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October 31, 2014

VIA ELECTRONIC MAIL

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

**Re: Regulatory Notice 14-35, Comment on Revised Proposal to Adopt Consolidated
FINRA Rule 2231 (Customer Account Statements)**

Dear Ms. Asquith:

The Investor Rights Clinic at Pace Law School, operating through John Jay Legal Services, Inc. (“PIRC”),¹ welcomes the opportunity to comment on FINRA’s proposed transfer of current NASD Rule 2340 (Customer Account Statements) and Incorporated NYSE Rule 409 (Statement of Accounts of Customers) into the consolidated FINRA rulebook as FINRA Rule 2231 (Customer Account Statements). PIRC generally supports the rule proposal to the extent that it provides for full disclosure and customer choice regarding account statements and transmission of account statements and communications to third parties.²

However, as discussed more fully below, PIRC proposes five revisions to the rule proposal. PIRC recommends that FINRA: (1) require general security member firms to provide customers with the option of receiving monthly statements or quarterly statements; (2) require general security member firms to allow customers, at their request, to access their account information via telephone or electronically; (3) ensure that SIPA disclosures cannot be used against a customer in a dispute in the future; (4) provide guidance to general securities member firms with respect to how the SIPA disclosure appears on account statements so it is not hidden from the customer; and (5) allow customers to opt-out of the requirement that duplicates of communications sent to third parties also be sent to customers.

¹ PIRC opened in 1997 as the nation’s first law school clinic in which J.D. students, for academic credit and under close faculty supervision, provide pro bono representation to individual investors of modest means in arbitrable securities disputes.

² Since PIRC primarily advocates on behalf of investors of modest means, PIRC is not commenting at this time on issues related to institutional investors.

Maintenance of Quarterly Delivery Requirement

PIRC supports FINRA's decision to maintain its requirement of quarterly delivery of statements to accountholders as long as FINRA provides the option to customers to request monthly delivery of their account statements. Although PIRC believes monthly statements provide customers with a more accurate reflection of a customer's investments, PIRC understands positions expressed during the initial filing that requiring the delivery of monthly statements as the default rule might unnecessarily drive up administrative and postage costs,³ which would be passed onto accountholders in the form of higher fees.⁴ Thus, keeping the investor in mind, the continued delivery of quarterly statements as the default rule still allows accountholders to maintain a relatively high level of knowledge and information about their accounts while keeping administrative costs to a minimum.

Nevertheless, PIRC believes that customers should have more choices about how they receive information about their investments and recommends that FINRA amend Rule 2231(a) to require general securities members to provide customers with various options that allow customers to tailor the delivery of their account statements to their individual needs. First, PIRC recommends that customers be provided with the option to receive account statements electronically and to make available to customers a status of their accounts via telephone or online at the customer's request. While many firms already provide this option, PIRC believes that this additional option will prevent an overall influx of administrative costs that general securities members fear would be the result of requiring monthly statements across the board, as initially proposed.

PIRC believes these options will permit investors to make more informed decisions about managing their money, as volatility has returned to the global stock market. Furthermore, the option of receiving monthly statements and the ability to check account status via telephone or online would permit customers to more quickly notify firms of discrepancies or potential fraud (e.g., identity theft). Although many member firms already make available to their customers online access to their accounts to view at any time, as noted above, there remains a segment of the account-holding public that may not have internet or computer access or those who may not be technologically-savvy. Thus, PIRC believes it is imperative to provide the customer with the ultimate decision to receive statements on a monthly or quarterly basis, along with access to accounts via telephone or electronically, to ensure that investors are in control of their investments and accounts.

Requirement to Provide SIPA Disclosure

Proposed FINRA Rule 2231(a) also would require customer account statements to advise customers to report promptly any inaccuracy or discrepancy in their accounts and to re-confirm any oral communications in writing to protect the accountholder's rights under the Securities

³ PIRC's concern with increased administrative and postage costs that would pass onto accountholders in the form of higher fees do not include customers who have chosen e-delivery of statements. Although firms providing the e-delivery option still have costs associated with the delivery, such costs are likely lower compared to postage delivery of account statements.

⁴ PIRC does not support the practice of passing costs on to investors; however, PIRC acknowledges that in reality, firms may do so.

Investor Protection Act (SIPA). While this proposal appears to be intended to protect investors, PIRC is concerned that it could backfire and harm investors by providing firms with a potential defense to claims in arbitration. Our experience in the clinic is that member firms use disclosure language as weapons against customers; requiring such language may provide more ammunition to firms. As a matter of public policy and to provide sufficient safeguards to the customer, PIRC recommends that FINRA amend this portion of the proposal to ensure that such SIPA disclosures cannot be used against a customer in a dispute in the future.

Additionally, PIRC recommends that the proposal include guidelines to general securities member firms with respect to how the SIPA disclosure appears on account statements. For example, PIRC suggests that FINRA require that member firms' SIPA disclosures be highlighted and clear to the customer. PIRC believes that such guidelines will prevent general securities member firms from burying SIPA disclosures in the back of account statements or in the fine print, which customers may not be able to locate easily.

Transmission of Customer Account Statements to Other Persons

PIRC agrees with FINRA's proposal that a firm may not send a customer's account statements or other communications to other persons or entities unless the customer has provided written instructions to the firm to send such statements or communications to those third parties. Customer account statements are confidential documents showing an account holder's personal financial details. As such, requiring informed written consent by customers allowing the transmission of account statements to third parties should ensure that customer account statements are shared with other persons only with the customer's express approval.

Additionally, PIRC supports FINRA's proposal that requires firms to send customers duplicates of statements or other communications sent to third parties. Allowing for the customer to have full knowledge of third-party communications permits customers to contact their firm with any questions or concerns in a timely fashion upon receipt of the third party communication. However, while PIRC supports this position as the default rule, PIRC recommends that FINRA refine its proposal to allow customers to opt-out of this requirement in writing. An "opt-out" provision benefits customers in circumstances in which they would prefer that only the designated third party receive account information, particularly where a customer grants a third party a general power of attorney, a customer is disabled or incapacitated, or a customer resides in an adult or nursing home facility. Thus, PIRC believes this approach maximizes disclosure while keeping true to the idea that the customer is the master of his or her account.

In sum, PIRC generally supports FINRA's proposal to Rule 2231 regarding customer account statements and believes the proposal is consistent with FINRA's goal of protecting investors by providing customers with full disclosure. However, FINRA should refine portions of the proposal to provide more options to customers regarding the receipt of account statements in order to tailor information delivery to the customer's needs.

Respectfully submitted,

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