



January 7, 2019

Via Electronic Mail to rule-comments@sec.gov

Robert W. Errett
Deputy Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**Re: File No. SR-FINRA-2018-040; Release No. 34-84788;
SIFMA Comment on FINRA Proposed Rule Changes
Relating To FINRA Rule 4512**

Dear Mr. Errett:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the Financial Industry Regulatory Authority’s (“FINRA”) proposal to amend FINRA Rule 4512 – Customer Account Information (the “Proposal”).²

I. FINRA Rule Proposal

FINRA Rule 4512(a)(3), with respect to a discretionary customer account maintained by a member firm, requires the member firm to obtain the manual dated signature of each named, natural person authorized to exercise discretion in the account.

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org/>.

² SEC Release No. 34-84788; File No. SR-FINRA-2018-040, *Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change Relating to FINRA Rule 4512 (Customer Account Information)* pp. 64609-64611 (Dec. 17, 2018), available at <https://www.federalregister.gov/documents/2018/12/17/2018-27205/self-regulatory-organizations-financial-industry-regulatory-authority-inc-notice-of-filing-of-a>.

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To comply with the current rule, member firms must obtain the associated person's manual ("wet") signature or a copy of his/her manual signature.³

FINRA is proposing to, among other things, amend FINRA Rule 4512(a)(3) to permit member firms to use an electronic signature instead of the current requirement to obtain a manual signature.

II. SIFMA Supports FINRA's Proposal to Permit the Use of Electronic Signatures

SIFMA supports FINRA's proposal. SIFMA believes that the current requirement to obtain a manual signature raises significant operational and cost concerns and generally is out-of-step with the increased use of technology, such as electronic signatures, across various industries, including the financial services industry. In addition, as FINRA notes in its filing, "the [manual signature] requirement puts [broker-dealers] at a competitive disadvantage over investment advisers because investment advisers are allowed to obtain electronic signatures."⁴

SIFMA understands that most member firms have adopted automated and electronic processes for customer account documentation and that the current manual signature requirement of FINRA Rule 4512(a)(3) results in administrative and operational inefficiencies. SIFMA believes there are no countervailing investor protection concerns that warrant imposing the operational and administrative costs and inefficiencies of a manual signature requirement.

SIFMA further understands that various other account documentation, including the customer authorization form, and related recordkeeping are completed electronically. The current requirement to obtain a manual signature limits the efficiencies and cost

³ "(3) for discretionary accounts, in addition to compliance with subparagraph (1) and, to the extent applicable, subparagraph (2) above, and NASD [Rule 2510\(b\)](#), the member shall maintain a record of the dated, manual signature of each named, natural person authorized to exercise discretion in the account. This recordkeeping requirement shall not apply to investment discretion granted by a customer as to the price at which or the time to execute an order given by a customer for the purchase or sale of a definite dollar amount or quantity of a specified security. Nothing in this Rule shall be construed as allowing members to maintain discretionary accounts or exercise discretion in such accounts except to the extent permitted under the federal securities laws." [emphasis added] FINRA Rule 4512(a)(3). http://finra.complinet.com/en/display/display_main.html?rbid=2403&element_id=9958.

⁴ See *supra* note 2 at p. 64610.

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savings associated with using automated systems for the other elements of the account documentation process (and related recordkeeping).

Moreover, SIMFA supports and encourages the SEC and FINRA to consider other opportunities to eliminate manual signature requirements and permit electronic execution in view of current technology and industry practices.⁵

III. CONCLUSION

SIFMA appreciates this opportunity to comment on the Proposal. SIFMA supports FINRA's efforts to continue to permit member firms to leverage technology, such as by using electronic signatures.

If you have any questions or require further information, please contact me at [REDACTED]

[REDACTED] ([REDACTED]).

Very truly yours,

Kevin Zambrowicz



Associate General Counsel
& Managing Director

cc: Mary Beth Findlay, Co-Chair, Compliance & Regulatory Policy Committee, SIFMA
Ann McCague, Co-Chair, Compliance & Regulatory Policy Committee, SIFMA

⁵ For example, FINRA Rule 1010 on Electronic Filing Requirements for Uniform Forms requires every initial and transfer electronic Form U4 filing, and any amendments to disclosure information, be based on a manually signed Form U4 to be retained as a required record subject to an exception. Also, the instructions on Form BD's Execution section indicate - "This page must always be completed in full with original, manual signature and notarization." Manual signatures are required notwithstanding that the filing is submitted electronically.