

VIA ELECTRONIC MAIL

January 18, 2008

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number SR-FINRA-2007-020

Dear Ms. Morris:

On November 1, 2007, the Financial Industry Regulatory Authority, Inc. (FINRA) filed a Proposed Amendment change to NASD Rule 2210 (Proposed Amendment).¹ If adopted, the Proposed Amendment would create an exception to NASD Rule 2210's registered principal approval requirements for intermediary firms that use the sales material of another firm. The exception would only apply to sales material that has been filed with FINRA's Advertising Regulation Department (Department) by another firm, and for which the Department has issued a review letter finding that the material appears to be consistent with applicable standards. The Financial Services Institute² (FSI) commends FINRA for this proposal that we believe will promote greater efficiency in broker-dealer compliance departments while maintaining important investor protections.

Background on FSI Members

The Proposed Amendment is of particular interest to FSI members. The independent broker-dealer (IBD) community has been an important and active part of the lives of American investors for more than 30 years. The IBD business model focuses on comprehensive financial planning services and unbiased investment advice with little, if any, proprietary product bias.³ IBD members also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; primarily engage in the sale of packaged products, such as mutual funds and variable insurance products; take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment adviser firms or such firms owned by their registered representatives. Due to their unique business model, IBDs and their affiliated financial advisors are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their financial goals and objectives.

¹ See the proposing release at <http://www.sec.gov/ules/sro/finra/2007/34-57010.pdf>.

² The Financial Services Institute, Voice of Independent Broker-Dealers and Independent Financial Advisors, was formed on January 1, 2004. Our members are broker-dealers, often dually registered as federal investment advisers, and their independent contractor registered representatives. FSI has 114 Broker-Dealer member firms that have more than 130,000 affiliated registered representatives serving more than 14 million American households. FSI also has more than 12,000 Financial Advisor members.

³ Some large independent broker-dealer firms offer proprietary products such as mutual fund, variable annuity, and/or investment adviser products produced by an affiliated or parent insurance company, broker-dealer or investment adviser. Nevertheless, these IBD firms, and their proprietary products, represent the exception to the rule.

In the U.S., approximately 110,000 independent financial advisors – or almost 20 percent of all registered representatives – practice in the IBD channel.⁴ These financial advisors are independent contractors, rather than employees of the IBD firms. Independent financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisors are typically “Main Street America” – it is, in fact, almost part of the “charter” of the independent channel. The core market for advisors affiliated with IBDs is clients with a net worth of \$250,000. Independent financial advisors are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Independent financial advisors get to know their clients personally and provide them investment advice in face-to-face meetings. Financial advisors offers their services to investors residing in multiple states through the use of a variety of marketing materials, including materials sales material created by mutual fund and variable insurance product sponsors. Most of their new clients come through referrals from existing clients or other centers of influence.⁵ Due to their close ties to the communities in which they operate their small businesses, we believe these financial advisors have a strong incentive to make the achievement of their clients’ investment objectives their primary goal.

Comments

We agree with FINRA’s assertion that the Proposed Amendment will save IBD firms and their affiliated financial advisors numerous hours that are currently spent reviewing sales material that was already approved by a registered principal at the product underwriter or sponsor, and that FINRA’s Advertising Regulation Department staff has also reviewed and found to be consistent with applicable standards. The Proposed Amendment will eliminate hours of unnecessary work without any negative impact on customer protection. As a result, FSI wholeheartedly endorses the Proposed Amendment.

We are also encouraged that the Proposed Amendment is consistent with the principles announced by FINRA Chief Executive Officer Mary Schapiro in a November 9, 2007 speech before the SIFMA Annual Meeting.⁶ In the speech, Ms. Schapiro stated that FINRA was committed to “build[ing] a more sensible and streamlined regulatory regime for investors and the industry” by taking a thoughtful approach to the integration of the NASD and NYSE rulebooks. Ms. Schapiro stated that her effort to streamline the rulebooks would involve:

1. Picking the best of the legacy NASD and NYSE rules or determining if there might be a better way to address the regulatory concerns.
2. Tiering some rules according to firm size, business model, or type of customer.
3. Considering whether rules can be grouped in a conceptual manner so firms have a better understanding of the regulatory scheme for each area of regulation.
4. Re-writing rules to make them as clear as possible.
5. Considering areas where a more principles-based approach could be appropriate.

⁴ Cerulli Associates, Quantitative Update: Intermediary Markets 2006. Please note that this figure represents a conservative estimate of independent financial advisors. In fact, more than 130,000 financial advisors are affiliated with FSI member firms.

⁵ These “centers of influence” may include lawyers, accountants, human resources managers, or other trusted advisors.

⁶ See at <http://www.finra.org/PressRoom/SpeechesTestimony/MaryL.Schapiro/P037447>.

FSI supports these principles and is heartened by the Proposed Amendment's consistency with them.

Conclusion

We are committed to constructive engagement in the regulatory process and, therefore, welcome the opportunity to work with you to achieve further efficiency while maintaining investor protection.

Thank you for your consideration of our comments. Should you have any questions, please contact me at 770 980-8487.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dale Brown", written in a cursive style.

Dale E. Brown, CAE
President & CEO