

August 26, 2010

TO: SEC

RE: Suitability Standard For Broker Dealers

I have been in the financial services industry for 41 years. During that time I have acquired several licenses including a Life and Health Insurance License, Series 63, Series 7, Series 22, and Series 6. In addition, I have earned two professional designations; Chartered Throughout all these years while holding these licenses, I have felt the impact of various regulations imposed by my Broker Dealer as a result of regulations by FINRA (formerly NASD), the SEC, and various state insurance departments. I have been required to submit to re-examinations, compliance meetings, desk audits, continuing education, the maintaining of client meeting logs, gift logs, and client entertainment logs just to name a few. I am required to print, file, and maintain copies of all incoming and outgoing emails I send or receive concerning investments. My assistant currently spends several hours each day just to file and maintain these records.

All of these compliance measures cost me time and money. These costs have to be passed on to the consumer and will result in higher fees if additional layers of regulation are imposed. This is not going to be good for anyone, especially clients who really depend on professional assistance and do not have significant resources to pay these costs.

I currently pay significant premiums for errors and omissions insurance coverage. The proposed changes will not doubt drive up those premiums.

All of this could mean I would have to move to a fee only model in my practice to be able to cover the additional costs that would be incurred. Imposing a fiduciary standard on broker-dealers and their registered representatives is not a good business idea. The fiduciary standard in essence adds a vague legal liability standard that looks back (sometimes after many years) and is enforced after the fact by the SEC or trial lawyers who have perfect vision in hindsight.

I urge you not to initiate these fiduciary standards on our industry.

Thank you,

John R. Thornton, CLU, ChFC