

## VIA ELECTRONIC MAIL

March 11, 2016

Robert W. Errett  
Deputy Secretary  
U.S. Securities & Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Re: **SR-FINRA-2016-004, Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Adopt FINRA Rule 0151 and Amend FINRA Rule 0150**

Dear Mr. Errett:

On February 10, 2016, the Financial Industry Regulatory Authority (FINRA) filed for immediate effectiveness a proposed rule change to adopt FINRA Rule 0151 regarding coordination between FINRA and the Municipal Securities Rulemaking Board (MSRB) (Proposed Rule).<sup>1</sup> The Proposed Rule states that FINRA will request guidance from the MSRB when interpreting MSRB rules. Additionally, FINRA will provide the MSRB information on FINRA enforcement of MSRB rules so the MSRB may assist in such enforcement actions and examinations as well as help evaluate the ongoing effectiveness of MSRB rules.

The Financial Services Institute<sup>2</sup> (FSI) appreciates the opportunity to comment on this important proposal. We greatly support efforts to increase coordination between FINRA and the MSRB. The Proposed Rule reflects current practices and codification will serve to enhance both FINRA's examination efforts and MSRB's rulemaking activity. We believe the benefits to investors and firms could be further enhanced by adding a provision to the Proposed Rule regarding coordination on rulemakings. We discuss this addition below.

### **Background on FSI Members**

The independent financial services community has been an important and active part of the lives of American investors for more than 40 years. In the U.S., there are approximately 167,000 independent financial advisors, which account for approximately 64.5% percent of all producing registered representatives. These financial advisors are self-employed independent contractors, rather than employees of Independent Broker-Dealers (IBD).

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<sup>1</sup> 81 Fed. Reg. 10306 (Feb. 29, 2016).

<sup>2</sup> The Financial Services Institute (FSI) is an advocacy association comprised of members from the independent financial services industry, and is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has been working to create a healthier regulatory environment for these members so they can provide affordable, objective financial advice to hard-working Main Street Americans.

FSI member firms provide business support to financial advisors in addition to supervising their business practices and arranging for the execution and clearing of customer transactions. Independent financial advisors are small-business owners who typically have strong ties to their communities and know their clients personally. These 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. Due to their unique business model, FSI member firms 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 investment goals.

### **Discussion**

Section 975(f) of the Dodd Frank Act added Section 15A(b)(15) to the Securities Exchange Act of 1934 to require that FINRA request guidance from the MSRB when interpreting MSRB rules and that FINRA provide information to the MSRB about enforcement actions and examinations so that the MSRB may assist. Additionally, this mandated coordination will allow the MSRB to evaluate the ongoing effectiveness of its rules. The Proposed Rule codifies these requirements in the FINRA Rulebook.

We support FINRA adding Rule 0151 to its rulebook in accordance with the requirements of the Exchange Act. We believe that codifying these coordination obligations serves as a strong statement affirming the commitment between FINRA and the MSRB to collaborate on matters affecting the municipal securities activities of broker-dealers. Coordination between the two self-regulatory organizations is critical to providing clarity to firms regarding their responsibilities with regards to municipal securities activities. Moreover, coordination enhances investor protection efforts by ensuring that municipal securities market regulations are enforced in accordance with the MSRB's intent.

To further enhance the investor protection, clarity, and transparency benefits provided by coordination, we respectfully request FINRA add an additional sentence to the Proposed Rule that would require coordination on certain rulemakings. Various MSRB rules govern activities that do not feature characteristics unique to the municipal securities market. In these instances, we believe it would benefit firms and investors to ensure that FINRA harmonizes its rules with those of MSRB. Such harmonization will promote greater compliance and operational efficiency for the benefit of investors. The additional sentence in Rule 0151 could read as follows:

FINRA will coordinate with the MSRB on rulemakings amending or creating rules on practices or activities governed by both FINRA Rules for brokers and dealers and MSRB Rules for municipal securities dealers to ensure that rules impacting the same or similar practices or activities are complimentary.

Codifying a requirement to coordinate on certain rulemakings would offer greater transparency to interested parties regarding the self-regulatory organization rulemaking process. While we recognize that the MSRB maintains its own rulemaking authority designed to address a particular part of the securities markets, coordination on rulemakings would not threaten that jurisdiction. Rather it would provide assurances that when regulatory actions undertaken by both FINRA and the MSRB may impact the same areas or activities of a broker-dealer the two self-regulatory organizations will work to ensure their requirements are complimentary. We have seen

such coordination evidenced in prior rulemakings and we believe it has benefited regulators, broker-dealers and investors. Including a requirement to undertake such coordination would send a strong signal that FINRA and the MSRB intend to continue to work together for the benefit of firms and investors alike.

### **Conclusion**

We are committed to constructive engagement in the regulatory process and welcome the opportunity to work with FINRA on this and other important regulatory efforts.

Thank you for considering FSI's comments. Should you have any questions, please contact me at [REDACTED].

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" followed by "Bellaire".

David T. Bellaire, Esq.  
Executive Vice President & General Counsel