

Compliance  
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June 11, 2009

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: File No. SR-FINRA-2009-028 -- Proposed Rule Change to  
Adopt FINRA Rule 2231 (Customer Account Statements) in the  
Consolidated FINRA Rule Book**

Dear Ms. Murphy:

Charles Schwab & Co., Inc. ("Schwab") appreciates the opportunity to comment on proposed new FINRA Rule 2231, Customer Account Statements. As noted in the proposing release, FINRA believes that the proposed amendment better reflects current industry practice as a significant number of members already send monthly account statements to their customers. FINRA also states that the receipt of monthly statements will allow customers to review their statements in a timely manner for errors, possible identity theft or other potential problems. Schwab shares FINRA's belief that it is important that customers have the ability to review account activity information in a timely manner to identify potential problems. However, as discussed in more detail below, Schwab believes monthly statements are not the only way to achieve this objective and believes FINRA should revise proposed new Rule 2231 to provide for more flexibility by permitting member firm customers to elect to receive quarterly statements and by recognizing Rule 10b-10 under the Securities Exchange Act of 1934 ("Rule 10b-10") and related SEC no action guidance and exemptive relief permitting the mailing of quarterly statements for accounts with certain defined types of activity.

#### **Frequency of Delivery**

Under the current NASD Rule 2340, members are required to send a quarterly account statement containing a description of any securities positions, money balances or account activity to each customer whose account had a securities position, money balance or account activity during the period since the last such statement was sent to the customer. As noted in the proposing release, FINRA believes that the proposed amendment better reflects current industry practice as a significant number of members already send

monthly account statements to their customers. While it may be true that a number of members already send monthly account statements, it may also be true that they do not do so in all cases and to mandate such may require firms to implement costly system enhancements to comply with this new requirement. It is unclear to Schwab that a cost/benefit analysis has been conducted and resulted in a determination that the benefits outweigh the costs.

Although the majority of Schwab's customers already receive monthly account statements; some customers have expressed a desire to receive their account statements on a quarterly basis. In addition, many of Schwab's customers take advantage of secure alternative channels, such as the internet and live/automated phone channels, to access account information, such as holdings and transactions. These channels are available 24 hours a day, seven days a week. With the increased security of these alternative channels coupled with ease of use, Schwab believes many customers are relying less upon their monthly statements as the primary means to obtain account information and more on these alternative channels.

Schwab requests FINRA consider revising proposed Rule 2231 to allow members to build a control process that would permit customers who do not wish to receive account statements monthly to choose to receive a cumulative quarterly account statement. As part of this process, customers would be able to revert to monthly statements at any time. By providing information to customers on a frequency that they choose, Schwab contends that statements and other forms of account information will be more meaningful to customers, which in turn will lead to more engaged and informed customers.

In addition to taking into account the preferences of member firm customers, Schwab urges FINRA to consider the existing regulatory framework as it contemplates changes to its statement delivery requirements. For example, Rule 10b-10 generally requires that at or before the completion of a securities transaction, a member firm must deliver to the customer a written notification or confirmation that contains certain prescribed information about the transaction. Through Rule 10b-10(b) and no-action relief, the SEC has deemed that it is unnecessary for member firms to send confirmations of certain transactions if certain information regarding the transactions is provided in a quarterly statement. These transactions include transactions effected pursuant to a periodic plan or investment company plan, the automatic reinvestment of dividends in the shares of money market funds, and transactions in certain wrap fee or payroll deduction arrangements. By adopting a monthly delivery requirement for customer statements, the proposed rule conflicts with SEC Rule 10b-10 and related no-action guidance and exemptive relief providing for the delivery of quarterly statements. We believe FINRA rule 2231 should be consistent with SEC law.

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For these reasons Schwab strongly encourages FINRA to consider revising proposed Rule 2231 to allow member firms to take into account customer preferences to receive quarterly statements and allow for quarterly delivery of account statements for those activities referenced in Rule 10b-10 and related no-action guidance and exemptive relief.

**Transmission of Customer Account Statements to Other Persons or Entities**

As written, Proposed Supplementary Material .01 would expressly require that member firms obtain written instructions from its customers prior to sending duplicate statements, confirmations and other communications to other persons or entities. Schwab contends that verbal instructions obtained pursuant to reasonable customer authentication process should be adequate in order to act on such instructions. Currently, member firms are permitted to accept verbal instructions from customers for a variety of transactions, including trades, provided that the customer is authenticated at the time of the request. Schwab contends that as long as adequate controls are in place, customers should be afforded the same level of convenience when it comes to the delivery of duplicate statements, confirmations and other communications.

Schwab appreciates the opportunity to provide comments and we thank you for your consideration of the points we have raised in this letter. Please feel free to contact me at (415) 636-3540 to discuss them in more detail.

Sincerely,



Bari Havlik  
SVP and Chief Compliance Officer  
Charles Schwab & Co., Inc.

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