

VIA ELECTRONIC MAIL

January 3, 2014

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

Re: File No. SR-FINRA-2013-051, Proposed Rule Change to Amend the Uniform Branch Office
Registration Form (Form BR)

Dear Ms. Murphy:

On November 25, 2013, the Financial Industry Regulatory Authority (FINRA) filed a notice of proposed rule change (Proposed Rule)¹ to amend the Uniform Branch Office Registration form (Form BR). The proposed modifications to the form would eliminate Section 6 (NYSE Branch Information) which is currently applicable only to NYSE-registered firms, add questions relating to space sharing arrangements and the location of books and records, and change other existing questions and instructions included in Form BR.

The Financial Services Institute² (FSI) appreciates the opportunity to provide comment on this important proposal. We support changes to Form BR that will make the branch office registration process more efficient and add clarity to the questions currently asked on the form. However, we have concerns regarding the additional questions regarding space sharing arrangements that were previously only applicable to NYSE-registered firms. For firms in the independent channel specifically, these changes may introduce unnecessary challenges without providing FINRA or investors any additional benefits.

Background on FSI Members

The independent broker-dealer (IBD) community has been an important and active part of the lives of American investors for more than 30 years. The IBD business model focuses on comprehensive financial planning services and unbiased investment advice. IBD firms also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; primarily engage in the sale of packaged products, such as mutual funds and variable insurance products; take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment adviser firms or such firms owned by their registered representatives. Due to their unique business model, IBDs and their affiliated financial advisers

¹ File No. SR-FINRA-2013-051, Proposed Rule Change to Amend the Uniform Branch Office Registration Form (Form BR), 78 Fed. Reg. 75,954 (December 13, 2013).

² The Financial Services Institute, Voice of Independent Broker-Dealers and Independent Financial Advisors, was formed on January 1, 2004. Our members are broker-dealers, often dually registered as federal investment advisers, and their independent contractor registered representatives. FSI has 100 Broker-Dealer member firms that have more than 138,000 affiliated registered representatives serving more than 14 million American households. FSI also has more than 35,000 Financial Advisor members.

are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their financial goals and objectives.

In the U.S., approximately 201,000 independent financial advisers – or approximately 64 percent of all practicing registered representatives – operate in the IBD channel.³ These financial advisers are self-employed independent contractors, rather than employees of the IBD firms. These financial advisers provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisers are typically “main street America” – it is, in fact, almost part of the “charter” of the independent channel. The core market of advisers affiliated with IBDs is comprised of clients who have tens and hundreds of thousands as opposed to millions of dollars to invest. Independent financial advisers are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Most of their new clients come through referrals from existing clients or other centers of influence.⁴ Independent financial advisers get to know their clients personally and provide them investment advice in face-to-face meetings. Due to their close ties to the communities in which they operate their small businesses, we believe these financial advisers have a strong incentive to make the achievement of their clients’ investment objectives their primary goal.

FSI is the advocacy organization for IBDs and independent financial advisers. Member firms formed FSI to improve their compliance efforts and promote the IBD business model. FSI is committed to preserving the valuable role that IBDs and independent advisers play in helping Americans plan for and achieve their financial goals. FSI’s primary goal is to ensure our members operate in a regulatory environment that is fair and balanced. FSI’s advocacy efforts on behalf of our members include industry surveys, research, and outreach to legislators, regulators, and policymakers. FSI also provides our members with an appropriate forum to share best practices in an effort to improve their compliance, operations, and marketing efforts.

Comments

FSI appreciates the opportunity to provide a response to the Proposed Rule. FSI continues to support efforts by FINRA to increase efficiency and eliminate duplicative provisions related to the filing of Form BR. However, FSI has specific concerns regarding the application of new questions related to space sharing arrangements. In short, we believe these additions are unnecessary and may introduce several challenges specifically for independent firms. We provide the following comments:

- Space Sharing Arrangements - FINRA is proposing to eliminate Section 6 (NYSE Branch Information) from the current Form BR. However, it retains questions from that section relating to space sharing arrangements and adds them to proposed Section 4 (Branch Office Arrangements). In addition, FINRA has added a new question to proposed Section 4 asking members to disclose if the branch office occupies, shares space with, or jointly markets with any other investment-related entity. If the answer is yes, firms must provide the name, CRD number, and type of such entity. For independent firms in particular, space sharing arrangements are

³ Cerulli Associates at <http://www.cerulli.com/>.

⁴ These “centers of influence” may include lawyers, accountants, human resources managers, or other trusted advisers.

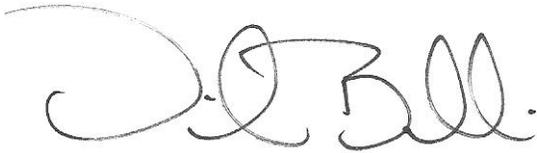
not an uncommon practice, and may include several different “doing business as” (DBA) entities. Because these different DBA businesses and entities may be changing frequently, this may create difficulty for firms to constantly update and monitor this information for purposes of filing Form BR. While this information would not have been particularly burdensome for the business model of NYSE-registered firms under the current Form BR, the proposed changes would introduce challenges for firms in the independent channel. Because clients do not view Form BR information, and the information provided in the proposed changes can be obtained by regulators during a scheduled examination and interview, FSI believes the burden of providing this information is not outweighed by any benefit to investors or regulators. As such, FSI proposes that FINRA eliminate Part A of Section 4 of the proposed Form BR.

Conclusion

We are committed to constructive engagement in the regulatory process and, therefore, welcome the opportunity to work with FINRA and the SEC on this and other important regulatory efforts.

Thank you for your consideration of our comments. Should you have any questions, please contact me at (202) 803-6061.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" followed by the name "Bellaire".

David T. Bellaire, Esq.
Executive Vice President & General Counsel