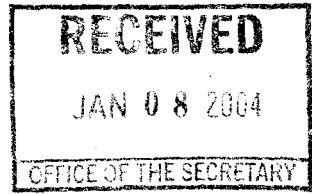




SR-NASD-2003-104

1st GLOBAL, Inc.

The business development partner to the tax and accounting professions



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January 5, 2004

Secretary, Securities and Exchange Commission
450 Fifth Street, N.W.,
Washington, D.C. 20549-0609

3150 N. CENTRAL EXPWY.

Re: 1st Global Capital Corp response to proposed NASD definition of branch office

SUITE NO. M-1000

To Whom It May Concern:

DALLAS, TEXAS 75206

1st Global Capital Corp. ("1st Global") is a fully disclosed retail broker-dealer registered to conduct business in all domestic jurisdictions, with over 1200 Registered Representatives offering securities services through nearly 600 branch and non-branch locations.

1-800-959-8440

As the Chief Executive Officer of 1st Global, I appreciate the opportunity to submit comments on the issues raised in the above captioned proposed rule change by the National Association of Securities Dealers, Inc.

PH: (214) 265-1201

The stated purpose of the proposed rule change that would create a uniform definition of branch office is to facilitate the creation of a branch office registration system through the Central Registration Depository ("CRD")®. The NASD expects centralized registration of such locations to provide (i) efficiency and clarity, (ii) costs savings to members and (iii) for a more effective examination by the NASD and other securities regulators that would in turn further investor protections.

FAX (214) 265-8464

1st Global is NOT in favor of the proposal due to the fact that the current NASD definition of branch office already acts as an industry standard definition of the term and adoption of the proposal would dramatically increase member costs (in contravention of the stated goal of the NASD) and will not lead to any increase in investor protection despite such a laudable goal.

www.1stglobal.com

Efficiency and clarity

The current NASD branch office definition serves as the industry standard definition of the term. While there are state specific differences, those differences have little impact on the national operations of most broker-dealers. After having operated under this structure for many years, broker-dealers have developed procedures to comply with the twenty or so states that have implemented a branch definition that differs from the NASD definition. There is however a corollary issue associated with the definition of branch office that will be exacerbated by the NASD proposal.

*Investment advisory
services offered through
1st Global Advisors, Inc.*

*An SEC Registered
Investment Advisor*

*Securities offered through
1st Global Capital Corp.*

Member NASD, SIPC

That issue relates to state rules that require an on-site registered principals located in any state branch location.¹ Currently, broker-dealers have the option of structuring their operations to take advantage of exemptions offered in such rules.² If a uniform definition of branch office is adopted without modification of state rules requiring the presence of registered principals at each branch location, the result will be the closure of certain of our office locations unless designated registered representatives obtain their Series 24.³ Therefore, one possible outcome is less efficiency as opposed to the intended increase in efficiency.

costs

The NASD maintains that the proposal will result in cost savings to its members. This is without question, false. The costs of branch registration will dramatically increase for 1st Global and also for all independent contractor broker-dealers. The result of this standard definition of branch office is an expansion of the definition in all but approximately 8 states. This means the total number of branch offices will be increasing and since each branch office will be subject to a fee the only possible outcome is an increase in fees. The impact on our firm illustrates this point.

Our firm registers lawyers, accountants, CPAs and tax professionals therefore all of our registered representatives are primarily engaged in a primary business that is not securities. Our representatives have approximately 600 locations from which they conduct business. We prohibit our offices from holding themselves out to the public as a branch unless they are actually engaging in sufficient business to hold themselves out in such a manner. This allows us to hold the number of registered branches down to approximately 200 (the other 400 locations are unregistered locations). The new methodology, which is based up an objective measure—the number of representatives in a particular location--, would take this discretion from us. Currently, the cost of registration for our branches is approximately \$15,000. Under the new methodology of the proposed rule, our cost will be approximately \$45,000 (600 x \$75). **This is an increase of 200%!⁴**

¹ Currently Indiana, New Hampshire and Rhode Island are among the states that require a registered principal in locations that meet their definition of branch office.

² Indiana and New Hampshire define branch office as any location with 2 or more representatives and Rhode Island defines branch office as any location with 3 or more representatives. Therefore, procedures that limit the number of registered representatives in each location in these states result in exemption from branch office and therefore the requirement to maintain an on-site registered principal.

³ Under the new methodology, ten (10) additional 1st Global locations will need to be registered with the NASD. Once registered they will meet the state definition of branch office so a requirement to staff the location with an on-site registered principal will arise. Therefore, an additional ten (10) individuals who will not have any supervisory responsibility whatsoever (since we supervise from a central OSJ) will be required to pass the Series 24 solely to comply with a state requirement which dictates the presence of an on-site registered principal. If this branch registration requirement goes into affect without a coordinated removal of such an on-site principal requirement it will have a monumental negative effect to our business in these few states. I would like to highlight that Connecticut has done just this regarding elimination of its on-site principal requirement for its branch offices. 1st Global responded to this action by registering all its locations in the state of Connecticut as both NASD and CT branch offices.

⁴ Considering that the CRD's cost of branch registrations must be close to \$0 since firm's are responsible for entering the data and CRD system has to be maintained whether there is branch registration functionality or not, perhaps the NASD should consider lowering the branch registration fee significantly to minimize the financial burden on firms.

Investor Protections

The NASD also has represented that this proposal will result in more effective examinations by the NASD and other securities regulators that would in turn further investor protections. We fail to see the connection between registration of offices as branch locations and an increase in effectiveness of examination programs. The CRD system currently contains the office of employment address of every registered representative in the system. This information is found under Section 1 General Information. Therefore, all states currently have at their disposal access to the employment location of every registered representative in their state. Additionally, there is a designator for whether this address is a private residence so states that distinguish between commercial and non-commercial locations can also note this differentiation. Therefore, since the proposal does not increase the effectiveness of examination programs beyond the systems that are currently in place, we fail to see how the proposal furthers investor protections.


On the contrary, the current definition of branch office allows firms to differentiate between locations that are more actively engaged in the securities industry and those that are less actively engaged. In this regard, regulators can focus their attention on either branch offices (if they want to focus their resources on locations that are actively engaged in securities business) or non-registered locations (if they want to focus their resources on locations that are not so actively engaged). We are of the opinion that criteria/measurements that highlight such differences in office locations (as opposed to one that just highlights the number of individuals in a location) would be more valuable to an objective of making state and SRO examinations more effective and therefore would result in furthering investor protections.

In summary, due to the concerns raised, 1st Global is NOT in favor of the proposal. We would, however, support modifications to the proposal that result in decreasing compliance costs and furthering investor protections.

For example, a modification that changes the current "one or more associated persons" requirement to "three or more associated persons" in conjunction with a modification that incorporates an alternative office production level (such as more than \$50,000 gross dealer concessions) for offices with less than three associated persons to ensure that such offices are registered as branch offices if they are more actively engaged in the securities business.

Again, we thank the Commission for the opportunity to comment on these important issues.

Sincerely,



on Behalf of 1st Global

Stephen A. Batman
CEO