Effective January 1, 2010, FINRA is increasing the regulatory fees that are paid by all broker dealers. The Personnel Assessment ("PA") is doubling. In their August 20th rule filing, FINRA explains that due to increased enforcement, rulemaking and examinations costs, they must "stabilize its revenues and provide protection against future industry downturns."

The PA is currently assessed in three tiers: firms with 1-5 registered reps and principals pay $75 per person; 5-26 registered persons $70 per; and more than 26 - $65 per. Those are going up double: $75 becomes $150, then $140 and $130. That is only one issue. I think there is a bigger issue.

They have also tiered the money backwards. They are giving volume discounts to the larger firms. The small mom and pop shop is paying $10 more per person than the largest firms. It would seem to me that the more reps in the firm the larger the income of the firm and so they should pay more per person. The small firms should be paying the discounted rate.

The governing process at FINRA is based also on a three tier system: small, mid-sized and large firms. Small firms have 150 or fewer registered people, mid-sized are from 151-499 registered people and large firms are 500 and over registered people. Why are the regulatory fees not assessed along the same lines? Easy answer, this way means less money for FINRA. This means that some small firms will pay less per person than other small firms. Small firms make up probably 80-85% of the total number of registered broker dealers, but the large firms make up the majority of the over 667,000 registered individuals.

By my figuring, under the old tiered system with the new fee, a small firm of 25 reps would pay $3750 in PA. If they reversed the assessment as I suggested, then that same firm would pay only $3250: Still not great, but better. A large firm with 1,000 reps under the FINRA system would pay $130,000 under my suggestion they would pay $150,000. That $20,000 would cover a lot of small guys.

Once again the big boys screwed up and the little guys are paying for it. All those enforcement dollars, where are they going? To prosecute BofA? To spend 3 years investigating Fidelity's brokers for accepting gifts? Years are spent investigating the larger firms, eating up enormous enforcement resources. And now, the little guys will pick up the tab.

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