



1st GLOBAL

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May 8, 2008

Ms. Nancy Morris
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RE: Comments to the Proposed Rule Changes to Regulation S-P: Privacy of
Consumer Information and Safeguarding Personal Information

Dear Ms. Morris,
Secretary

As Chief Executive Officer of 1st Global, I appreciate the opportunity to submit comments on the issues raised in the above captioned proposed rule change by the U.S. Securities and Exchange Commission (SEC). 1st Global is a fully disclosed retail broker/dealer registered to conduct business in all domestic jurisdictions, with over 1200 registered representatives offering securities services through nearly 600 branch and non-branch locations.

1st Global believes such regulation will result in limiting both investor choice and a registered representative's ability to provide the best advice and service for investors, including portability of customer accounts. We do not believe the drafted proposal adequately permits the transfer of contact information required to actually implement the transition of the client's account. The proposal also does not consider the Independent Contractor Broker-Dealer (IBD) structure in which the Registered Representative is the individual that actually owns the relationship with the client.

Client privacy is clearly the top priority to drive any business process. However, within the proposed amendment, investor choice and representative choice are significantly stifled, without a correlating reduced risk to client privacy. A few underlying issues must first be addressed:

(a) Language contained in the amendment presumes client information "belongs" to the broker/dealer/RIA and *not* the individual representative. As referenced in the amendment, "...At many firms, representatives develop close professional and personal relationships with investors over time..." This begs the question, "Whose client is this?" Evidence strongly supports that clients *and* their subsequent information "belong" to the representative who actually develops and nurtures the relationship – *not* the broker/dealer/RIA with whom they are affiliated. This is particularly true in the IBD registered representative channel.

In 1st Global's registered representative channel, we exclusively serve CPAs who have chosen to become registered representatives. Those CPAs market financial services almost exclusively to their pre-existing accounting and tax client base. Therefore, these relationships typically pre-date any broker/dealer/RIA affiliation. In our situation, it is quite certain that our registered representative owns the client relationship. We suggest that there are probably many other unique situations like ours, especially in the independent contractor segment of the broker/dealer industry.

(b) Representatives choose to leave their current broker/dealer/RIA based on some level of dissatisfaction with their existing relationship. In this regard, the lack of competent, professional client servicing and/or service and programs which best support their client base at their current broker/dealer/RIA is commonly mentioned during our recruiting meetings. This subpar servicing or programs not in line with the needs of the registered rep client base directly affects clients whose money is invested via the broker/dealer/RIA. The process by which a client may be contacted, and the level of additional effort required by the client and the registered representative to effect a move, are the determinants of the ability to transact a move. If the ability to transact a move is so onerous as to reduce the likelihood either a representative or a client will make that choice, the SECs goal of this proposal to provide an orderly framework to benefit clients, representatives, and member firms will not be attained.

It seems quite ironic that, in the name of client privacy, the SEC is willing to ignore the fact that this industry is a personal service industry and at the same time creates formalities for documenting something that should be implied: that personal information provided by the client to their registered representative specifically provides that registered representative with the authorization to use that information to make recommendations which are in the best interest of that client, which in certain cases may mean a recommendation to move to another broker/dealer.

Commenter views in five areas were solicited by the SEC. Three of such are addressed below:

- 1) **Transfer of contact information:** The limited information allowed to be shared is not enough to actually implement a client transition and therefore would not promote investor convenience. As stated in the proposal, it is certainly the type of information an investor would expect a representative to remember, and would serve only as a vehicle to contact a client in advance of a proposed move. Investor choice will always be provided via new account paperwork signed after transition to the receiving B/D. To effect a client transition under this proposal for an IBD representative client the following would occur:
 - The Representative would produce the limited information and provide it to the departing B/D, who would then be required to retain

the record. This would need to occur significantly prior to the representative transferring B/Ds.

- The representative would obtain client consents directly from clients to share their account level information.
- The Representative would be required to purge any additional information contained his/her contact management/aggregation software upon departure from the firm.
- The receiving B/D would need to have copies of the individual client consents to share their account level information and to verify the representative provided the required info to their prior firm. After moving registration, transfer paperwork could be prepared.
- At this point, client contact could be initiated regarding moving accounts to the new firm.

