



Securities Arbitration Clinic  
St. Vincent DePaul Legal Program,  
Inc.

8000 Utopia Parkway  
Queens, NY 11439  
Tel (718) 990-6930  
Fax (718) 990-6931  
[www.stjohns.edu](http://www.stjohns.edu)

VIA On-Line Submission

July 29, 2013

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

Re: File Number SR-FINRA-2013-025  
Proposed Rule Change to Adopt the Consolidated FINRA Supervision Rules

Dear Ms. Murphy:

Thank you for the opportunity to comment on the proposed rule change to adopt the Consolidated FINRA Supervision Rules. We are writing this comment on behalf of the Securities Arbitration Clinic of St. John's University School of Law. The Securities Arbitration Clinic is part of the St. Vincent De Paul Legal Program, Inc., a not-for-profit legal services organization.

The Securities Arbitration Clinic represents aggrieved investors and is committed to investor education and protection. Accordingly, the Clinic has a strong interest in the rules governing supervision, and ensuring that firms properly supervise investor accounts.

The Clinic is supportive of the proposed rule changes. With respect to proposed FINRA Rule 3110(a)(5) and (6), it is extremely important that registered representatives have their actions reviewed by another person to ensure that procedures are carried out properly. It is equally important to determine that each person in a supervisory capacity has the necessary experience and/or training to carry out their assigned responsibilities.

Proposed FINRA Rule 3110(b)(5) requires that a member's supervisory procedures include procedures to capture, acknowledge, and respond to all written customer complaints. Customer complaints play an essential role in the enforcement of supervisory procedures. By acknowledging and responding to each complaint, it is guaranteed that members are aware of any inadequacies or inefficient conduct occurring at the firm. We encourage FINRA to also include oral complaints under this rule. As noted by FINRA, it may be a violation of Rule 2010 to fail to address an oral complaint. There is no reason that such conduct should not also be covered by this Rule. Also, as noted in proposed FINRA Rule 3110(b)(6), associated persons who perform a supervisory function are prohibited from supervising their own activities and reporting to, or having their continued employment or compensation determined by, someone they are supervising. This eliminates the opportunity for activities going unchecked or supervision being more lenient on the basis of self-interest.

Internal inspections are also a key factor in making sure supervisory procedures are adequately maintained. Proposed FINRA Rule 3110(c)(1) addresses this issue by requiring that, at least every year, each member review the businesses it engages in and inspect each office on a specified schedule. The inspection schedule requires that each supervisory branch office be inspected at least once a year and non-supervisory branch offices be inspected at least once every three years. Regularly required inspections create incentives for branch offices to keep their supervisory procedures up-to-date and to make sure that they are being carried out properly. Additionally, by ensuring that the person conducting the inspection is not an associated person assigned to the branch location or directly or indirectly supervised by, or otherwise reporting to, an associated person assigned to that particular branch location, eliminates falsified inspection reports or insufficient examinations.

Under proposed FINRA Rule 3110(c)(2)(A), a member is required to test and verify a location's procedures for certain situations, including changes of customer account information, such as change of address and investment objectives. This is especially important to keep registered representatives informed of changes that will affect how a customer's account should be handled. Specifically, if a customer relocates, it is important that he still receive his account statements, and any other account information, in a timely fashion. In addition, if a customer's investment objectives change, this could have a significant impact on account transactions and the way the account should be managed going forward.

We encourage FINRA to examine other areas that may be covered by the supervisory rules. For example, there should be specific supervisory rules with respect to Senior Investors which address the concerns raised in FINRA Regulatory Notice 07-43. There should be specific supervisory rules associated with clients who do not speak English, with an aim towards preventing affinity fraud.

The Clinic believes that the proposed rule changes will ensure that a firm's supervisory procedures are current and properly followed. We believe that any costs to comply with this rule will be minimal and outweighed by the benefits it provides.

Thank you for your consideration of this matter.

Sincerely,

/s/

Pamela Albanese  
Legal Intern

Christine Lazaro, Esq.  
Acting Director