

SR-NASD-2003-104



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Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

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I am writing to you regarding the NASD's proposed revision of "branch office" in Rule 3010(g)(2). I am concerned that we and our clients are going to suffer by this proposal and any other proposal which puts a heavy administrative burden on advisors. When this happens, either fees have to be raised and passed on to consumers, or businesses fail, resulting in consolidation, which is not necessarily the best for our clients. Our clients ought to be able to get good quality personal service at affordable prices, which independents excel at. While big wirehouses probably wouldn't be affected much by this rule, one need only look over the past few years to see how large powerful players misuse the system and effectively get away with little penalty. For the small guy, it is life or death of the business. This is not to say that big players are any worse or less efficient than independents, but it is to say that they are not "better" than independents, nor should the NASD look to make regulations which result in consolidation and less competition.

The main issues are these ...

- 1) The administrative burdens are already great and each new rule and regulation lessens the impact/importance of already established rules for both the client and the advisor. If I gave you 2 good rules versus 20 rules, you would be much more likely and able to follow those 2 rules carefully versus the 20. There is a great misconception in this country that more rules is better.
- 2) Extra paperwork/notifications/etc. have lessened the ability of clients to understand the important issues. As it is, clients might have to sign 5 to 20 different disclosures in a transaction, at least initially. How many of those are realistically read and understood? What advisor spends the four hours it ideally would take to explain the disclosures properly? What client would still be a client if an advisor actually spent the four hours? Clients just want honest dealings, good advisors, and fair prices that are disclosed. A one page form ought to be able to handle that!

While these are over-riding bigger issues, Rule 3010(g)(2) pushes the consumer back another notch. Regulation is important but having independent advisors jump through another set of hurdles with what will likely have little impact, is bad for consumers and advisors. As organizations get bigger where more advisors are being supervised, it then makes more sense to have broader rules for people in the supervisory positions. Even here, though, the NASD and SEC ought to be careful about creating burdens with little benefit to the consumer.

Suggestion: For every new rule enacted, get rid of one or two less important/duplicative rule(s).


Carl Lundgren
415-898-1569