Public Investors Arbitration Bar Association

VIA E-MAIL TO: pubcom@finra.org

April 25, 2011

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

Re: Regulatory Notice 11-11; Debt Research Reports

Dear Ms. Asquith:

Thank you for the opportunity to comment on Regulatory Notice 11-11, which proposes to apply safeguards and disclosure requirements to the publication and distribution of debt research reports. I write on behalf of the Public Investors Arbitration Bar Association ("PIABA")[1] in general support to the above-referenced proposal. The proposed rules would be a step in the right direction for something that has long been overdue.

Research reports have long been used for both debt and equity securities. Of course, without a regulatory requirement to do so, many firms failed to adhere to the "Guiding Principles" that were previously put in place. FINRA needs more definitive rule-making to help prevent more financial catastrophes like the one experienced in the last few years with the increasing use of complex, risky debt products (including mortgage backed securities, CDOs, auction rate securities, structured debt products, reverse convertibles, etc.). A framework is certainly needed to regulate the research surrounding these debt securities.

However, the proposal should go further. For example, the proposal seems to exclude "municipal security" from the definition of "debt security." FINRA has not explained why municipal securities (and the research related to them) should be afforded any different treatment than other debt securities. The potential for conflicts exists with municipal securities just as much as other debt products.

Moreover, PIABA feels that the exclusion of research related to sales to only institutional investors leaves a large loophole. While larger banks and investment firms may not need the same disclosures that an individual investor does, the definition of "institutional investor" here seems to be vague. Until FINRA can provide a better definition, it makes sense to not provide an exclusion

[1]. PIABA is an international bar association, consisting of over 500 members, dedicated to the protection of investors' rights in securities arbitration proceedings.

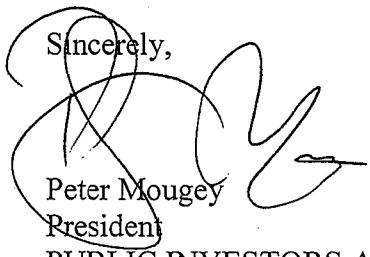
for institutional sales. As such, PIABA suggests that no such exclusion should be made until FINRA can provide a better definition.

The proposal also requests comments for whether there should be an "opt-in" or "opt-out" provision, such as for fund managers. PIABA hopes that FINRA would not provide any such provisions. The fund managers hold duties to the shareholders of their funds, many of which are sold to retail investors. This "opt-in" or "opt-out" provision again would provide a loophole that creates the potential for conflict and fraud. The recent group of large bond-fund disasters (such as with the Regions Morgan Keegan Funds, the Schwab YieldPlus Fund, Citigroup's MAT Three and MAT Five funds, and the Oppenheimer Champion Income Fund and Core Bond Fund), many of which resulted in FINRA investigations and/or fines, demonstrates that fund managers should not be given this discretion.

Conclusion

In sum, PIABA supports the new rule proposal but hopes that FINRA would provide a little more protection with regards to all debt securities. Moreover, the proposal should not create carve-outs for institutional investors, nor provide any "opt-in" or "opt-out" provisions. I would like to thank you once again for the opportunity to comment on this rule proposal.

Sincerely,



Peter Mougey
President
PUBLIC INVESTORS ARBITRATION
BAR ASSOCIATION

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