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April 2, 2012

Via Email Only

pubcom@finra.org

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

Re: Regulatory Notice 12-09; Debt Research Reports

Dear Ms. Asquith:

I write on behalf of the Public Investors Arbitration Bar Association ("PIABA"). PIABA is a bar association comprised of attorneys who represent investors in securities arbitrations. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums. Our members and their clients have a strong interest in FINRA rules relating to both investor protection and disclosure.

Regulatory Notice 12-09, represents a year's worth of comments and research put forth in response to Regulatory Notice 11-11. Regulatory Notice 12-09 is an improvement of Reg. Notice 11-11, and proposes to apply safeguards and disclosure requirements to the publication and distribution of debt research reports. PIABA generally support the proposal and believes that the proposed rule is a long overdue step in the right direction.

Although Regulatory Notice 12-09 is an improvement to Reg. Notice 11-11, it leaves noteworthy gaps. PIABA believes that disclosure is paramount to the functioning of a fair and efficient free market. Without consistent and disseminated information on conflicts of interest on all research for all debt securities, the marketplace will continue to function in the conflict-laden way it now operates. This necessarily is detrimental to both retail and institutional investors. Research reports have long been used for both debt and equity securities. Without a regulatory requirement, many firms failed to adhere to the "Guiding Principles." FINRA needs to do more to protect investors especially in light of Wall Street's increasing use of complex, risky debt products (mortgage backed securities, CDOs, auction rate securities, structured debt products, reverse convertibles, etc.). A framework is needed to properly regulate the research of debt securities.

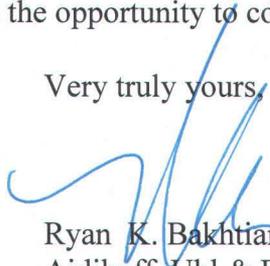
It is unfortunate that the proposal excludes "municipal securities" from the definition of "debt security." It is PIABA's belief that FINRA has not adequately demonstrated why municipal securities (and the research related to them) should be afforded different treatment from other debt securities. FINRA should not rely on a jurisdictional limitation in excluding municipal securities from the proposed rule. To ensure market integrity, municipal securities must be covered by the proposed rule. FINRA should do more -- not less -- to ensure all investors are provided with fair, honest, and trustworthy information with respect to municipal securities.

PIABA believes that FINRA has also mistakenly excluded another large segment of debt securities from the definition of "debt security" which are "security-based swaps". FINRA should take this opportunity to be on the forefront of rulemaking to strip the cloak away from the high-stakes, opaque and destabilizing swap market. As of June 2010, the swap market constituted nearly two-thirds of the \$583 trillion over-the-counter derivatives market¹. In a market short on regulation, FINRA should use this opportunity to protect the investing public. The swap market played a role in the financial crisis and impacted both retail and institutional investors. Several income mutual funds became enamored with the higher returns derivatives and swaps provided, paying little or no attention to the speculative risk taken. The damage caused by these funds, and the swaps and derivatives they invested in, provides FINRA with all the reason it should need to supervise this complex market. PIABA hopes FINRA will reconsider and conclude that an exemption for this portion of the market should not exist in the proposed rule.

PIABA supports FINRA in opposing the exclusion from the rule of research related to sales to only institutional investors which FINRA has recognized left a large hole in the information marketplace.

PIABA is supportive of FINRA's effort and remains hopeful that FINRA will better serve investors by closing the loophole provided to municipal securities and swaps. We appreciate the opportunity to comment on the process.

Very truly yours,



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¹ See Pravin Rao and Assad Clark: "Securities & Commodities Regulation, Changing Landscape of Swap Regulation", Vol. 44, No. 8. April 20, 2011.