INTEGRATED MANAGEMENT SOLUTIONS USA LLC

39 Broadway, Suite 3300, New York, New York 10006-3019
212-509-7800

Via email: rule-comments@sec.gov

July 18, 2012

RE: File Number SR-FINRA-2012-031

Integrated Management Solutions USA LLC ("IMS") is pleased to comment on the Proposed Rule Change to Amend Section 4 of Schedule A to the FINRA By-Laws to Increase the Branch Office Annual Registration and New Member Application Fees and Assess a New Continuing Membership Application Fee (the "Proposal"). The SEC has asked for comments even though it has granted accelerated approval to the Proposal.

By way of background, IMS is one of the largest providers of financial, accounting and compliance services to the financial services industry, representing broker-dealers, investment advisers, hedge funds and commodity firms. IMS regularly assists clients with their SRO registration requirements, including filing new member applications ("NMAs") and continuing membership applications ("CMAs"). At any given time, IMS staff is likely to be working on numerous NMAs and/or CMAs.

The Proposal requests increased fees for annual branch office registrations and NMAs, and, for the first time, imposes fees for CMAs, with corresponding changes to certain of the NASD Rules on membership, registration and qualification requirements, Rules 1012, 1013 and 1017. These are also set forth in FINRA Regulatory Notice 12-32, together with other fee increases recently implemented by FINRA, including those for advertising and corporate finance review. IMS is commenting on only two parts of the Proposal.

NMA and CMA Review: Paying for Speed?

IMS has extensive experience with NMAs and CMAs; the universal complaint from our clients is the amount of time FINRA requires to process these applications. This can be particularly egregious for CMAs, where the amount of time remains virtually the same as that for

NMAs (150 to 180 days, and beyond under certain circumstances), regardless of the complexity (or lack of complexity) of the member's request. This is troublesome because FINRA is reviewing the request of an existing member that is already regularly submitting FOCUS Reports and annual audits, working with a Regulatory Coordinator and is subject to examination by both the SEC and FINRA. Laudably, the Proposal creates subcategories of the types of changes requested in a particular CMA, and assesses the fee based on the nature of the requested change.

IMS recommends that FINRA consider providing fast-track NMA and CMA processing for a fee for those applicants seeking faster approval of their applications. This option is already available, for example, for advertising reviews by FINRA's Advertising Review Department. (Ironically, FINRA proposed increasing those fees on the same date as the Proposal (SR-FINRA-2012-028; RN 12-32)). Although small firms may remain disadvantaged under this system due to their more limited financial resources, paying a lump sum upfront might prove quite cost effective when the time-to-approval and related costs and loss of revenue opportunities are factored in. Fees for fast-tracking would support the NMA and CMA processes financially. The speedier approval process may very well be in each applicant's interest as well. We hope that additional fees would also motivate FINRA to devote significant resources to this important, albeit for many pending members and members frustrating, function. Some members will accept the need to pay fees to get results in a timely manner.

This Proposal should also fine-tune those categories of CMA requests that intrinsically lend themselves to a quicker review process. To facilitate quick reviews, in certain circumstances that FINRA should define, we suggest that a member firm be allowed to send a letter to its Regulatory Coordinator, with an approval in a very short period of time, say 20 days or so, unless the Regulatory Coordinator determines that other issues raise concerns warranting a full CMA. To minimize the possibility of other issues affecting the review, this option could be limited to firms without any significant regulatory issues within the recent past. For example, suppose a broker-dealer wants to refer business to another broker-dealer for a referral fee? Form BD, Question #7, currently asks whether an "…applicant refer[s] or introduce[s] customers to any other broker or dealer?" The applicant is then required to provide details of the arrangement(s) in Schedule D. For smaller firms, however, these "arrangements" occur more opportunistically and not necessarily as a regular part of their business. Let's consider a private placement firm asked to assist in a significant transaction that is in a sector in which such firm has no prior experience. Rather than jeopardize the transaction, and the relationships that generated the request, the firm decides to refer the transaction to another broker-dealer specializing in that particular sector for a referral fee. For a member firm approved by FINRA for a limited business model that did not already have approval for referral business, accepting such commissions might require a CMA. Yet earning commissions for a referral involves no change in the broker-dealer's ownership, business operations, management, supervisory structure, capital requirements, or funding. Why should a full CMA be required in such circumstances? In fact, why should a CMA be required at all? All too often, a so-called

materiality consultation with FINRA results in FINRA saying that a CMA is required even though many, if not most, industry professionals would think otherwise.

