

By E-mail: Pubcom@nasd.com

February 23, 2006

Barbara Z. Sweeney
NASD
Office of the Corporate Secretary
1735 K. Street, N.W.
Washington, D.C. 20006-1500

Re: Request for Comment, Proposed IM-3060
Proposed Interpretive Material Addressing Gifts and Business Entertainment

Dear Ms. Sweeney:

This comment letter is submitted on behalf of Transamerica Financial Advisors, Inc. (CRD #3600), a full-service broker-dealer with about 1,000 registered representatives selling mutual funds, variable life insurance, variable annuities, and general securities. Transamerica Financial Advisors ("TFA") is submitting our comments about the proposed Interpretive Material addressing NASD Conduct Rule 3060 gifts and business entertainment, IM-3060 ("Proposed IM").

Definition of Customers and Employees

TFA is concerned with the definitions of "Customers" and "Employees." By broadly defining those receiving the business entertainment as anyone employed by, or representing, the customer, the Proposed IM could unintentionally extend the rule to our natural person customers. Any of our natural person customers, who have accounts for themselves, could also be employed by, or otherwise represent, an employer or other customer who is the target of the Proposed IM.

Natural person customers are not intended to be restricted by the Proposed IM. However, many if not most natural person customers are employed by, or otherwise represent, a company or other third party. In order to comply with this interpretation of the rule, we would be forced to require all natural person customers to disclose whether they are employees, officers, agents or representatives of any third party. Then we would have to determine whether the company or other third party has any type of account with TFA before allowing our registered representatives to provide that natural person customer with any entertainment. Since much of the entertainment provided by registered representatives is for prospective natural person customers, the disclosure of their company or third party affiliations would be asked prior to the person becoming a customer. Since this disclosure would not be directly related to a request to do business with TFA, this is clearly inappropriate disclosure of personal, non-public information, and TFA would be out of compliance with Gramm-Leach-Bliley. Therefore, we could not administer these procedures.

Footnote 5 of Proposed IM, states: "members can not circumvent this proposed interpretive material by providing business entertainment to a natural person customer who also is an employee, agent or representative of a customer, by claiming that such business entertainment applies only to the 'natural person' relationship." This further restricts TFA's ability to provide entertainment to natural person customers. Not only would a natural person who represents an employer or third party be ineligible for entertainment, this footnote would extend the restriction to any natural person who just happened to be employed by a company who also has an account with TFA. We believe it is discriminatory to withhold benefits from customers due to their otherwise unrelated relationship to a certain class of TFA's customers, e.g., employers.

The result of these restrictions would force TFA to disallow entertainment by a registered representative for any customers, including natural persons. Therefore, the Proposed IM would have the unintentional affect of putting natural person customers under the restrictions of NASD Conduct Rule 3060.

The existing wording in NASD Conduct Rule 3060 that describes the payment of a gratuity "in relation to the business of the employer of the recipient of the [business entertainment]" appears adequate. The cautionary footnote in the Proposed IM referenced above implies that there have been abuses by members or their registered representatives in following NASD Conduct Rule 3060. TFA is unaware of any such abuses. In the absence of such abuses, there appears to be no reason to further restrict this with the language in the Proposed IM. We submit that the attempt to clarify the NASD's intent is not served by the definitions of customers and employees in the Proposed IM, and the effect of this IM would be to unnecessarily restrict the ability to provide entertainment to both third party representatives and natural person customers.

Thank you for the opportunity to comment on the Proposed IM.

Sincerely,

Christopher Shaw
Vice President
Transamerica Financial Advisors, Inc.