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March 29, 2012

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission

Re: File Number SR-FINRA-2012-018
Via email rule-comments@sec.gov

Integrated Management Solutions USA LLC ("IMS") is pleased to comment on the proposed changes filed by the Financial Industry Regulatory Authority, Inc. ("FINRA") in regard to FINRA's Rule 1012, General Provisions, and Rule 1017, Application for Approval of Change in Ownership, Control, or Business Operations.

By way of background, IMS is one of the largest providers of financial accounting and compliance consultants to the financial services industry. Our clients engage us to assist them in meeting various FINRA filing deadlines and registration obligations, including new member applications ("NMAs") and continuing membership applications ("CMAs"). In fact, at any given time, IMS staff is likely to be working on numerous NMAs and/or CMAs.[1]

For years, FINRA has asserted that the nature of its regulatory oversight will be shifting toward risk-based principles. A streamlined and targeted CMA process would be an ideal opportunity to solidify risk-based regulation. Regrettably, we believe FINRA may have somewhat squandered that opportunity with respect to the CMA process in its proposed template, which concerns we address in this letter. We believe there are some "easy fixes" that would accomplish FINRA's stated goals of standardizing and streamlining the CMA process in accordance with the Standard of Admission set forth in Rule 1014 (the "Standards").

At the outset, we note that the initial compliance of FINRA members with the Standards has been assessed effectively once FINRA renders its membership decision as part of the NMA process. Ongoing compliance with many of the criteria embedded within the Standards is routinely confirmed effectively through each firm's contact with its Regulatory Coordinator and regular FINRA and SEC examinations of member firms as well as during annual audits by independent auditors.

We have reviewed the screenshots of proposed Form CMA that were presented by FINRA, including the introductory material supplied. We note many excellent elements in the screenshots presented, yet questions remain whether, in some cases, members will be required to complete irrelevant data. We believe that in those sections preceded by a yes or

[1] [1] The author of this letter has conveyed to FINRA separately many of the thoughts expressed in this letter. The opinions expressed in this letter are strictly his own and are not necessarily those of any FINRA member with which he is associated. I thank my colleagues, Christine LaBastille, Rosemarie Connell and Cassondra Joseph, for their input to this letter.

no checkbox, an affirmative answer triggers places where more data are required to be inserted. We hope that a negative response does not trigger any boxes where one must read through the boxes immediately following the boxes. If that is the case, which is not totally evident from the screenshots presented, we applaud FINRA for curtailing the process of gathering information which is unchanged or perhaps irrelevant.

We are somewhat confused because only in certain instances are there "yes" or "no" checkboxes which precede the requests for data, while in other instances, there are no such checkboxes. For example, currently labeled Standard 1 (screenshot 2 of 21) requests information on "…persons or entities, including other broker-dealers and investment advisory firms, that will become associated…as a result of the proposed transaction…." For a simple addition of a business line that will neither result in adding additional personnel nor a change in net capital, the requested information is irrelevant. A preliminary screening question eliciting a "yes" or "no" response should "turn off" the rest of the question. This approach is used for question #3 under Standard 2 (screenshot 3 of 7), questions ##1 and 2 under Standard 2 (screenshot 6 of 7); it should be used throughout the proposed Form CMA. This is comparable to what the SEC currently uses on Form ADV, Part 1A.

We hope that such checkbox omissions were mere minor oversights that can be corrected in any final version of the form.

Notable Features

We note that many of the data fields are limited to 4,000 characters. We hope that FINRA has thus inspired members, their advisors and FINRA staff to the notion that brevity is a virtuous characteristic. The less one writes, the less there is to read and the quicker the review will be completed. Obviously, most explanations can be comprehensive enough even if they are succinct. In this regard, we hope that if the responses are truly complete, FINRA staff will not need to ask for further details.

We also note that to every extent possible, certain fields will be pre-populated from data already available to FINRA. Obviously, that is a good feature. According to the instructions accompanying the Form CMA, the source system must have correct data, or the pre-populated data will be incorrect. We believe that there should be a way to override such errors manually, especially since there are times when source systems are unavailable for extended periods of time such as in late December. To delay a CMA because the Central Registration Depository is closed to data changes is somewhat of a travesty.

Current Status of Continuing Membership Process

As FINRA aptly pointed out in its filing, the current lack of standardization in the CMA process "often results in information deficiencies, which in turn, creates unnecessary delays in efficiently processing the applications." We have seen that when an application is submitted but contains something that the examiner doesn't quite understand for one reason or another, the turnaround from examiner to the member or its representative and then back again adds significantly to the entire approval process – and this is multiplied when more than one of these issues arises. Sometimes, when we omit an item from the application because it is patently inconsequential, it nevertheless can be a required item for FINRA – if

for no other reason than it is on a basic checklist used by examiners to gather application information, regardless of the nature of the application.

The standardized Form CMA, as proposed by the rule filing, and replete with electronic submission capability, could help to overcome these problems. IMS generally applauds the movement toward a more uniform application process. We hope (in FINRA's words) these changes will indeed "provide continuing membership applicants with the benefits of a streamlined application process," "significantly reducing administrative delays that exist in today's manual application processes."

Shortness of SEC's Comment Period; No Solicitation by FINRA of Comments

Given that the current continuing membership process at FINRA is sorely in need of improvement, we are puzzled as to why FINRA itself did not issue a request for comments. Instead, FINRA has forced its members to rely on a short comment period following the filing of the proposal with the Securities and Exchange Commission ("SEC"). It is FINRA filing the request to amend a FINRA rule, and one would logically expect FINRA to be interested in the responses from its members. In fact, FINRA would seem to have an obligation to do this, as changes to the CMA process do or can affect every member, not just those members engaged in certain types of transactions or businesses.