Finding ways of fast-tracking the NMA and CMA process also dovetails with a recent SEC recommendation made when the Commission approved the adoption of FINRA's electronic filing format for CMAs, Form CMA, and related rules amendments (collectively, "Form CMA"). When FINRA amended its initial version of the Proposal on May 8, 2012, FINRA also submitted a comment letter to the SEC, "Letter from Patricia Albrecht, Associate General Counsel, FINRA, to Secretary, Commission, May 8, 2012 ("FINRA Letter") in response to the four (4) comment letters received to the initial version of the Proposal. Among other issues raised, IMS and one other commenter requested that FINRA reduce the time allowed for the approval of Rule1017 applications. In response, the FINRA Letter stated that FINRA considered those "…comments [..] beyond the scope of the proposed rule change." Nonetheless, the FINRA Letter stated that FINRA "continues to evaluate opportunities to streamline the application process or, where appropriate, consider revisions or amendments to FINRA's membership rules." (FINRA Letter, p. 11.) In its approval release for Form CMA (the "Approval Release"[1]), the Commission stated:

> [It] supports FINRA's desire to continually examine its policies and procedures to reduce administrative burdens and increase efficiency with regard to continuing membership applications whenever possible. As FINRA undergoes this self-evaluation, the Commission believes FINRA will consider the commenters' suggestion that FINRA reevaluate the necessity of a 180-day approval period for continuing membership applications.
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> (Approval Release, p. 8)

We would hope that the SEC and FINRA do not squander this opportunity to expedite the Rule 1017 review process. The benefits to small- and medium-sized firms, which are the firms most likely to file a CMA, would immediately prove cost-effective to those firms. FINRA not only benefits from the fast-track fees, but also from the increased revenues of a member that has successfully expanded the scope of, and revenue sources for, its business. The current system penalizes a member's success. Rather, FINRA should encourage member firms to create innovative investment opportunities that will likely provide capital to companies and the ability of the general public to invest in those companies.

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[1] Securities and Exchange Commission, Release No. 34-67082; File No. SR-FINRA-2012-018, "Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of Amendment No. 1 and Order Granting Approval of Proposed Rule Change as Modified by Amendment No. 1, to Amend NASD Rules 1012 (General Provisions) and 1017 (Application for Approval of Change in Ownership, Control, or Business Operations) to Adopt Form CMA" (May 31, 2012).

Clearing and Carrying Activities: When is the Proposed Surcharge Warranted?

For NMAs, the SEC and FINRA have proposed a $5,000 surcharge for any member intending to engage in "…any clearing and carrying activities." (SR-FINRA-2012-031, p. 5 and RN 12-32, p. 8; emphasis added.) This encompasses any firm that engages in clearing and carrying activities, including those operating under the (k)(2)(i) exemption provided in SEC Rule 15c3-3 (protection of customer funds and securities). This one-size-fits-all surcharge is probably based on the faulty premises that: (1) all clearing and/or carrying activities create the same level of risk to customers; (2) any such firm provides the full range of clearing or carrying services to its customers; and (3) FINRA will be required to review the clearing arrangement contracts, concededly a time-consuming process, justifying an additional fee.

We suggest that FINRA exempt firms with a limited business model relying on the (k)(2)(i) exemption from this $5,000 surcharge. The exemption is typically used by firms that settle trades on a DVP/RVP basis. Although we laud FINRA for trying to differentiate among member firms based on their business models and operations, lumping smaller (k)(2)(i) firms into the category of a clearing or carrying firm does not recognize business realities. Some of these (k)(2)(i) firms do not engage in any clearing or carrying activities in any material way. What is unclear is FINRA's justification of why these (k)(2)(i) firms should be considered self-clearers when their clearing and carrying activities are typically handled by another, responsible, regulated party, usually an affiliated bank or broker-dealer?[2]

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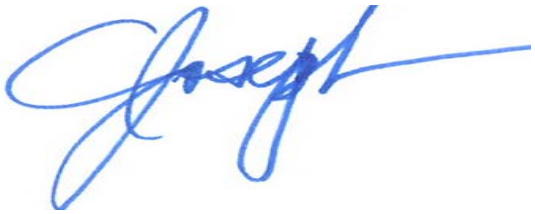
[2] In other situations, the SEC or FINRA has either explicitly treated (k)(2)(i) firms as distinctly different from typical clearing or carrying firms, e.g., FINRA Rule 4110. In fact, when RN 12-23 was issued, requesting comments on the proposed Supplementary Schedule for Derivatives and Other Off-Balance Sheet Items, IMS requested clarification from a senior official at FINRA that the proposed changes for off-balance sheet items would not apply to (k)(2)(i) firms, which was confirmed.

Thank you for the opportunity to comment on this matter. Should you have any further questions, feel free to call Howard Spindel at 212-897-1688 or Cassondra Joseph at 212-897-1687, or by e-mail at hspindel@intman.com or cjoseph@intman.com, respectively.

Very truly yours,



Howard Spindel
Senior Managing Director

Cassondra E. Joseph
Managing Director