The considerations of convenience with respect to representatives and clients are addressed above, and 2) below.

- 2) **Representative recruitment:** A representative's transition to a new broker/dealer/RIA is a very serious decision. Their livelihood and support network virtually change overnight once the U4 transfer occurs. Foremost on their schedule is to ensure their client accounts are moved as soon as possible to minimize potential service gaps: the time when the client is affiliated with Broker/Dealer/RIA "Y" while their accounts are still held with previous Broker/Dealer/RIA "X."

A representative who services 100 clients with 200 to 300 client accounts can typically expect to spend 80 or more hours (two business weeks) creating the requisite forms to transfer accounts. Then they must meet with each client to explain their move, obtain client information and client signatures. This generally consumes another two business weeks at a minimum. Once the client paperwork is complete and submitted, another two weeks must be allotted for the accounts to open and the assets to transfer. The proposal and process addressed in 1) above only permits contact prior to the transfer date to obtain consent to use information after the transfer date, and therefore does not improve the timeline to benefit investor convenience.

Hence, this process can require a minimum of six weeks to complete if the process executes flawlessly. In reality, we typically see this process requiring eight to 12 weeks. For larger client account bases, this timeframe only lengthens.

During this two- to three-month transition period, a very important issue affecting both investor choice and convenience arises: Client accounts cannot be serviced by the representative, thus leaving the client in a

state of “purgatory.” A classic example of this is the client who needs a distribution of cash and must contact the previous broker/dealer/RIA directly because their representative is no longer authorized and the assets have yet to move. This is not only a client inconvenience but a strain on the client-representative relationship.

Additionally, our historical fact pattern indicates that a departing representative who informs their current broker/dealer/RIA *prior* to their departure *suffers* from this perceived “ethical imperative.” We’ve seen cases where the U5 process is begun for representatives within days of informing their branch manager of their decision to “shop around” for a new broker/dealer/RIA relationship.

Less dramatic, yet nearly as frustrating, are those representatives and their clients who suffer a significant reduction in the broker/dealer/RIA service level after the firm makes the representative’s consideration to move “public knowledge” in their back-office operations.

Therefore, the proposed amendment’s requirement that “...departing representatives provide to them [the existing broker/dealer/RIA], not later than the representative’s separation from employment [U5 date], a written record of the information that would be disclosed pursuant to the exception...” only exacerbates and complicates the representative’s choice to better serve his or her clients’ needs.

3) Possible alternatives:

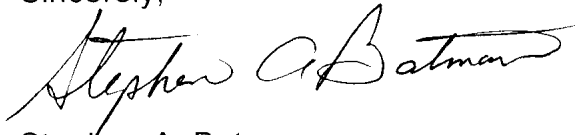
- a. Permit the transfer of necessary client information, without express client authorization, for the sole purpose to effect a broker/dealer/RIA transition efficiently and minimize client service gaps. Recordkeeping requirements for such information disclosed by the registered representative to the receiving broker-dealer is a viable alternative in this scenario. Member firms, and the registered representative, already maintain systems and procedures to protect privacy of client data within their respective firms.
- b. Require client broker/dealer/RIA privacy statements to reflect this specific information exchange *only* in the event of a broker/dealer/RIA transition as one of the permissible information-sharing practices not requiring the implementation of an opt-out process. We believe language can be clearly communicated to clients, who generally have experienced some form of account transfer in their investor history.

- c. At a minimum, permit representatives to engage in this specific, limited client information exchange prior to transitioning to their new broker/dealer/RIA and without first informing their existing broker/dealer/RIA.

In summary, 1st Global believes that this proposal should be amended to include the provisions suggested above in order to strike a balance between protecting customers from identity theft and preserving account portability and consumer choice.

Thank you again for providing the opportunity for the industry to participate in the rule-making process.

Sincerely,

A handwritten signature in black ink that reads "Stephen A. Batman". The signature is written in a cursive, flowing style.

Stephen A. Batman
President and CEO
1st Global