



FINANCIAL PERSPECTIVES

May 6, 2025

Ms. Jennifer Piorko Mitchell Office of the Corporate
Secretary FINRA
1700 K Street, NW
Washington, DC 20006

Re: Request for Comment on Regulatory Notice 25-05

Dear Ms. Mitchell,

I am an owner of a Registered Investment Advisory firm and a registered representative of an unaffiliated FINRA member firm. I appreciate the opportunity to comment on the newly proposed Rule 3290 as set forth in FINRA Regulatory Notice 25-05.

Fundamental to the fiduciary relationship that exists between our firm and our clients is the trust that our clients have that their personal information and objectives will remain confidential. This trust, and the confidentiality of the advisor-client relationship, is critical to our function as fiduciaries and advisors.

Advisor-client confidentiality, and specifically the confidentiality of client non-public personal information, is protected under federal law and specifically Regulation SP. State privacy laws also protect the confidential information of investment advisory clients, in some states more stringently than Regulation SP.

The proposed Section 3290 provides, at subsection (d)(4) thereof, as follows:

For an approved outside securities transaction for selling compensation, the member shall record each transaction on the books and records of the member and supervise the person's participation in the transaction as if executed on behalf of the member.

Regulatory Notice 25-05 interprets "outside securities transactions" to include securities orders placed by advisors on behalf of their clients, thus requiring broker-dealer supervision of these transactions "as if executed on behalf of the member." Such supervision, under the proposed rule and its incorporated notices, would appear to require extensive information regarding affected advisory clients to be provided to an unaffiliated broker-dealer.

Forcing an investment advisor to provide non-public personal information of an advisory client to an unaffiliated broker-dealer violates the privacy rights of the advisory client under federal and state law and undermines the confidentiality that advisory clients expect and deserve in their advisory relationship. Providing unaffiliated broker-dealers access to confidential advisory client information exposes the client's sensitive financial information to parties who are neither entitled to it nor directly responsible for managing the client's assets, thereby violating the advisor's ethical obligations regarding client confidentiality.

Further, the proposed Rule would subject affected advisors to additional oversight that doesn't exist for investment advisory firms that do not have associated persons with FINRA licensure. This uneven layer of oversight is unjustified, as there is no evidence that broker-dealer oversight of investment advisory transactions provides any meaningful protection for advisory clients. Finally, this additional oversight is unsupported anywhere in federal or state law.

Based on these considerations, I believe that proposed Rule 3290 as proposed in Regulatory Notice 25-05 should not be adopted.

Thank you.

Sincerely,

Daniel J Dugan, CEO

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