



August 26, 2010

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/SEC) 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 the President and CEO of HORAN, seasoned by 35 years experience in financial services. My firm helps companies find benefit solutions and offers financial services and insurance counsel to more than 10,000 clients in 18 states. We are committed to implementing the most efficient and sensible programs for our clients.

I am pleased to join the current discourse on regulatory requirements affecting our industry.

### **Current Regulatory Environment**

We are currently regulated by FINRA, the SEC and are registered by the 18 states in which we conduct business.

### **FINRA EXAMINATIONS**

FINRA examinations are performed on a risk basis and require one comprehensive FINRA examination at least every 4 years. Before the examination (30 days), our office is required to complete and submit document requests to FINRA. FINRA is usually in our offices for one week with every exam. At this time they review customer transactions, customer correspondence, company financials, company procedures and the overall supervisory system. Prior to leaving, FINRA conducts an exit interview to discuss possible exam findings. Once the fact finding is completed, we receive a comment letter after 60 days, and then have 30 days to respond.

### **SEC EXAMINATIONS**

HORAN is examined by the Commission. Each of these examinations takes 1 week. While conducting the examination, the SEC reviews customer transactions, customer correspondence, company financials, company procedures and the overall supervisory system. The SEC's process mirrors FINRA's in that we receive a comment letter shortly after the exam and then we have 30 days to respond with our comments, changes or concerns.

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### **STATE EXAMINATIONS**

The State examination which lasts 1-2 days is conducted at HORAN since we are a state Registered Investment Advisor. During the exam, the State reviews customer transactions, customer correspondence, company financials, company procedures and the firm's overall supervisory system. Once the state has finished its research process, they send a comment letter with their findings to the Investment Advisor who now has 30 days to respond with comments, corrections or concerns.

With each of these separate examinations, the time consuming part is compiling and organizing the document requests in the preferred format.

### **PCAOB AUDITS**

The last party that examines our firm is a Public Company Accounting Oversight Board (PCAOB) qualified CPA. Every Investment Advisor is required to hire an external auditor annually. This examination is primarily financial, but it also encompasses the firm's control procedures and supervisory systems.

Annually, we are required to complete an internal examination of the Broker Dealer. This exam usually takes one week to complete. After the audit is complete, senior management is notified of the findings. We currently have an average of one audit per year taking one week.

As a firm we are required to:

- establish and maintain procedures that guide our representatives and create checks and balances to protect the end customer.
- periodically spot check the persons reviewing all of the transactions for accuracy.
- audit every registered office at least once every 3 years and every office of supervisory jurisdiction once a year.

On a daily basis we review every transaction that is processed through our business as well as all communications sent via our Representatives.

Additional and duplicated regulations require multiple versions of reported data which provide the same information. We need some middle ground that will maintain a compliant and orderly system while we continue to grow our industry. Creating another regulatory body to oversee our industry is not the solution. The reorganization of our current regulatory bodies is a solution that could work. With additional guidance we know their expertise can provide what is needed.

The HORAN business model does not pose an excessive risk to our clients or to the markets.

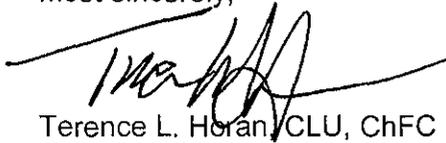
I have serious concerns about the possible adoption of a new 'best interest' standard for broker-dealers, and by extension, life insurance producers who sell variable insurance products. This type of general standard will not only create liability and uncertainty, but will provide no measurable benefit to investors. If the Commission finds in its study there are gaps in investor protection in the current regulation of brokers and dealers, then I encourage you to propose specific rules designed to address specific conduct.

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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, it actually may reduce product choice and access for investors.

I strongly encourage the Commission to consider the input of life insurance producers and investment advisors and our unique role in the marketplace as you move forward with your study of the obligations and standards of operations. Again, I thank the Commission for the opportunity to comment and welcome future opportunities to provide input.

Most sincerely,

A handwritten signature in black ink, appearing to read 'Terence L. Horan', with a long horizontal flourish extending to the left.

Terence L. Horan, CLU, ChFC  
President, Horan Securities, Inc.