

VIA ELECTRONIC MAIL

August 12, 2014

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

Re: File No. SR-FINRA-2014-006, Notice of Filing of Amendment No. 1 to Proposed Rule Change Relating to Per Share Estimated Valuations for Unlisted DPP and REITS

Dear Ms. Murphy:

On January 31, 2014, the Financial Industry Regulatory Authority (FINRA) filed a proposed rule change to amend the provisions addressing per share estimated valuations for unlisted direct participation program (DPP) and real estate investment trust (REIT) securities (Proposed Rule).¹ The Proposed Rule would modify the requirements relating to the inclusion of a per share estimated value for unlisted DPP and REIT securities on a customer account statement under NASD Rule 2340 (Customer Account Statements) and modify the requirements applicable to members' participation in a public offering of DPP or REIT securities under NASD Rule 2310 (Direct Participation Programs). On July 11, FINRA filed a letter responding to comments to the Proposed Rule, and simultaneously filing Amendment No. 1.

The Financial Services Institute² (FSI) appreciates the opportunity to comment on this important proposal. FSI applauds FINRA for listening to the concerns of commenters and making many important changes through Amendment No. 1. Specifically, the removal of the proposed "no reason to believe" standard with regard to the reliability of per share estimated values is an important and significant change. FSI supports the amendment, which will provide additional transparency and reduce the likelihood of unnecessary litigation without undermining important investor protections.

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

¹ Notice of Filing of Proposed Rule Change Relating to per Share Estimated Valuations for Unlisted DPP and REIT Securities, 79 Fed. Reg. 9535 (Feb. 19, 2014).

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.

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 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 work that FINRA has done to reevaluate the Proposed Rule in light of the comments received. FSI fully supports FINRA's goal to provide investors with important and effective disclosures. Investors must have access to clear and concise information that will allow them to make informed investing decisions and ask the right questions of their financial advisor. We have supported many of the changes proposed by FINRA, including the deduction of sales commissions to calculate Net Investment, and the removal of the voluntary or “not priced” option originally proposed. We also applaud FINRA for providing an extended 18 month implementation period, which will provide market participants adequate time to evaluate and address the changes made by the Proposed Rule and Amendment No. 1.

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

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

Conclusion

We remain 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

[REDACTED].

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 "Bellaire".

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