



Financial Industry Regulatory Authority

Richard G. Ketchum
Chairman and
Chief Executive Officer

February 16, 2011

Ms. Danielle Brian
Executive Director
Project On Government Oversight
1100 G Street, NW
Suite 900
Washington, DC 20005-3806

Dear Ms. Brian,

I have received your letter raising a number of issues relative to FINRA's operations and transparency. I want to assure you that this organization believes strongly in transparency and accountability to both the investing public and our government overseers.

In your letter, you expressed disappointment that FINRA, after careful consideration by its Board, decided not to adopt all of the proxy proposals submitted by Amerivet Securities. It is evident from your letter that POGO is aware that FINRA has previously explained its position on each of Amerivet's proposals. I will not repeat those explanations in this letter, but would like to highlight just a few of the measures FINRA takes to make its operations transparent:

- FINRA publishes on its website rulemaking items discussed and decisions reached by its Board on new rules.
- FINRA often publishes proposed rules or concept releases on its website for comment prior to submission to the SEC, where those rules are subject to publication in the *Federal Register* for further comment.
- FINRA discloses compensation details for its 10 most highly compensated employees each year and reports direct and indirect compensation of a broader list of offices annually in its Form 990.
- FINRA publishes the names of the money management firms it hires to manage its portfolio.
- FINRA publishes an annual financial statement on its website.

In addition to measures such as these, the Securities and Exchange Commission has authority to oversee all of FINRA's operations and conduct examinations of FINRA's work. Also, the SEC must approve all FINRA rules before they become effective.

As the largest independent, non-governmental regulator for securities firms doing business in the United States, FINRA provides a tremendous contribution to protecting investors and ensuring market integrity. FINRA provides the first line of oversight of 4,600 brokerage firms and 630,000 registered securities representatives, and its work includes registering and educating industry participants, examining securities firms, writing rules and enforcing those rules and the federal securities laws. In addition, FINRA conducts surveillance of over-the-

counter (OTC) trading in equities and debt, and provides market surveillance, investigatory and related regulatory services for equities and options traded on U.S. exchanges.

In 2010, FINRA brought 1,173 disciplinary actions, levied fines totaling \$41.1 million and ordered the payment of almost \$8 million in restitution to harmed investors. FINRA expelled 14 firms from the securities industry, barred 270 individuals and suspended 407 from association with FINRA-regulated firms. Also last year, FINRA strengthened and increased the scope of its regulation of securities firms, and transformed its examination program to be more risk-based, focusing work in areas that pose the highest risk to investors. In addition, FINRA successfully launched its Office of Fraud Detection and Market Intelligence, which referred more than 500 matters involving potential fraudulent conduct to the SEC or other law enforcement agencies for further investigation.

FINRA is strongly committed to its mission of protecting America's investors by making sure the securities industry operates fairly and honestly.

Sincerely,

A handwritten signature in cursive script, appearing to read "Richard G. Ketchum".

Richard G. Ketchum