

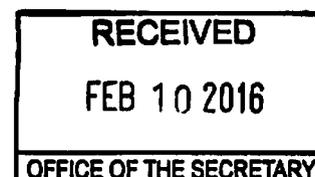
6500 Centurion Dr Suite 200
Lansing, MI 48917

Toll Free: 800-454-1628
Direct: 517-333-4512
Fax: 517-913-6347



February 09, 2016

Robert W. Errett
Deputy Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-025



RE: Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 4210 to Establish Margin Requirements for the TBA Market (SR-FINRA-2015-036)

Dear Mr. Errett:

As a small broker-dealer I am very concerned with the Financial Industry Regulatory Authority's (FINRA) Rule 4210 amendments (SR-FINRA-2015-036) to establish a new margin requirements for certain mortgage securities, including To-Be-Announced (TBA) securities.

As the Commission noted in its order instituting proceedings on this rule proposal, FINRA must follow the Securities Exchange Act Section 15A(b)(6) which requires FINRA to adopt rules that 'promote just and equitable principles of trade.' As a small-to-medium sized dealer that engages in a moderate amount of volume in this market, I do not believe FINRA has proposed a rule that would promote a just, equitable, or competitive marketplace for U.S. mortgage securities. This proposed margin rule would harm the ability of small-to-medium sized dealers to compete and would have an inequitable impact on competition between small dealers and large dealers for two main reasons.

First, the proposed rule would require dealers to build new systems, design new processes, and hire or reassign operational staff to monitor and manage the required collection of margin from mortgage counterparties. Smaller dealers that do not have the type of infrastructure that is required for bilateral trading in non-cleared swaps, for example, will have to spend significant amounts of money to build the required new systems. This is especially burdensome considering that the risk exposures to smaller dealers would rarely, if ever, exceed the minimum transfer thresholds proposed in the rule. Many smaller dealers who provide liquidity and compete in the mortgage market may exit the market because the revenue they earn may not justify the costs of implementing this onerous and expensive rule.

Second, the proposal would require small-to-medium sized dealers to execute margin agreements with all their mortgage counterparties. It is highly unlikely that large investment managers will enter into these agreements with smaller dealers. It is very likely that large investment managers will choose to enter into margin agreements and transact with only the largest dealers. This will harm competition in the mortgage marketplace and puts smaller dealers, who do not pose systemic risk concerns, at a significant competitive disadvantage in relation to the larger dealers.

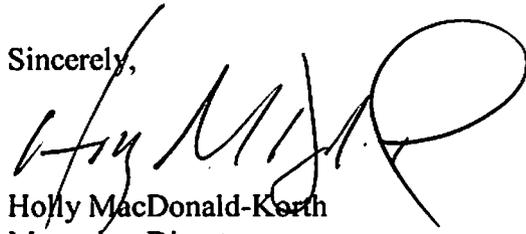
J W KORTH & COMPANY

As specifically applies to our business, which carries \$1-\$5 million dollar net positions of TBAs per month, this would greatly inhibit our ability to trade. We have concerns over whether larger firms will continue to sell to small firms like ours on an extended basis and whether other firms will continue to buy from us on an extended basis. I believe that the way the rule is written, it will severely limit liquidity for firms like ours.

I also believe the secondary market will be affected since many firms extend the settlement date when current factors are not posted. This extension would not be as long as the TBA CMOs typical settlement dates, but can, in some cases be as long as 45 days. Under the proposed rule, in its current form, it would seriously limit liquidity in the secondary markets for smaller firms and further concentrate the market into larger firms.

For the reasons outline above, as a small broker-dealer, I do not believe FINRA has fulfilled its statutory requirement to adopt rules that impact market participants in a just and equitable manner. The Commission should not approve this rule until significant policy revisions are made to avoid harming smaller dealers, liquidity, and competition in the U.S mortgage market.

Sincerely,

A handwritten signature in black ink, appearing to read 'Holly MacDonald-Korth', with a large, stylized flourish at the end.

Holly MacDonald-Korth
Managing Director
J W Korth & Company

Cc: John Vaney, Director of Federal Policy, The Bond Dealers of America