

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Request for Comment to Inform Study Regarding Obligations of Brokers, Dealers, and Investment Advisers (Release No. 34-62577; IA-3058; File No. 4-606)

Dear Ms. Murphy:

I am writing in response to the Securities and Exchange Commission (“Commission’s”) request for public comment to inform its study of the obligations and standard of care of brokers, dealers, and investment advisers when providing personalized investment advice about securities to retail customers. I am a life insurance producer, and my principal source of business is the sale of life insurance products to retail customers. Some of the products I offer subject me to regulation by the Commission and the Financial Industry Regulatory Authority (“FINRA”).

I am a financial advisor with Northwestern Mutual Financial Network with my CLU® and CFP® designations. I began my career nearly twelve years ago in January of 1999. At that time, I focused specifically on assisting clients in satisfying their needs to protect against dying too soon, becoming disabled or living a long, long time with life and disability insurance and fixed annuities. As I increased my knowledge and pertinent licensing, my client service incorporated variable products such as variable life insurance, variable annuities and mutual funds where appropriate. My non-variable insurance and annuity practice is audited annually by my compliance officer and we keep accurate client records.

As my business grew, I was forced to hire staff to keep up with the compliance needs and service. Now, I employ two people and the compliance I face is more rigorous. I must complete 24 continuing education hours biennially to maintain my Pennsylvania Life, Accident and Health license. In addition, I complete 30 continuing education hours biennially for my CFP® designation. This is in my clients best interest and is part of being a professional.

My experience has taught me that clients need help and trusted, competent human expertise to guide them in the selection and implementation of appropriate and imperative life insurance, disability insurance, long term care insurance and annuity products. The public typically does not solve their needs independently and sufficiently. The lack of insufficient planning often creates an avoidable burden for families, communities and government funds. Through my client system of needs based planning and regular contact, I am able to help my clients secure their business’ future and their family’s future.

I therefore appreciate your efforts to obtain information from the public and conduct a comprehensive and objective study, before deciding whether to propose new regulations.

I am hopeful that opportunities for input from financial professionals will continue as the process unfolds.

Effectiveness of Existing Regulation of Brokers, Dealers, and Investment Advisers

I believe the existing regulations that my industry and Northwestern Mutual Financial Network have established insure that financial advisors and insurance producers are educated, compliant and focus on serving the needs of clients. I am licensed with several life insurance carriers in addition to Northwestern Mutual. Each carrier has a requirement for continuing education hours as well ethics and anti-money laundering. In addition to the industry's and company's standards, my local office has a compliance officer who imposes additional continuing education to keep agents and advisors up to date and current.

I currently am subject to an array of state insurance regulations and oversight for the sale of fixed and variable insurance products. When providing recommendations to my clients, I must consider factors such as the client's current financial status, needs, and goals; age, family, general health, and existing medical conditions; and the client's credit history. These factors must be evaluated before even determining whether a fixed or variable product is appropriate. As a representative of an insurance carrier, I must also weigh the carrier's medical and financial underwriting standards, current financial stability, and claims-paying record, among a variety of other considerations. State insurance regulators play a central role in overseeing the sale of insurance products and the market conduct associated with these transactions. My contractual obligations to the carrier require me to comply with all requests and exams and adhere to any conduct regulations and guidelines enforced by the carrier.

As a life insurance producer who sells variable insurance products, I am also subject to the Commission's and FINRA's broker-dealer regulations in all respects. These require, among other things, that we treat customers fairly and abide by just and equitable principles of trade, including suitability obligations. Our interaction with each client is extensively regulated and must be completely transparent; we are required to confirm all communications, provide account statements, and disclose conflicts of interest—which could include information about licensing, company affiliation, and receipt of commissions. Supervisory personnel must review all sales recommendations and review for compliance with a multitude of FINRA and Commission regulatory requirements. These requirements are extensive, well-known, often product-specific, and capable of being monitored and audited by supervisory personnel, as well as FINRA and the Commission.

FINRA regularly audits broker-dealers, and examiners typically review an array of transaction data, client correspondence, firm financial statements and procedures, and general supervisory structures. After the audit, broker-dealers typically have a brief period to provide comments on the regulators' findings and make any necessary corrections.

