



April 20, 2020

Ms. Vanessa Countryman  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549

**Re: Proposed Rule Change to FINRA’s Suitability, Non-Cash Compensation and Capital Acquisition Broker (CAB) Rules in Response to Regulation Best Interest (Release No. 34-88422; File Number SR-FINRA-2020-007)**

Dear Ms. Countryman:

The American Securities Association (“ASA”)<sup>1</sup> appreciates the opportunity to comment on the Financial Industry Regulatory Authority’s (“FINRA”) proposal to amend its suitability rules in response to Regulation Best Interest (“Reg BI”) set to go into effect in June 2020 (“Proposal”).

The ASA has strongly supported Reg BI, which was finalized by the Securities and Exchange Commission (“SEC”) in June 2019. Reg BI is a strong national standard that includes significant investor protections and establishes clear rules for broker-dealers, without crippling business models that have served investors well for years. Having a national standard has become increasingly important given efforts by certain states to undermine Reg BI by adopting their own conflicting standards which confuse investors, increase costs, and reduce access to advice.

Reg BI requires broker-dealers to consider several factors when providing advice and making recommendations to retail investors. This includes considering the potential risks, rewards, and costs associated with recommendations, and a prohibition against a broker putting their own interest ahead of their clients. Reg BI raises the bar for the entire broker-dealer industry and will prevent bad actors from taking advantage of vulnerable investors.

The adoption of Reg BI requires FINRA to update its own rulebook to align its rules with the new national standard. Without doing so, a broker would technically be required to demonstrate compliance with both Reg BI and the suitability rules under FINRA Rule 2111. We appreciate the work by FINRA in the Proposal to limit the application of Rule 2111 to “circumstances in which Reg BI does not apply,” such as broker dealer interactions with institutional investors.

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<sup>1</sup> The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA’s mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.



We also support the provisions in the Proposal that align FINRA's non-cash compensation rules with that of Reg BI, which generally prohibit sales contests or quotas that are tied to the sale of specific securities or products. These prohibitions are reasonable and necessary to protect investors from harmful incentives that go against their best interest.

We thank the SEC and FINRA for advancing this Proposal ahead of the Reg BI compliance date of June 30<sup>th</sup>, 2020 and look forward to working with both agencies to ensure that Reg BI meets its intended goals.

Sincerely,

*Christopher A. Iacovella*

Christopher A. Iacovella  
Chief Executive Officer  
American Securities Association