FIRST ASSET
FINANCIAL Inc.
Member SIPC ◆ FINRA
Robert Hamman, President

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August 4, 2009

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, N.W.
Washington, D.C. 20006-1506

Re: Regulatory Notice 09-44

Dear Ms. Asquith:

Please re-consider the proposal to quadruple the minimum requirement for the fidelity bond requirement of FINRA.

The minimum requirement will affect small broker dealers disproportionately. First Asset is a small broker dealer. The timing for such a proposed change could not be made at a worse time than now. With business down over 50%, small broker dealers are struggling to stay profitable, yet FINRA wishes to the raise premium significantly for the required Fidelity Bond expense (up to four times greater assuming the premium is proportional to the coverage).

It is mentioned in the Regulatory Notice on page 3 that "Historically, firms that have maintained minimum coverage of $25,000 have had claims that exceed this amount." It is highly likely that the same will be true of $100,000 coverage. When things go "wrong" they "really go wrong." However, in talking with our state securities representatives, they have stated that a fidelity claim is "rarely made." Given this statement it appears that the "fidelity bond" benefits insurance companies far more than benefiting investors by increasing premium income without payouts.

FINRA recently expanded the definition of "branch office," which caused smaller firms to register locations that were not previously registered as branch offices under the "old" definition. This increased fidelity bonding fees as the structure increases the bonding premium by 60% with 6 or more branches. The implementation of this proposed increase in minimum amount would be a second cost increase in addition to the branch "increase" that is not addressed or considered in this Notice.

Without statistics to verify that there are significant claims, FINRA appears to have no justifiable basis to increase the amount of the fidelity bond.

Please reconsider this proposal and let it expire without implementation.

Sincerely,

Robert L. Hamman
Robert L. Hamman
President

Regulatory Notice 09-44

Fidelity Bonds

FINRA Requests Comment on Proposed Consolidated FINRA Rule Governing Fidelity Bonds

Comment Period Expires: September 14, 2009

July 2009

Notice Type
- Request for Comment
- Consolidated FINRA Rulebook

Suggested Routing
- Compliance
- Legal
- Senior Management

Key Topic(s)
- Fidelity Bonds

Referenced Rules & Notices
- NASD Rule 3020
- NYSE Rule 319 and Its Interpretation
- SEA Rule 15c3-1

Executive Summary

As part of the process to develop a new consolidated rulebook (the Consolidated FINRA Rulebook),[1] FINRA is requesting comment on a proposed consolidated FINRA rule governing fidelity bond requirements.

The text of the proposed rule is set forth in Attachment A. Examples of estimated fidelity bond premiums for different-sized firms under the proposed rule are set forth in Attachment B.

Questions concerning this *Notice* may be directed to:

- Susan DeMando Scott, Associate Vice President, Financial Operations Policy, at (202) 728-8411; or
- Erika L. Lazar, Senior Attorney, Office of General Counsel, at (646) 315-8512.

Action Requested

FINRA encourages all interested parties to comment on the proposed rule. Comments must be received by September 14, 2009.

Members and other interested parties can submit their comments using the following methods:

- Emailing comments to *pubcom@finra.org*; or
- Mailing comments in hard copy to:

  Marcia E. Asquith
  Office of the Corporate Secretary
  FINRA
  1735 K Street, N.W.
  Washington, D.C. 20006-1506

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