

December 31, 2018

Mr. Brent Fields
Director, Office of the Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Dear Mr. Fields:

RE: File Number SR-FINRA-2018-040

FINRA has filed a proposal with the Securities and Exchange Commission to amend paragraph (a)(3) of FINRA Rule 4512 (Customer Account Information) to permit the use of electronic signatures by associated persons authorized to exercise discretion in customer accounts and to clarify the scope of the rule. Specifically, FINRA has proposed to eliminate the manual or “wet” signature requirement currently applicable to each person authorized to exercise discretion in an account of the member and to clarify that the scope of the rule is limited to associated persons of a member who are authorized to exercise discretion in customer accounts of the member.

Commonwealth Financial Network[®] (“Commonwealth”) is an independent broker/dealer and an SEC-registered investment adviser with home office locations in Waltham, Massachusetts, and San Diego, California, and more than 1,800 registered representatives who are independent contractors conducting business in all 50 states.

Purpose and Business Need

Congress passed the Electronic Signatures in Global and National Commerce Act (“E-Sign Act”) in 2000 to facilitate the use of electronic signatures in interstate commerce. The E-Sign Act provides, among other things, that a signature may not be denied legal effect, validity, or enforceability solely because it is in electronic form. In the 18 years since Congress passed the E-Sign Act, virtually every major industry in the United States has embraced the use of electronic signatures.

The current requirement under Rule 4512(a)(3) that FINRA member firms obtain the manual or “wet” signature of each natural person authorized to exercise discretion in a customer account is outdated, operationally inefficient, unduly costly, and imposes a significant administrative burden for Commonwealth’s associated persons, the overwhelming majority of whom routinely open managed accounts on a discretionary basis. As a dual registrant that conducts most of its business under discretionary managed account arrangements, the manual signature component of Rule 4512(a)(3) puts Commonwealth and other broker/dealers at a significant competitive disadvantage to registered investment advisers who routinely utilize electronic signatures to execute discretionary managed account agreements in the normal course of business.

Mr. Brent Fields
Director, Office of the Secretary
December 31, 2018
Page 2 of 2

At Commonwealth, virtually all client account and transactional paperwork may be executed by clients and advisors alike with the use of electronic signatures. Despite the fact that clients may complete account-opening paperwork electronically, including executing discretionary managed account agreements, every registered representative of Commonwealth must stop, print a hard copy of the discretionary managed account agreement, manually sign and date it, and then scan and upload, or mail, the manually signed and dated discretionary account agreement to Commonwealth for processing.

Because paragraph (a)(3) of FINRA Rule 4512 currently requires the manual, dated signature of each named natural person authorized to exercise discretion in a customer account, the rule prevents Commonwealth from implementing straight-through processing systems for the majority of its business, and it dramatically and unnecessarily slows down the routine process of opening discretionary managed accounts to the detriment of both advisors and their clients. In today's world of highly sophisticated authentication and electronic storage technologies, the requirement that FINRA member firms obtain the manual signature of each person authorized to exercise discretion in an account substantially impedes interstate commerce by broker/dealers and their associated persons while providing no meaningful investor protection.

Conclusion

Commonwealth unequivocally supports FINRA's proposal to amend paragraph (a)(3) of FINRA Rule 4512 as described in File Number SR-FINRA-2018-040. The time to allow associated persons of FINRA member firms to execute discretionary managed account agreements via electronic signatures is long overdue, and Commonwealth applauds FINRA for proposing to amend paragraph (a)(3) of FINRA Rule 4512 to do just that.

Commonwealth also fully supports FINRA's modification of paragraph (a)(3) of FINRA Rule 4512 to clarify that the rule is limited to associated persons of a member who are authorized to exercise discretion in customer accounts of the member, rather than to "each named, natural person authorized to exercise discretion in the account," whether or not such person is an associated person of the member.

We respectfully urge the Commission to approve FINRA's proposal to amend paragraph (a)(3) of FINRA Rule 4512 as described in File Number SR-FINRA-2018-040 without delay.

Sincerely,
COMMONWEALTH FINANCIAL NETWORK



Paul J. Tolley
Senior Vice President
Chief Compliance Officer