be done to protect the CCO. The solution, however, is not found in 3013.

- FINRA does not address the fact that many small broker dealers have only a few associated persons in total and may have only one or two General Securities Principals, one of whom serves as the firm's CCO as well as the CEO. In those situations, 3012's requirement that the CCO meet with the CEO to discuss the efficacy of the firm's systems and procedures is silly on the surface and outright ridiculous in practice. We have had many amusing moments when we explain to the CCO/CEO of a firm that he must have a meeting with himself, and then document the results.

  Various FINRA representatives have commented to us logically that the meeting requirement can be ignored if the CCO and CEO are the same person. This is not what we have experienced in practice, however, when other FINRA personnel arrive and ask to see the appropriate paperwork documenting the meeting. It would be so easy to simply address this situation in Rule 3130!

- FINRA does not recognize the fact that, in many small firms, the CEO is reviewing systems and procedures constantly as the firm goes about its day-to-day business. Under this scenario, therefore, there is little meaning to a checklist document demonstrating an annual review. Why not incorporate an exemption for small firms?

- As mentioned earlier, FINRA recognizes that small firms might not have a board of directors or the equivalent. We feel that FINRA should go further, and address the fact that it is often the case that no formal meetings of owners or managers are ever held, even if there are more than one or two managers (the only exception being the regulatorily mandated annual compliance meeting).

We urge FINRA to modify 3130 so that the new rule recognizes the different circumstances under which small FINRA members operate. We are reminded of an NASD mandate some years ago that was designed to result in more utilitarian Written Supervisory Procedures ("WSPs"). Member firms were advised that WSPs that simply repeated NASD Rules were not of benefit, because the WSPs were not being tailored to the specifics of each individual firm and were then essentially useless. Small FINRA members are experiencing a similar situation now with 3012 and 3013. The language employed is so irrelevant to those smaller firms that the intent of the rules is never realized.

FINRA and SEC examiners further the charade. As long as a firm produces the documents mandated by 3012 and 3013, the firm "passes" that part of the exam. Little consideration is given to whether these documents actually serve a purpose. Surely this was not the intent when those rules were created.

The proposal of 3130 is timely and provides the opportunity to incorporate a small-firm exemption from certain of the requirements listed in 3012 and 3013. In our opinion, the purpose of these rules was to create accountability for reviewing and amending firms' systems and procedures so that those systems and procedures were viable for each particular firm. CEOs who were many levels removed from day-to-day operations needed to be informed of the status of compliance at each department level. At small firms, however, the CEO who is also the supervisor in charge already has the responsibility of reviewing his firm's systems and procedures. Providing certain small-firm exemptions in 3130 would in no way relieve the small-firm CEO of that responsibility.

Thank you for the opportunity to comment on proposed Rule 3130.

Very truly yours,

Christine LaBastille

Christine LaBastille
Managing Director