

# State Farm VP Management Corp.®

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BLOOMINGTON, ILLINOIS 61791

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October 18, 2010

Jennifer McHugh  
Senior Advisor to the Chairman  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

Re: Study Regarding Obligations of Brokers, Dealers, and Investment Advisers  
(File No. 4-606)

Dear Ms. McHugh:

Thank you for meeting with representatives from State Farm VP Management Corp. (SFVPMC) and providing us with an opportunity to discuss aspects of our business operations and compliance program that we believe should be relevant to your study of broker-dealers and investment advisers required by Section 913 or the Dodd Frank Act. We know how busy you and your colleagues are, and we are especially grateful for the time you gave us.

As we discussed, we are proud of the fact that the more than 17,000 State Farm exclusive independent agents have been able to establish and build long-standing insurance relationships with one in four families throughout the United States. 11,000 of these agents have become licensed registered representatives of SFVPMC in order to offer these families State Farm proprietary investment products. SFVPMC has established a comprehensive set of policies and procedures under which these registered representatives operate. We provide rigorous and ongoing training and supervision the field and on a centralized basis to make sure that these policies and procedures are consistently followed. While the average account size of approximately \$12,000 is not large by some standards, for many of these investors it may be the first and perhaps their only investment account. We have made every effort to make these investments accessible to potential accountholders, even if they have only a small amount to invest. We currently offer 15 straightforward mutual funds, whose features can be readily understood. These funds have low minimum investment amounts, allowing investors to participate in an automatic investment plan with a small \$50 minimum investment. Our registered representatives carry only the Limited Representative: Investment Company/Variable Contracts Registration (Series 6). While revenue from investment services comprise a small percentage of these agents' business, consumer access to retail mutual funds provided by these long-standing relationships serves the market very well.

HOME OFFICES: BLOOMINGTON, ILLINOIS 61710-0001

The investment options we provide work well for our customers. This is evidenced by the exemplary consumer complaint record we've achieved over the past twelve years and by SFVPMC's redemption rates which are well below industry average. This track record demonstrates how SFVPMC's compliance with the Commission's and FINRA's current regulatory requirements works well to protect customers. We believe the current requirements are effective because of the clarity they provide. Our registered representatives are able to train for, understand, and comply with all applicable standards, and we are able to monitor and supervise for compliance because these rules are well-defined. The suitability standard facilitates access to these products to the traditionally underserved mass market because investment advisor representatives are very unlikely to engage this market.

As we discussed with you, we are concerned about how we would train and supervise agents to meet a new and nebulous standard, such as a "fiduciary" or "best interest" test. The uncertainty of such a new standard could cause many registered representatives to withdraw from offering investment products. The disengagement of registered representatives would disproportionately impact access to essential investment products for the mass non-affluent market given the thin operating margins on small accounts. If that occurs, consumers will have fewer investment choices. Also, because the great majority of investors prefer to work with an intermediary, important sources of investment advice may be less available, especially to investors with limited means. As we discussed, SFVPMC is committed to helping its customers develop good long-term investing habits and the clear guidance provided by the suitability standard has facilitated our mission and enables us to effectively serve the mass market.

We hope that the efforts you and others on the staff are devoting to the study will result in a recommendation that preserves small investor access to the less-complex types of products and services we offer. One specific option that we would request the SEC to consider, as SFVPMC suggested in our August 27 letter, would be a suitability standard with additional point-of-sale disclosures that focus on the nature of the relationship between a broker-dealer and the customer as well as any potential conflicts of interest. We stand ready to meet with you and others at the SEC to further discuss ideas that will preserve investment products and strategies that are critically important for large segments of the investing public and for those who desire to invest for the future.

Thank you again for your consideration, and please do not hesitate to contact us if you would like to further discuss these matters.

Sincerely,



Colleen Van Dyke  
Vice President  
State Farm VP Management Corp.