



December 22, 2010

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Via Electronic Mail: pubcom@finra.org

Re: FINRA Regulatory Notice 10-54 -- Request for Comments on Concept Proposal
to Require Disclosure Statement for Retail Investors

Dear Ms. Asquith:

This letter will present the views of the National Association of Insurance and Financial Advisors (“NAIFA”) in response to FINRA’s request for comments on the concept proposal to require member firms to provide a disclosure statement to retail investors at or before the commencement of a business relationship.

NAIFA comprises more than 700 state and local associations representing the interests of 200,000 members and their associates nationwide. NAIFA members focus their practices on one or more of the following: life insurance and annuities, health insurance and employee benefits, multiline, and financial advising and investments. Founded in 1890 as The National Association of Life Underwriters, NAIFA is the nation's largest financial services membership association. The vision of NAIFA is to protect and promote the critical role of insurance in a sound financial plan and the essential role provided by professional agents and advisors. NAIFA’s mission is to advocate for a positive legislative and regulatory environment, enhance business and professional skills, and promote the ethical conduct of our members who assist the public in achieving financial security and independence. Approximately 65 percent of all NAIFA members are licensed as Registered Representatives of broker-dealers (“Registered Representatives”), and one-quarter of the members are Investment Adviser Representatives.

FINRA recently issued Regulatory Notice 10-54, in which FINRA requested comments on the parameters of a possible proposal to require member firms to provide their retail customers with

written disclosures that would describe the types of accounts and services the firm provides to its customers, any conflicts of interest that may exist between the firm and its customers and any limits on the duties that the firm owes to its customers. Notice 10-54 indicated that FINRA was considering a type of document that would possibly be similar in content to Form ADV, which is required under the Investment Advisers Act to be given to customers of registered investment advisers.

NAIFA agrees with the general spirit of the concept proposal and has been a long-time supporter of clear and comprehensive disclosures to investors. Indeed, we applaud and support FINRA's continued efforts to safeguard investor interests. However, NAIFA is concerned that the proposal reflects a philosophy that "more is always better" as it relates to the issue of providing information to investors, and that this approach may not necessarily be in the best interests of investors or provide any additional protection to consumers.

Inundating consumers with page after page of disclosures that they may not want or find helpful will be of little use to investors and may, in fact, serve only to increase confusion rather than provide clarity. This concern is supported by the results of a study of mutual fund investors conducted on behalf of the Investment Company Institute (Understanding Investor Preferences for Mutual Fund Information, Sandra West and Victoria Leonard-Chambers, Investment Company Institute 2006). This study indicated that a majority of investors thought prospectuses contained too much information and were very difficult to understand, and that the investors surveyed felt that only 5 of 19 disclosures in the prospectus were very important to their decision making process. Existing disclosures are detailed and comprehensive; they may also not be what investors need or want. Disclosures should be thorough and easy to understand, but they must focus on providing the individual investor with information that is relevant to that investor's decision making process.

With these broad principles in mind, NAIFA makes the following recommendations and comments regarding the concept proposal:

1. Consumers should have the ability to decide the type and quantity of information they will receive.
2. Prior to moving forward with a formal rule proposal, FINRA should conduct extensive research into the types of information that prospective investors will find helpful in making decisions regarding which firm they will choose to do business with and other investment matters. This research should be fair and balanced and should study not only the views of consumers but also those of other interested parties, including broker/dealer firms, registered representatives and mutual fund companies. This process will help insure that consumers are provided with the information they need and want and that this information is not obscured by other facts or details that may be of interest to only a small percentage of investors.
3. Most consumers want and should be provided with summary information that will directly assist them in their decision making process. Investors who want more detailed disclosures should have access to this information. Both of these goals can be accomplished by establishing a two-tiered approach to the disclosures contemplated by

Regulatory Notice 10-54. Under this approach, all investors would be provided with a summary disclosure document at the time of or prior to the establishment of the brokerage account. This document would provide information concerning the duty of care that the firm owes to the investor; the types of services to be provided; a general discussion of any existing conflicts of interest that may be significant to the investor's decision-making process; a brief description of the type(s) of compensation the broker/dealer and registered representatives will receive; and information on how the investor can access additional information. Any investor who wants to review more detailed information on the above issues would be provided, upon request and free of charge by the broker/dealer, with a more detailed, second-tier disclosure document.

4. In light of the growing use of the internet among investors and the general population, firms should be permitted to provide the disclosures discussed in (3) above by electronic means. Firms should be required to provide hard-copy versions of the disclosures free of charge to any investor who requests a hard-copy disclosure document.

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In sum, NAIFA strongly urges that FINRA avoid the mindset that "more is always better" and focus instead on providing disclosures that consumers want and need in connection with their decision making process. Thank you for your consideration of our views. Please contact the undersigned if you have any questions regarding our comments.

Yours Truly,



Gary A. Sanders
Vice President, Securities and State
Government Relations