Gaps, Shortcomings or Overlap in Existing Law and Regulation

I understand that the Commission's study is important to be able to identify where there are gaps, shortfalls or overlaps of existing regulation and whether the SEC should adopt new regulations to address these. I understand the differences between the different regulatory bodies facing broker-dealers and investment advisers. While I have not had a FINRA or SEC audit, I have annual audits with my Northwestern Mutual compliance officer. We have all outgoing correspondence pertaining to any variable products approved by our compliance director prior to sending anything out the door to clients. We faithfully comply with documents identifying the changing or "switching" of variable investments so that the client's best interest is always kept at the forefront. We have extensive disclosure from our business cards, to our outgoing voice messages, to the forms our clients must read, complete and sign.

In comparing the investment adviser and broker-dealer regulatory regimes, the broker-dealer regulatory regime provides better guidance to registered representatives and their supervisors, and therefore better protection to their customers, because the rules are clear and specific, and the conduct of registered representatives is capable of being monitored and audited. By contrast, the principles-based nature of the investment adviser regulatory regime is more difficult to follow and enforce.

One of the most significant gaps in regulation is the lack of inspections and examinations of investment advisers. The fiduciary duty of investment advisers gives scant protection to investors in light of the infrequency of Commission examinations. Most small advisers have no federal regulation and oversight whatsoever, whereas insurance producers who sell variable insurance products must respond to examinations and audits at both the federal and state level, and are subject to regulation by both insurance and securities regulators. These gaps and shortcomings in oversight of advisers is an area of investor protection that the Commission should address first, before changing any standards of care for brokers. In other words, the need (if any) to adopt a "uniform" standard of care for broker-dealers and investment advisers pales in comparison to the need to adopt uniform standards for examination and inspections of securities professionals.

If the issue of investor confusion over the legal obligations of the investor's particular financial service provider is a point of concern—as has previously been suggested in published research reports—there are remedies currently available to address the confusion. Existing FINRA and Commission rules are extensive, but those rules, if necessary, could be supplemented with additional disclosures of the role in which a financial services professional is operating, including additional disclosures of the existence of any conflicts. I believe investors, if presented with appropriate information, can make a choice that is right for them. Disclosure is a far better alternative than eliminating investor choices by attempting to make all financial professionals the same.

Impact of Changing the Standard of Care for Brokers and Dealers to the Standard for Investment Advisers

I believe anything that I am in business to put my clients' interests at the forefront of every interaction. I realize that my professional guidance and service is imperative to preparing clients appropriately against the risks that many face. It is critical that all clients' needs are kept in mind when reviewing "best interest" standards. The majority of Americans will not be able to afford increased fees if certain standards are passed. This could potentially be the beginning of widening of the gap between the haves and the have nots. Many in our country complain that the middle class is diminished and too wide a gap exists between higher and lower income Americans. Any standards the Commission establishes can ultimately lead toward a widening or a closing of this gap. If the cost of compliance becomes more expensive for companies and professionals, they may be forced to pass on costs to clients or, worse yet, not financially afford to provide professional guidance to certain Americans.

With all that Americans are facing today, it is important to continue to provide them hope and opportunity and not put them in a position where they feel they have to do their insurance and investment planning on their own. True, some citizens prefer to do this. The overwhelming research indicates that most prefer to work with a trusted financial professional who can ask them the needed questions and guide them to solve their needs. In this capitalistic society, though, companies and professionals need to keep solvent so that they can continue to guide clients. If they face larger costs because of increased compliance, some of which overlaps, the long term result could be fewer services offered to the average hardworking American who loves his family.

I have serious concerns about the possible adoption of a new 'best interest' standard for broker-dealers, and by extension, life insurance producers who sell variable insurance products. I believe such a general standard will create liability and uncertainty, but will provide no measurable benefit to investors. If the Commission finds in its study that there are gaps in investor protection in the current regulation of brokers and dealers, then I would encourage you to propose specific rules designed to address specific conduct. None of us likes new rules, but I believe a FINRA rules-based approach offers the best opportunities for compliance by brokers, and, therefore, the protection for investors.

While it is difficult to ascertain the practical impact of a general 'best interest' standard, it most certainly will result in increased compliance costs -- again, with no measurable benefit to investors. Over time, I believe it will reduce product choice and access for investors.

It is my sincere hope that all financial professionals hold their clients in the highest regard and provide investors with the first-class service that enables them to accomplish their financial goals. However, writing rules that are difficult to define and perhaps more difficult to implement and enforce will not achieve this brand of conduct, nor will it create a better or safer financial landscape for investors.

I strongly encourage the Commission to consider the input of life insurance producers, as well as our unique role in the marketplace and the fundamental nature of the products we sell when moving forward with its study of the obligations and standards

of care for broker-dealers and investment advisers. Again, I thank the Commission for the opportunity to comment and welcome future opportunities to provide input.

Sincerely,

Geoffrey P. Kasse

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