Fintegra
MEMBER NASD, SIPC Financial Solutions

Securities and Exchange Commission
Attn: Nancy M. Morris, Secretary
100 F Street, NE
Washington, DC 20549-1090

Date: December 22, 2006

Re: File Number SR-NASD-2006-124 - 4

To Whom It May Concern:

Fintegra Financial Solutions is a NASD member Broker-Dealer with 130 Registered Representatives and over 1 Billion under management. Fintegra is responding to the NASD's proposed Rule 2342: SIPC Information.

Fintegra is submitting this letter to aid the SEC in their assessment of the NASD proposed SIPC disclosure rule in the following areas:

(1) The overwhelming amount of disclosure that is required is becoming burdensome and counter-productive to protecting clients;

(2) The rule should not be required for NASD member broker-dealers who are exempt from SIPC membership under, 15 USC §78ccc(a)(2)(A); and

(3) The proposal would support and supplement a fundamental purpose of NASD Rule 2350: Broker/Dealer Conduct on the Premises of Financial Institutions.

THE BURDEN OF DISCLOSURE

As this proposal is yet another 'client disclosure' based rule, Fintegra is compelled to make a general comment on the overwhelming amount of disclosure a client is now required to receive when opening an account with a SEC registered and NASD member broker-dealer.

Fintegra agrees with the long standing and underlying tenant of securities law, that all *essential* information must be fully disclosed to an investor in order for them to make an appropriate and informed investment decision. However due to the volumes of disclosure an investor is required to receive in today's regulated environment --- a company's business continuity plan, client privacy policy, investment objective definitions,

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arbitration disclosure, customer identification procedure disclosure, 14(b)1-c disclosure, soon-to-be required point of sale disclosure, just to name a small handful of required disclosures --- Fintegra believes that the enormity and sheer volume of pertinent disclosure a client receives in today's investing environment is verging on the pinnacle of rendering all disclosure a client receives all but useless.

Case in point, how many people do you know that actually read and understood every single page of their 100 page stack of papers they were required to sign when purchasing or selling their home?

Please note, that in no way is Fintegra taking the stance that the industry should stray from its current goal and path of providing full 'transparency' on all transactions to an investor. Fintegra is only recommending that the method, time and manner of disclosure to clients be conducted in a way that allows the consumer of investing products to best assimilate and utilize that information.

Therefore, Fintegra wants to take this opportunity and raise the point that before the SEC approves any further required disclosure to be given by broker-dealers, the simple question should be asked: Is this information just *pertinent* to the client or is it *essential* in order for the client to make an investment decision?

With that, Fintegra recommends that the SEC take the following stance on disclosure: if the information is deemed essential by the SEC, then the broker-dealer should be required to disclose to the client that information at the point-of-sale or account opening, whichever is applicable. However, if the material or information is deemed by the SEC as not essential to making an informed investing decision, then the broker-dealer should be allowed to provide that information only upon request from the client.

SECURITIES INVESTOR PROTECTION ACT OF 1970

Proposed NASD Rule 2342 is silent on the currently allowed exemption of certain broker-dealers from the Securities Investor Protection Act of 1970. The act, which is embodied in 15 USC §78ccc(a)(2)(A), excludes certain broker-dealers from the requirements and membership of SIPC. The exclusion is reproduced below for your reference:

> SIPC shall be a membership corporation the members of which shall be all persons registered as broker-dealers under section 78o(b) of this title, other than-
>
> (i) persons whose principal place of business, in the determination of SPIC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions; and
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> (ii) persons whose business as a broker or dealer consists exclusively of (I) the distribution of shares of registered open end investment companies or unit investment trusts, (II) the sale of variable annuities, (III) the business

of insurance, or (IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts.

Fintegra recommends the proposed NASD rule be amended to exclude those broker-dealers currently utilizing the 15 USC §78ccc(a)(2)(A)(i) and (ii) exclusions.

SUPPORT OF NASD RULE 2350

Numerous NASD member broker-dealers provide products and services to clients through a bank channel. This is allowed under the current SEC regulations as well as proposed SEC Reg R, under an allowance commonly called 'third party networking'.

Under this networking agreement between a NASD member broker-dealer and bank, NASD Rule 2350 requires the broker-dealer to disclose certain information regarding the investment product/service the client is purchasing. For your reference NASD Rule 2350 is reproduced below:

> 2350: Broker/Dealer Conduct on the Premises of Financial Institutions
> (c) Standards for Member Conduct
> (3) Customer Disclosure and Written Acknowledgment
>
> At or prior to the time that a customer account is opened by a member on the premises of a financial institution where retail deposits are taken, the member shall:
> (A) disclose, orally and in writing, that the securities products purchased or sold in a transaction with the member:
> (i) are not insured by the Federal Deposit Insurance Corporation ("FDIC");
> (ii) are not deposits or other obligations of the financial institution and are not guaranteed by the financial institution; and
> (iii) are subject to investment risks, including possible loss of the principal invested; and
> (B) make reasonable efforts to obtain from each customer during the account opening process a written acknowledgment of receipt of the disclosures required by paragraph (c)(3)(A).

The purpose of the NASD Rule 2350 is to educate clients of the fact that they are not purchasing a product or service that is directly underwritten or supported by the bank or covered by FDIC. Because the disclosure required by NASD Rule 2342 would provide the client the ability to obtain the SIPC information which clarifies the *differences* between SIPC and FDIC, Fintegra deems the proposed SIPC disclosure rule as supporting NASD Rule 2350's purpose of educating and informing the client that they are not purchasing a "bank" product.

CONCLUSION

Where Fintegra is skeptical of any positive impact additional required disclosure will provide the investing public, Fintegra interprets the requirement of proposed NASD Rule

2342, as supporting NASD Rule 2350, by educating clients purchasing non-deposit investment products (NDIP) on the premises of a bank, that the NDIP are not FDIC insured. Therefore, Fintegra is in support of the proposed NASD Rule 2342.

Please feel free to contact me at the numbers located on the cover-page, with any questions, comments or inquires.

Respectfully,

Kenneth M. Cherrier, JD, FLMI
Chief Compliance Officer