



VOICE OF THE INDEPENDENT CONTRACTOR BROKER-DEALER

VIA ELECTRONIC MAIL

May 23, 2006

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: SEC File Number SR-MSRB-2006-03

Dear Ms. Morris:

The Financial Services Institute¹ (FSI) appreciates this opportunity to comment on the MSRB's recently proposed interpretative guidance that applies the general principles of MSRB Rule G-17 to the customer protection obligations of broker-dealers in the marketing of 529 college savings plans.

The proposed interpretive guidance is of particular interest to FSI and its members. Our independent broker-dealer (IBD) members have a number of similar business characteristics.

They generally clear their securities business on a fully disclosed basis; principally engage in the sale of products by "check and application"; take a comprehensive approach to their clients' financial goals and objectives; offer primarily packaged products such as mutual funds and variable insurance products; and provide investment advisory services through either affiliated registered investment advisor firms or such firms owned by their registered representatives.

Our registered representative members are independent contractors, rather than employees of the IBD firms. These financial advisors are typically located in communities where they know their clients personally and provide them investment advice in face-to-face meetings – often times over the client's kitchen table. Most of their new clients come through referrals from existing clients or other centers of influence. Due to their close ties to the community in which they operate their small businesses, we believe these financial advisors have a strong incentive to make the achievement of their clients' investment objectives their primary goal.

FSI members are keenly interested in regulations that affect their ability to offer help and assistance to middle-class Americans on issues as important as planning for the expenses

¹ 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 advisors, and their independent contractor registered representatives. FSI has 97 member firms, with more than 124,000 registered representatives and over \$8.3 billion in total revenues. FSI also has more than 3,100 individual members.

associated with higher education. In the proposed interpretative guidance, FSI believes the MSRB has struck the appropriate balance between the interests of the investing public and market participants by providing for necessary investor disclosure without imposing a significant burden on IBDs. FSI believes the MSRB has achieved this by:

- Abandoning the earlier burdensome proposal, which would have required the disclosure of the specific state tax and other state-based features of the investor's home state sponsored 529 college savings plan, in favor of the disclosure that the investor may be foregoing state tax and other benefits offered by their home state by investing in out-of-state 529 plans.
- Allowing IBDs the flexibility of providing these required disclosures through appropriate disclosure language included in the 529 plan's program disclosure document in a manner reasonably likely to be noted by an investor or through a separate disclosure document.
- Retaining the proposed interpretative material's reminder to broker-dealers that their suitability obligation requires a meaningful analysis of the facts that establish reasonable grounds for believing the recommendation of a particular 529 college savings plan is suitable for a specific investor.
- Retaining the requirement that broker-dealers must have and enforce written supervisory procedures to ensure compliance with their suitability obligations for every recommended 529 plan purchase.

FSI would like to commend the MSRB for the thoughtful consideration it gave to comments provided by industry participants in response to the earlier proposal contained in MSRB Notice 2005-28. This new proposal demonstrates the MSRB's willingness to work with industry members to develop reasonable regulation of the sale and marketing of 529 college savings plans.

We wish to express our gratitude for your consideration of the industry's comments and to assure the Commission and the MSRB of our continuing support for comprehensive and effective broker-dealer compliance programs.

Again, thank you for the opportunity to comment on the proposed rule. Should you have any questions, please contact me at 770 980-8487.

Respectfully submitted,



Dale E. Brown, CAE
Executive Director & CEO