

December 20, 2017

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File Number 4-713

Dear Mr. Fields:

I write on behalf of H.D. Vest Investment Securities, Inc. in support of the Petition submitted on November 14, 2017 by the Associations¹ to amend Rule 17a-4 under the Securities Exchange Act of 1934. HD Vest is a registered independent broker-dealer with more than 4,000 registered representatives across the country.

A. The Existing Rules are Outdated, Serve no Regulatory Purpose, and are Expensive to Meet

As the Petition ably demonstrates, the SEC's electronic storage rules for broker-dealers have failed to keep pace with technology. In particular, the "write-once/read-many" rules are an anachronism, drafted and adopted at a time when the Internet was still a novelty, email was the cutting edge of communication, and paper records still dominated. Technology has moved far beyond these rules, to the point that broker-dealers are now the only financial industry participants required to maintain electronic records in a WORM format. Even other industry participants regulated by the SEC – investment advisers and investment companies – are subject to principles-based and technology neutral rules that allow for technological evolution and innovation.² There is no rational excuse to maintain the existing WORM rules for broker-dealers in this environment.

This is particularly true in light of our firm's observation (which is echoed in the Petition) that SEC and FINRA examiners typically do not request production of records from WORM storage as part of their routine exams. Instead, they request documents and data from active systems, which they can more readily index, sort and search. Plainly, if exam staff consider this active data to be reliable for

¹ The Associations include the following financial industry representatives: the Securities Industry and Financial Markets Association; the Financial Services Roundtable; the Futures Industry Association; the International Swaps and Derivatives Association; and the Financial Services Institute.

² *Electronic Recordkeeping by Investment Companies and Investment Advisers*, Release No. IC-24991 and IA-2945 (May 30, 2001) ("Rules 31a-2 and 204-2 have been deliberately crafted to be technologically neutral, leaving funds and advisers free to adopt any combination of technological and manual protocols that meet the requirements of the rules").

examination purposes, then there is no reason to require broker-dealers to keep a wholly superfluous set of static data in an outdated format.

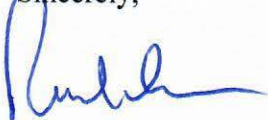
The outmoded WORM rules are financially burdensome as well. It is expensive, both in dollars and man-hours, for HD Vest to maintain WORM-compliant systems, store WORM media, and otherwise meet its D3P requirements. Indeed, it costs HD Vest \$10,000 per year just for the audit letter mandated by the current rules. Extrapolating these expenditures across the industry, it is clear that the antiquated WORM rules unnecessarily drain tens of millions of dollars from the industry, money that could be better spent strengthening the industry's technology and cyber-preparedness.

B. Rule Revision is Necessary to Meet the President's Directive and to Keep Pace with Technology

Earlier this year, the President instructed every federal financial industry agency – including the SEC – to affirmatively act to “make regulation efficient, effective, and appropriately tailored.”³ A rule that mandates outdated technology to create and maintain inutile and expensive electronic records certainly fails the President's directive and should be revised. Indeed, Chairman Clayton himself has acknowledged the critical nature of such reform, emphasizing that the SEC must “strive to ensure that our rules and operations reflect the realities of” the constant evolution of technology in the financial services industry.⁴

For these reasons, HD Vest supports the Petition and requests that the SEC undertake rulemaking to conform Rule 17a-4 to the similar rules governing investment advisers and investment companies.

Sincerely,



Robert D. Oros
Chief Executive Officer

³ *Presidential Executive Order on Core Principles for Regulating the United States Financial System*, February 3, 2017 (available at <https://www.whitehouse.gov/the-press-office/2017/02/03/presidential-executive-order-core-principles-regulating-united-states>).

⁴ Jay Clayton, *Remarks at the Economic Club of New York*, July 12, 2017 (available at <https://www.sec.gov/news/speech/remarks-economic-club-new-york>).