May 2, 2016

Robert W. Errett
Deputy Secretary U.S. Securities and Exchange Commission
100 F Street, NE Washington, D.C. 20549-1090

Re: SR-FINRA-2015-036

Mr. Errett:

Thank you once again for the opportunity to provide comment on FINRA's proposed amendments to Rule 4210 and the FINRA response to comment letters previously submitted. The response primarily restates FINRA's position in many cases without providing supporting evidence other than FINRA's own belief while disregarding or devaluing actual evidence presented by commenters.

Several commenters have rightly made the argument that the proposal is anti-competitive and costly. I have previously argued similarly. I am going to address only two points here: 1) FINRA's defense of its claim to have statutory authority to require margin on exempt transactions is inadequate and 2) FINRA continues to refuse to provide evidentiary support for its claim that specified pools represent risk of the same type and size as that represented by the TBA market.

In FINRA's response to comments, FINRA claims that Section Seven of the Exchange Act does not restrict their authority to regulate margin and that it only proscribes restrictions on the Federal Reserve. However, their demurer to the applicability of the statement of Congressional intent contained in the Senate Banking Committee report on SIMMEA only proves exactly what my previous comment letter claims. FINRA states that SIMMEA was enacted to level the playing field between private label and agency MBS and CMOs. Exactly. Section 7 (d) was enacted in order to do the same for margin. Since Congress believed that agency MBS transactions were exempt from margin, it was necessary to make some concession in that area for non-agency MBS securities. This would seem to bolster rather than weaken the argument that Congress believed and believes that exempt securities are exempt from margin requirements. The only Congressional authority to issue margin rules has been granted to the Fed and the Fed cannot margin exempt securities. How is it logical that Congress intended to grant the authority to a Registered Securities Association to regulate in an area where Congress restricted the authority of the central bank? Is FINRA claiming that its authority is restricted only by statutorily explicit prohibitions that specifically address Registered Securities Associations? I missed the Court decision upholding that principle.

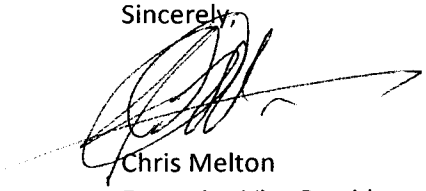
If you accept FINRA's claim to statutory authority, there are still a number of issues with this proposal that FINRA's response did not adequately address; most prominently that of the fact that specified pool transactions do not represent the same risk as TBA transactions. FINRA has not provided any evidence that transactions in specified pools that do not settle in one business day represent the same class of risk as TBA transactions. There is no doubt that FINRA has noted repeatedly "that Specified Pool Transactions, ARMs, CMOs and the SBA securities as specified under the rule all share the type of extended settlement risk that the proposed rule change aims to address, for which reason they are

included within the scope of Covered Agency Transactions" or something similar to that effect. However, that statement is fundamentally inaccurate. Repetition does not alter its fundamental inaccuracy. I hope I am not the only one that finds it significant that FINRA keeps repeating this statement without providing evidence to support the claim, or at least provide information that refutes the numbers that commenters have produced. The only way that specified pool trading and TBA trading share the same type risk is the same manner in which every single transaction executed where cash is not already in the buyer's account represents risk. The specified market is an investment market and not a financing tool. Trades are generally open for far less time. Retail clients are heavily involved. To argue that specified pools and TBA transactions represent the same type of risk is to argue that Poodles and Chihuahuas represent the same type of child mauling risk as a Pitbull. This amendment was originally designed to address systemic risk in the TBA market and it should have stayed that way. Specified pool transactions in MBS, CMO and SBA securities do not share the same risk as TBA transactions, and repeatedly stating that they do will not change the truth. Just because FINRA says it doesn't make it so.

I urge the SEC to determine that prior to permitting FINRA to include specified pool transactions in this proposal, FINRA is required to prove that specified pool transactions alone, and not just when lumped in with TBA transactions, represent systemic risk, that small firms will not be significantly more impacted by the costs, that including specified pools will not create a significant competitive advantage that does not already exist for the very large firms and that retail investors will not be significantly affected. To date, they have done nothing of the kind while claiming otherwise.

Thank you again for the opportunity to comment on the proposed amendments.

Sincerely,



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