



## PUBLIC INVESTORS ARBITRATION BAR ASSOCIATION

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September 3, 2015

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

Re: SR-FINRA-2015-029  
Proposed Rule Change Creating FINRA Rule 3210

Dear Mr. Errett,

I write on behalf of the Public Investors Arbitration Bar Association ("PIABA"), an international bar association comprised of attorneys who represent investors in securities arbitrations. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums, while also advocating for public education regarding investment fraud and industry misconduct. Our members and their clients have a strong interest in rules promulgated by the Financial Industry Regulatory Authority ("FINRA") to govern the conduct of securities firms and their representatives. In particular, our members and their clients have a strong interest in FINRA rules relating to the supervision of associated persons.

PIABA proposes certain changes to FINRA's current proposal set forth in SR-FINRA-2015-029, which seeks to implement FINRA Rule 3210. The proposal would replace NASD Rule 3050 and NYSE Rule 407, regarding brokerage accounts held by associated persons at firms other than their employing firm, with a newly-created FINRA Rule 3210. The purpose of the rule is to promote supervision over the associated person's trading activities by enabling members to monitor the personal accounts of their associated persons opened or established outside of the member firm (including accounts opened or established in the name of a corporation controlled by the associated person). However, PIABA believes that the proposed rule falls short in three important ways.

First, PIABA believes that the proposed new rule does not go far enough in requiring member firms to gather information sufficient to monitor associated persons' trading activity in outside accounts. The rule proposal specifies that the employing firm is responsible for supervising its broker's trading activities, but it does not require that the employing firm obtain account statements and confirmations from the brokerage firm at which the associated person's outside account is held. Instead, it merely provides that "an executing member must, upon written request by the employer member, transmit duplicate copies of confirmations and

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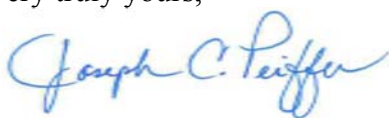
statements, or the transactional data contained therein, with respect to an account subject to the rule.” PIABA believes that the rule should *require* (not simply permit) the employing firm to obtain these confirmations and statements from the executing firm so that the employing firm has sufficient information available for its supervisory personnel to monitor associated persons’ outside trading activity.

Second, the proposed rule eliminates an important requirement under existing rules concerning discretionary accounts that a broker manages for customers. Current rules require the broker to obtain prior written consent from the employing firm to open outside accounts where the associated person has “the power, directly or indirectly, to make investment decisions” (NYSE Rule 407(b)), and accounts where the associated associate person has “discretionary authority” (NASD Rule 3050(b)). Proposed Rule 3210 eliminates this requirement as to discretionary accounts, although it does maintain the existing rule’s requirement that an associated person obtain prior written consent to open outside accounts for spouses, dependent children, or other dependents. PIABA believes that the proposed rule should continue the current requirement that brokers obtain prior written consent from their employing firm before opening discretionary accounts for customers at other firms, so that employing firms are aware of the opening of all such accounts and can take appropriate steps to supervise outside trading activity.

Finally, new proposed rule 3210.04 states that if an associated person wants to open an account with a non-member firm, then the employing firm should “consider the extent to which it will be able to obtain, upon written request, duplicate copies of confirmations and statements, or the transactional data contained therein, directly from the non-member financial institution in determining whether to provide its written consent to an associated person to open or maintain such account.” PIABA believes that this requirement that the employing firm “consider” the availability of information as to associated persons’ outside accounts is so vague as to be effectively toothless. PIABA believes that Rule 3210 should *require* that duplicate copies of monthly statements and confirmations or the equivalent be available for the employing firm’s review as a precondition to the opening of outside accounts.

In summary, PIABA asks that FINRA amend proposed Rule 3210 to address its foregoing serious shortcomings in its current form. PIABA thanks you for the opportunity to comment on this important topic.

Very truly yours,



Joseph C. Peiffer  
President