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December 16, 2010

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

**Re: Request for Comments  
Self-Regulatory Organizations: Financial Industry Regulatory Authority,  
Inc.: Notice of Filing of Proposed Rule Change to Adopt FINRA Rule 4360  
(Fidelity Bonds) in the Consolidated FINRA Rulebook  
File Number: SR-FINRA-2010-059**

Dear Ms. Murphy:

Travelers provides many specialty insurance products to members of the financial institution industry including firms regulated by the Financial Industry Regulatory Authority (FINRA). We previously had an opportunity to review and comment on the proposed rule change noted above directly to Ms. Marsha Asquith, Senior Vice President and Corporate Secretary of FINRA. While we are pleased to see that several of our comments have been incorporated into the latest version of this Proposed Rule Change, we still feel that there are several proposed rule changes that need further consideration. Our comments on those rule changes follow below.

Our first comment concerns the use of a proposed required fidelity bond form. While we are pleased to see that FINRA has amended the proposed rule that would have guided member firms to purchase fidelity bond coverage under an SDBB (Securities Dealer Blanket Bond) over the industry standard Financial Institution Bond – Form 14 – Brokers Blanket Bond, the proposed revised amendment requires that the industry standard Form 14 be modified significantly in order for it to be acceptable to FINRA. A key modification would be the elimination of the industry standard aggregate limit of liability from a Form 14. Currently, both NYSE Rule 319 and NASD Rule 3020 require that members have an industry standard aggregated Financial Institution Bond – Form 14 – Brokers Blanket Bond in place in order to be in compliance with their respective rules.

This proposed consolidated rule will present a significant underwriting challenge to underwriters, and will put them at a competitive disadvantage to the only two other underwriters who currently offer an SDBB form. If underwriters do decide to continue to provide insurance to FINRA members and have to provide a non-standard Form 14 with an endorsement deleting the aggregate limit (as suggested by FINRA), securing adequate premium to match this increased exposure is likely to increase the cost of the protection that a member would be required to purchase.

Our second comment concerns the proposed required fidelity bond limits. As we stated previously to FINRA, Travelers wants to reiterate that FINRA's proposal to increase the minimum bond limit requirements is clearly in the public's interest and is in the best spirit of investor protection. On several occasions we have seen losses that have exceeded the current required bond limit and which in turn have exposed a firm's net capital. We are also pleased to see that FINRA has agreed with our comments to not relax the rule with regards to the required limits for Securities Coverage (Insuring Agreement E). Travelers believes it is extremely important that members purchase 100% of their minimum required bond coverage for this Securities Coverage as we have seen reported losses rising under this coverage for the past several years.

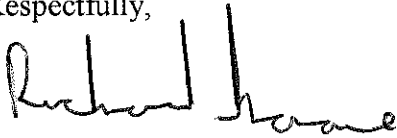
Our next comment concerns the proposed increase of the maximum permissible deductible thresholds. A deductible is an important tool that an underwriter can use in order to provide an insured with a proper level of coverage based upon the exposures that they present and at a price that an insured can afford. While Travelers is pleased to see FINRA's proposal to increase the maximum permissible deductible amount to 25% of the fidelity bond coverage purchased by the member, the fact that an insured (or a qualifying parental entity) will have to take a haircut in their net capital computation for the difference over any deductible that is greater than 10% of their fidelity bond limit, is going to provide a strong disincentive for any firm to consider a higher deductible. This could lead to significantly higher premium costs for members if an underwriter cannot obtain an adequate deductible vs. exposure balance. Moreover, that assumes an underwriter is going to be willing to entertain a risk at an inadequate deductible level.

Our final comment concerns the proposed rule change that would no longer exempt one-person firms from having to purchase fidelity bond coverage. Travelers strongly recommends that one-person firms should continue to be exempt from the rule as they currently are in NASD Rule-3020. The alter ego concept applies to claims, specifically fidelity claims, for these entities. If the owner/principal is the perpetrator of a loss, without the continuation of this long standing exemption, proceeds from the claim resolution could actually flow back to the person who caused the loss in the first place. This puts the underwriter in an untenable position. FINRA's response on this issue revolves around three elements: (1) FINRA has determined that one-person shops can and often do acquire fidelity bond coverage though it is not currently required; (2) that claims (irrespective of firm size) are likely to be paid or denied on a facts-and-

circumstances basis; and (3) certain other non-fidelity coverage areas of a fidelity bond can benefit a one-person firm. While parts of each of these elements could in fact be held to be true, we think that it would be irresponsible to require a one-person firm to purchase a fidelity bond that would provide them with little, if any, true coverage. A fidelity bond is a first party insurance contract and is for the sole use of benefit of the insured. A one-person firm should be allowed to decide if they want to "self-insure" the other non-fidelity areas of coverage that would not be subject to the alter ago concept.

Travelers appreciates the opportunity to provide our input into this process.

Respectfully,

A handwritten signature in cursive script that reads "Richard M. Garone". The signature is written in black ink and is positioned to the right of the word "Respectfully,".

Richard M. Garone