

**Compliance**

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VIA ELECTRONIC MAIL (rule-comments@sec.gov)

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

**RE: File No. SR-FINRA-2011-035  
Partial Amendment No. 1 to Adopt Rules Regarding  
Communications with the Public**

Dear Ms. Murphy:

Charles Schwab & Co., Inc ("Schwab") appreciates the opportunity to comment on FINRA's revised proposal to adopt rules governing communications with the public. We support FINRA's overall effort to consolidate the rules and appreciate the additional revisions made in several areas of the proposal. While we recognize the progress made to date, Schwab disagrees with proposed Supplementary Material .01 and the treatment of internal educational or training material as institutional communications under FINRA Rule 2210(a)(3).

**Supplementary Material .01**

Proposed Supplementary Material .01 would require "internal educational or training material intended to educate or train registered persons about the products or services offered by a member" to be reviewed, supervised and retained as an institutional communication under FINRA Rule 2210. Schwab does not believe that these materials should be reviewed and supervised under the same standards as materials that are distributed to the public.

The content and disclosure standards established by FINRA communications with the public rules assume a public distribution of advertising and sales materials and were designed over time to address policy concerns associated with such distribution. Internal educational and training materials are not sales materials created for public distribution. As such, not all of the policy concerns underlying the communications with the public rules are applicable to internal training materials. While Schwab agrees that internal materials should be fair, balanced and accurate to support appropriate sales practices by registered representatives, it is not necessary or appropriate to attempt to achieve that objective by misclassifying internal training materials as external institutional communications.

By design, there are significant differences between a communication with public and internal educational material. Communications with the public are used to broadly market and promote the products and services of the member. They are often developed by a marketing group in conjunction with product professionals and can be delivered via written reports, brochures, websites and many other mediums. These materials often appeal to a mass audience and are carefully crafted to comply with the content standards of FINRA rules governing communications and other securities laws and regulations.

Internal training materials are developed to educate and train registered persons on the products and services of the member. They are not generally developed by marketing personnel but rather by dedicated training groups. These training materials may be delivered in a number of ways including live training sessions, webcasts, internal postings and email communications. The focus of the materials is generally to educate registered representatives on the products and services of the firm.

Because of the significant differences in how these materials are defined, distributed and used as part of the sales process, they should not be comingled in the same rule. Internal training materials regarding products and services are appropriately subject to FINRA sales practice and supervisory obligations. NASD Rule 3010 provides a sufficient regulatory basis for requiring member firms to develop policies, procedures and supervisory controls to support the development of training materials that are accurate and balanced in describing a firm's products and services.

It is unreasonable for educational materials to include the full spectrum of the content and disclosure standards of FINRA Rule 2210. Educational and training material when used as part of the overall sales experience should be supervised as part of sales practice supervision and not within a marketing review process designed for supervision of communications with the public.

Schwab requests FINRA consider revising proposed FINRA Rule 2210 to eliminate Supplementary Material .01 from the definition of an institutional communication. We believe the industry and investor protection is already addressed under the existing provisions of NASD Rule 3010 and supervision of the sales process.

Schwab thanks the Staff for consideration of the points raised in this letter and welcomes any further discussions or questions. Please feel free to contact me to discuss them in more detail.

Very truly yours,



Melissa Callison  
Vice President, Compliance  
Charles Schwab & Co., Inc