

November 28, 2016

VIA ELECTRONIC MAIL

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F. Street NE
Washington, DC 20549-1090

RE: (SR-FINRA-2016-039) Notice of Filing of a Proposed Rule Change to Amend Rule 4512 (Customer Account Information) and Adopt FINRA Rule 2165 (Financial Exploitation of Specified Adults)

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit this letter in response to the Financial Industry Regulatory Authority’s (FINRA) filing of proposed amendments to FINRA Rule 4512 (Customer Account Information) and the proposed FINRA Rule 2165 (Financial Exploitation of Specified Adults). The proposal was filed with the Securities and Exchange Commission and published in the Federal Register on November 1, 2016. BDA is the only DC-based group representing middle-market securities dealers and banks focused on the U.S. fixed income markets.

BDA supports FINRA’s efforts to enhance the protection of seniors and other vulnerable adults from financial exploitation. Customer protection is a priority for BDA members and the marketplace generally. BDA members generally support the changes that FINRA has made to the proposed rules thus far. The changes clarify certain aspects of the proposed rules and will enhance FINRA’s efforts to strengthen investor protections. BDA offers the comments below to assist in simplifying the amendments in order to avoid any potential unintended consequences.

The BDA and its members request the consideration of altering the implementation date of the proposed rules.

Given the need for BDA members to modify all new account forms (both paper and online), update various recordkeeping systems to store information for the trusted contact person, and establish new policies and procedures to comply with the proposed rule, additional time will be required to ensure that implementation of the proposed rule is done right. BDA firms will need to introduce and finalize agreements with vendors, which may take significant time to negotiate and finalize. Furthermore, given the rulemakings that BDA member firms are in the process of implementing (DOL Fiduciary Rule, Transition to T+2 Settlement Cycle, FINRA and MSRB’s retail confirmation disclosure rules, and FINRA 4210 mortgage margin amendments), the BDA and its member’s request 18 months to implement the proposed rule.

BDA member's request guidance designed to assist members regarding compliance with SEC Regulation S-P.

The information that may be discussed with a trusted contact person is based on a dealer's subjective analysis regarding suspicion of exploitation and could potentially lead FINRA member firms into a position where they unintentionally violate SEC Regulation S-P. While FINRA has stated it does not intend to give firms "absolute latitude" to discuss information with a trusted contact person, it would be valuable for regulators to provide guidance that would inform dealers as to what information could be included in a conversation with a trusted contact person that would not violate Regulation S-P.

The BDA and its members remain concerned with the reputational risk of placing a hold on a disbursement.

BDA members remain concerned with the potential risk of placing a hold on a customer disbursement. For members and associated persons who place a hold on a customer account, the risk in receiving a customer complaint on Form U4 regarding the hold, could negatively impact the associated person. BDA appreciates FINRA's explanation in the Notice. However, despite the fact the broker has recourse to explain the complaint on Form U4, BDA urges FINRA to acknowledge this risk and work to ensure that a comprehensive account of the complaint and the member's response is communicated effectively on Form U4.

We appreciate the opportunity to present our comments and look forward to continuing to work with the regulators on the proposed rules.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Nicholas".

Michael Nicholas
Chief Executive Officer