July 9, 2010

BY EMAIL TO: rule-comments@sec.gov

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

RE: File No. SR-FINRA-2010-021

Dear Ms. Murphy:

The National Association of Independent Brokers-Dealers, Inc. (NAIBD) was formed in 1979 to positively impact rules, regulations, and legislation by facilitating a consistent, productive relationship between industry professionals and regulatory organizations. The organization is national in scope and direction with a network of more than 350 Broker-Dealer and Industry Associate Members. We appreciate the opportunity to comment on the above-referenced rule proposal regarding amendments to FINRA Rule 8210.

We recognize the importance of protecting non-public information from unauthorized access, use or disclosure and we support the undertaking by FINRA to shore up its internal processes and controls accordingly. However, we find the proposed amendments to Rule 8210 to be impractical for many smaller firms, and in many cases, virtually impossible to implement.

As proposed, amendments to Rule 8210 would require that member firms assume all responsibility for properly encrypting portable media when transmitting documentation to FINRA. NAIBD believes that this requirement is not practical for smaller member firms. Most small firms lack the requisite technical expertise internally, and they will have to seek costly third-party solutions. In addition to this burden on small firms, all member firms face the same challenge of keeping up to date with a fast-paced, ever-changing and challenging technical landscape in which the "industry standards for strong encryption"[1] are in fact a moving target. NAIBD believes that it is inappropriate

[1] Rule 8210 (g)(3)(a), as proposed.

for FINRA to require compliance with any such standard unless it (FINRA) specifically establishes that standard.

Further, NAIBD believes that there will continue to be considerable federal and state lawmaking in the area of data protection over the coming months and years. Already, states including Nevada, Massachusetts and others have enforced specific controls and requirements regarding the transmission and retention of non-public information. To ensure that its member firms are not caught in a web of confusing lawmaking, NAIBD requests that FINRA review and publish a detailed analysis of the overlapping and/or conflicting state and federal laws, rules and regulations.

Additionally, NAIBD believes there will be a very high overall cost to the industry of compliance with the proposed amendments. We would urge FINRA to conduct and publish a detailed internal and external cost/benefit analysis prior to implementing any new requirements related to data protection.

Finally, NAIBD suggests that FINRA consider the impact of its proposed amendments to Rule 8210 in a broader context that would include other situations in which member firms may risk exposure of non-public information in connection with meeting their regulatory compliance obligations. For example, member firms routinely leave volumes of non-public information in hotel hearing rooms in connection with arbitration proceedings between sessions that may span several days or even weeks without adequate protections from hotel personnel or others. Member firms routinely respond to email requests for information from FINRA examiners in response to cycle exam requests without adequate guidance regarding the protection of non-public data over secure channels. We believe that FINRA itself does not offer or utilize a secure email channel.

To demonstrate the need for further thought by FINRA in moving this initiative forward, one need only look at the letter recently sent to approximately 137,000 financial industry professionals (fully 22% of all representatives registered with FINRA) by the Massachusetts Secretary of State's office announcing a data breach by an employee of the Massachusetts Securities Division in mistakenly sending out personal information to an industry publication. The personal information would have been taken from filings such as Form U-4 and Form BD. The information was not encrypted according to press reports. As indicated above, Massachusetts has adopted fairly stringent requirements for persons in possession of personal information concerning Massachusetts residents. The potential breach facing the Massachusetts securities regulator clearly shines light on the challenges industry members are being asked to address by FINRA.

Because these and other situations are initiated by or under the auspices of FINRA, NAIBD believes that the primary burden of establishing data protections and controls should fall to FINRA, not to its member firms. Alternatively, if member firms are to bear the cost, then NAIBD believes that FINRA should establish its own internal controls and processes so that they might share them as a model for firms to better facilitate member firm compliance.

In summary, NAIBD believes that smaller broker-dealers cannot implement effectively the proposed amendments to Rule 8210. NAIBD believes that FINRA should first determine the industry standard and then comply with it, before requiring compliance by member firms.

On behalf of the NAIBD, I welcome you to contact me directly should you have any questions regarding the comments provided herein.

Sincerely,

// Lisa Roth //

Lisa Roth, NAIBD Member Advocacy Committee Chair
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