As pleased as we are to accept the SEC's invitation to comment, we also question why the comment period itself is only one month, given the broad application of the proposed Rule changes to all FINRA members. Such a short comment period effectively limits the depth and quantity of responses.

Doing Away with One-Size-Fits-All!

The proposed Form CMA is likely to make the overall application process more efficient. Even though this is a significant step in the right direction, the members are still left with one basic application process, and that one must serve the needs of all FINRA members – from large and complex firms, to small and simple. As an example, in a change of control situation, a firm with hundreds of branches and multiple layers of supervisors that offers complex products to a retail customer base will continue to use the same form for a CMA as a tiny one-location firm that has no customer accounts and engages in no securities transactions. We hope that we are correct in our assumptions, as stated earlier in this letter, that by simply indicating a negative response that reflects no change in the status quo, that the resultant completed application for simple changes will be relatively short. The underlying assumption should be that FINRA staff is smart enough and experienced enough to distinguish between information that is crucial to their understanding of a proposed change and that which is inconsequential. FINRA staff should be given the opportunity for independent thinking when it comes to determining the resultant potential harm to the public, and whether closer analysis is justified. If this requires further rule amendments, so be it. Consideration should be given to the harm caused by lengthy and burdensome FINRA processes which cause its members to lose significant time and money. That clearly is not in the public interest at all.

Consider the case of a FINRA member wholly owned by a holding company, which, in turn, is wholly owned by one person. A change is proposed, consisting solely of the insertion of a

new holding company in the ownership chain between the current direct owner and the broker dealer. The new holding company would become the sole owner of the broker dealer, and would not engage in any other business. There would be no change in the beneficial ownership of the direct owner currently in place or in the broker dealer's business operations, management, supervisory structure, capital requirements, or funding. The only change would be that the current parent's ownership would become indirect in nature rather than remaining as direct ownership. Under this scenario, would a full-blown application for a change in control be required?

The answer is "Yes." This is not a hypothetical case. In fact, IMS acted as a consultant to a FINRA member in this exact situation, and the member was forced to go through the entire CMA process despite the simplicity of the proposed change. We think that the provision of a fast-track approval process for situations clearly not requiring in-depth review would be welcomed by FINRA members. Moreover, it should be welcomed by FINRA staff.

We realize that an argument could be made that, while permitting shortcuts in the CMA process in a few select situations would benefit particular member firms, allowing this on a wider scale would again slow the process down because each firm would once again be "doing its own thing." To this we point out that FINRA <u>can</u>, in fact, act quickly if it wants to do so. Case in point: The takeover of Bear Stearns, which was hardly a "simple" change of ownership, and was effectuated over a weekend!

Speaking of One-Size-Fits-All, with regard to Standard 5, FINRA apparently continues to memorialize in the proposed form the horrendous state of affairs where tiny members are asked by FINRA staff to justify whether the landlord of the space in which their principal resides permits the use of any portion of the space for a FINRA member's use. That should never be a concern of FINRA! In the vast majority of situations like that, there is no client traffic to the premises and the landlord does not really know about or care whether the lease provisions are observed. The FINRA member quietly enjoys occupancy of what is otherwise residential space. NASD Rule 3010(g)(2)(A)(ii) has long ago exempted such arrangements by de-recognizing many private residential situations from being categorized as branches.[2]

<u>Expansion of the Form BD "Other (OTH)" Category</u>

We note that Standard 1 (screenshot 18 of 21) now adds 10 sub-categories to the "Other" category that neither appear on Form BD nor Form NMA. These include online trading activities, prime brokerage services and the strange lumping of "research and/or soft dollar activities,[3]" among other sub-categories. These additions are welcome since the 25 defined categories of Form BD are anachronistic. FINRA staff has now found a way to obtain accurate information that would otherwise need to be obtained through a more granular breakdown anyway.

[2] From personal experience, I admit that I reside in a high-rise building, many if not most of the denizens of which regularly engage in business-related activities through the use of telephones, computers and cellular telephones, though technically these activities might be prohibited by their leases. Nobody cares about this phenomenon. A much bigger problem is barking dogs and crying infants.

[3] Not all research is distributed in exchange for soft dollars.

180 Days Shouldn't be Necessary

Our comment here is succinct – if the changes as proposed by FINRA do indeed lead to a more efficient CMA process, FINRA should no longer need, or be entitled to, 180 days to come to its decision on an application. Thirty days is more than adequate for a simple CMA that has been accepted as substantially complete. For slightly more complex applications, sixty days should suffice. We hope that this is what FINRA has in mind, but would prefer to see this formalized.

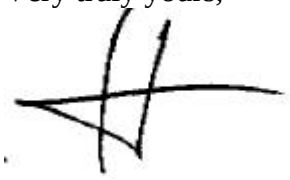
Paying for Speed?

Perhaps FINRA should consider providing fast-track CMA processing for a fee. The FINRA Advertising Review Department already offers this option. Although small firms would continue to be disadvantaged under this system due to their smaller financial resources, when the time-to-approval and related consultants' fees are considered, paying a lump sum upfront might turn out to be quite cost effective. In addition, the fees for fast-tracking would support the CMA process financially and would motivate FINRA to devote significant resources to this important, albeit for many members frustrating, function.

In summary, IMS supports the creation of Form CMA and the related amendments to Rules 1012 and 1017. We will be disappointed; however, if the proposed changes do not go further in solving the problems embedded in the CMA process that puts smaller firms at a huge disadvantage. The impact of rule changes on the small businesses that constitute over 90% of FINRA's membership must always be considered.

If you wish to discuss any of the above remarks, feel free to contact me at 212-897-1688.

Very truly yours,



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