May 27, 2005

Ms. Barbara Z. Sweeney
Office of Corporate Secretary
NASD
1735 K Street, NW
Washington, DC 20006-1506

Re: NASD Notice To Members 05-27
Principal Pre-Use Approval of Member Correspondence

Dear Ms. Sweeney,

Jefferson Pilot Securities Corporation ("JPSC") appreciates the opportunity to provide comments on Notice to Members 05-27, ("NTM 05-27") which seeks to require pre-use principal approval for correspondence sent to 25 or more existing retail customers.

The discussion in NTM 05-27 suggests that the proposed amendments are founded on the NASD's now-resolved issues experienced with some firms, but does not indicate that there have been widespread problems in this area. JPSC respectfully suggests that a broad-based rule change would seem to be unnecessary and burdensome to firms that have a track record of compliance with regard to the supervision of correspondence. We believe that the NASD and its members may be better served by placing elevated requirements or restrictions on particular firms where these problems are identified, as has been the NASD's practice in the past, rather than to impose heightened requirements on all firms regardless of their respective histories of compliance with communication rules. The discussion in NTM 05-27 seems to suggest that the current system of supervision, audit and enforcement seems to be working effectively and broad rule modifications may not be needed.

If the NASD determines that pre-use principal approval of correspondence should be expanded in some manner, JPSC is not in favor of the rule changes as proposed. The proposed rules require expanded pre-use principal approval for correspondence with existing customers based on the number of times the material is used within a particular period of time. While JPSC shares the NASD's concerns regarding potentially improper communication with existing customers, we respectfully suggest that it may be more effective to consider the content of correspondence, rather than its frequency, in determining when pre-use principal approval should be required. This approach would be consistent with the rationale for the proposed rule changes as expressed in NTM 05-27.

The NASD expresses its concern with correspondence containing solicitous content, yet does not appear similarly concerned with non-solicitous, service-oriented messages sent to existing customers. Therefore, if the NASD determines that additional oversight is needed, JPSC believes it would be beneficial to exempt non-solicitous, service-only, and other routine correspondence that does not include solicitous language from any pre-use principal approval requirement. Excluding these types of correspondence would focus NASD and member firm supervisory resources on the concerns expressed by the NASD and would better protect existing customers from exposure to and potentially influenced by any messages that do not conform to NASD Rule 2210.

Further, JPSC is concerned that the current proposal will make it more burdensome for member firms and their representatives to maintain frequent and routine correspondence with customers, and particularly difficult to provide timely event-driven communication. This would be of particular concern in times of significant market and world events, where many representatives may want to correspond with all of their customers simultaneously within a very limited time frame. This correspondence may be to offer reassurance as to a firm's business continuity plan, to invite questions about the customers' accounts, request that customers provide any updated information about themselves or their financial situation, or simply to provide a point of contact. This type of correspondence is essential in keeping in contact with our clients, and most important in times of turmoil. Requiring pre-use principal approval of such correspondence would create the greatest strain on resources when timeliness is most needed.

Taking a content-based approach to correspondence review would allow member firms the flexibility to communicate non-solicitous correspondence in a timely manner while addressing the concerns expressed by the NASD in NTM 05-27, and we strongly urge the NASD to consider this in reviewing the proposed rule changes.

JPSC thanks the NASD for the opportunity to provide comments on these proposed correspondence amendments, and we welcome participation in any further discussion on this matter.

Respectfully,

David E. Armstrong
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