

I appreciate the opportunity to comment on proposed FINRA Rule 4530.

In 2007, Mary Shapiro convened the NASD Small Firm Rules Impact Taskforce. The mission of this taskforce was to review the NASD Conduct Rules in an effort to identify rules that might be outdated, redundant, in need of revision, or otherwise could be improved to be more workable for Small Firms, while still providing the overriding goal of investor protection. I was a participant in this working group.

One of the recommendations of the taskforce was to request that NASD address the duplicative nature of filing U-4 and U-5 amendments, while at the same time having a responsibility to file almost identical reports into the 3070 Complaint system. Proposed Rule 4530 addresses the fact that this duplication exists and notes "*FINRA will work toward the goal of eliminating duplicative reporting*". It would seem to me that the new rule 4530 would present the perfect opportunity to streamline such reporting now, rather than later. Even if there are technical glitches that need to be configured to make this reporting work automatically, I would still think there could easily be telephonic or e-mail communication between the two areas that process the CRD updates and the one that processes the 3070 reports. This would allow the reduction of the duplication on the industry, and would resolve the technicalities with FINRA until they can implement an automatic solution to report for both venues.

I would like to commend FINRA on the extension of the time period for reporting events from the previous 10 business days to an expanded 30 calendar days. The previous 10 business day reporting obligation did not always allow for proper and complete investigation into matters, so firms could provide a complete report of the matter prior to its due date. The expanded amount of time should greatly enhance firms' abilities to have a better understanding of the issue when filing their report.

There are some wording changes proposed for the new rule that would, in my opinion, dramatically change the scope of activities that would require reporting. Not only are some of these new activities potentially voluminous in nature, but in many instances, they are not even relevant to industry matters (i.e. An example would be Item 1G - newly inserted phrases include references to insurance, "subject of any other claim for damages"). Any other claim for damages could stand to include civil actions for small claims court, family grievances, real estate issues, etc... This expansive language would not only be unworkable from the standpoint of the firm's ability to actually perform such reporting, but would also provide much information than FINRA could act on from a jurisdictional standpoint. I don't believe the added resources needed to comply with the adoption of this new language would justify the benefit that might be derived by FINRA having knowledge of same. I have similar feelings related to Item 1H as it relates to the newly inserted term "investment advice", as this is also an area that is not currently reportable under Rule 3070, nor does FINRA currently have jurisdiction to supervise investment advice issues.

Finally, as it relates to the Supplementary Materials - Item .06 of the proposed Rule "Calculation of Monetary Thresholds", I would question the ability of firms to adequately estimate within even a 30 day reporting period the total attorneys fees and interest that will be applicable in the matter. This is a very subjective requirement that can only truly be verified in hindsight. Therefore, if a member, in a good faith estimate, believe their settlement, attorney fees and expenses would fall below the reportable threshold - and discover upon finalization of the matter that it did not - they will either have failed to report, or at a minimum, be late in reporting to the 3070 system. To be fair, attorneys fees and interest should not be included as part of the figure used to determine whether a matter is reportable or not.

Again, I thank you for the opportunity to share my views relative to this new rule proposal. If you have any questions, feel free to contact me at 636-537-8770.

Sincerely,

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