



VOICE OF INDEPENDENT FINANCIAL SERVICES FIRMS  
AND INDEPENDENT FINANCIAL ADVISORS

## VIA ELECTRONIC MAIL

June 2, 2015

Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**Re: Release No. 34-74890; File No. SR-FINRA-2015-009**

Dear Mr. Fields:

On April 23, 2015 the Financial Industry Regulatory Authority (FINRA) filed a proposed rule change (Proposed Rule) to adopt FINRA 2272, which would govern sales or offers of sales of securities on the premises of any military installation to the members of the U.S. Armed Forces or their dependents.<sup>1</sup> The Military Personnel Financial Services Protection Act (Act),<sup>2</sup> signed into law by President Bush on September 29, 2006, requires FINRA to adopt rules governing the sales or offers of sales of securities on the premises of any military installation to members of the U.S. Armed Forces or their dependents. FINRA is proposing to adopt FINRA Rule 2272 to comply with the statutory provisions of the Act, requiring that any member engaging in sales or offers of sales of securities on the premises of a military installation to any member of the U.S. Armed Forces or a dependent thereof shall clearly and conspicuously disclose in writing (which may be electronic) to a potential investor prior to engaging in sales or offers of sales of securities: 1) the identity of the member offering the securities; 2) that the securities offered are not being offered or provided by the member on behalf of the federal government, and that 3) the offer of such securities is not sanctioned, recommended, or encouraged by the federal government. The proposed rule would incorporate the suitability obligations under FINRA Rule 2111, and would provide that no member shall cause a person to receive a referral fee or incentive compensation in connection with sales or offers of sales of securities on the premises of a military installation unless such person is an associated person of a registered broker-dealer and the payments comply with applicable federal securities laws and FINRA rules.

The Financial Services Institute<sup>3</sup> (FSI) appreciates the opportunity to comment on this important proposal. FSI supports the Proposed Rule, and applauds FINRA for advancing important regulations that require the clear disclosure of important information to investors and explicitly apply the suitability obligations of FINRA 2111 to recommendations made on the premises of any

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<sup>1</sup> SR-FINRA-2015-009, 80 Fed. Reg. 27,220 (May 12, 2015).

<sup>2</sup> Pub. L. No. 109-290; 120 Stat. 1321.

<sup>3</sup> 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.

military installation to the members of the U.S. Armed Forces or their dependents. FSI appreciates FINRA's efforts to implement efficient regulations that keep investors, particularly American servicemen and women and their dependents, well-protected and effectively informed.

### 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 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.<sup>4</sup> 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.<sup>5</sup> 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 submit comments on the Proposed Rule. FSI member firms work with financial advisors who provide services to members of the U.S. military and their dependents,

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<sup>4</sup> Cerulli Associates at <http://www.cerulli.com/>.

<sup>5</sup> These “centers of influence” may include lawyers, accountants, human resources managers, or other trusted advisers.

and welcome well-tailored regulations that enhance investor protections. FINRA's Proposed Rule is thorough and balanced, and is harmonized with definitions in other regulations concerning U.S. military installation sales practices.<sup>6</sup> FSI fully supports the Proposed Rule, and we applaud FINRA's efforts.

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 [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

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<sup>6</sup> See, e.g., Proposed FINRA Rule 2272(a).