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January 15, 2009

Via E-Mail

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1560

RE: Regulatory Notice 08-71 - Proposed Consolidated FINRA Rules Governing Reporting Requirements

Dear Ms. Asquith:

Northwestern Mutual Investment Services, LLC ("NMIS")¹ appreciates the opportunity to comment on the above referenced FINRA notice regarding proposed consolidated FINRA rules governing reporting requirements. NMIS fully supports FINRA's efforts to develop a consolidated rulebook that harmonizes and streamlines existing rules.

In regard to FINRA proposed rule 4530, NMIS appreciates the opportunity to express its support and its concerns regarding the proposed changes to NASD Rule 3070 and NYSE Rule 351. In addition to our comments in this letter, which focus on NMIS' particular perspective, we also strongly support the comments submitted by Dale E. Brown on behalf of the Financial Services Institute.

NMIS supports the extension of the reporting period from 10 to 30 days, as set forth in proposed FINRA Rule 4530(a).

NMIS respectfully requests reconsideration of the following provisions of proposed FINRA Rule 4530:

Proposed FINRA Rule 4530(a)(3) – Reporting Internal Conclusions

The proposed rule would require that a member report "internal" conclusions. Proposed Supplementary Material .01 indicates that a member would not be required to report an isolated violation that can reasonably be viewed as a ministerial violation that did not result in customer harm and was remedied promptly upon discovery.

¹ NMIS is a registered broker-dealer, federally registered investment adviser, and wholly owned subsidiary of The Northwestern Mutual Life Insurance Company.

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NMIS believes the proposal expands the reporting requirements beyond what is reasonable and appropriate for firms engaging in a securities business. NMIS also believes the rule, as proposed, would result in an overwhelming amount of filings being made to FINRA that are not meaningful, which may distract FINRA from addressing reports that should receive close consideration.

In an attempt to minimize filings that are not meaningful, the proposal includes an exception that allows for the non-reporting of ministerial violations that do not result in customer harm and are remedied promptly upon discovery. While NMIS appreciates the effort to narrow the proposed rule somewhat, this standard is vague and difficult to interpret. The supplementary material, as proposed, is insufficient to resolve these problems. NMIS believes this ambiguity will lead to over reporting by member firms, which will place a significant and undue burden on both FINRA and member firms.

For example, NMIS interprets the proposed rule to require the filing of reports of routine branch office exam findings, even when there was no customer harm. Not only might this proposal discourage thorough branch office exam practices, but to the extent these exams did not find violations resulting in material customer harm, it is one of many examples of the type of distracting filings that would be submitted under the proposed rule.

FINRA's chief role is to protect investors and, as such, NMIS recommends that the proposed rule be modified to require filings for those instances where there has been material customer harm. This tailored approach minimizes unnecessary filings by member firms and allows FINRA to focus on reports that further its chief goal of investor protection.

NMIS supports a principles-based rules approach that would allow for flexibility to accommodate different internal conclusions and promote effective investor protection. We respectfully request that FINRA modify the proposed rule to allow for a principles-based rules approach for regulatory reporting based on a requirement of material customer harm to warrant regulatory filing.

II. Proposed FINRA Rule 4530(a)(1)(A)

Proposed Rule 4530(a)(1)(a) would expand the scope of existing reporting requirements and obligate broker-dealers to report violations of securities, insurance, commodities, financial or investment-related laws, rules, regulations or standards of conduct of any domestic or foreign regulatory body, self-regulatory organization or business or professional organization. This would result in firms being required to report on activity associated with, for example, property and casualty insurance, health insurance, and automobile insurance, and activity associated with affiliate entities or product sponsors.

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NMIS respectfully requests that FINRA reconsider this section of the proposed rule. The proposed rule would require members to engage in oversight of business areas beyond the firm's supervisory structure, which means members and their supervisors would be powerless to mandate corrective action. Moreover, the types of insurance business lines implicated by the rule are in the jurisdiction of the states. Accordingly, we suggest that FINRA maintain the status quo of coordinating with those jurisdictions before expanding the scope of a broker-dealer's reporting requirements.

The proposal also does not appear to acknowledge the challenges member firms have in obtaining information from affiliates or product sponsors regarding activities outside of the scope of the member firm's supervisory structure. Because there is no mechanism to require the affiliate or product sponsor to inform the member firm of their internal conclusions, member firms are at risk of unintentionally failing to comply with the rule. This problem is heightened by the inclusion of language in proposed section 4530(a) that requires member firms to report when the "member knows or should have known" about the enumerated occurrences related to outside organizations.

NMIS respectfully requests that FINRA adopt the current language of NASD Rule 3070 for regulatory reporting and clarify the responsibility member firms have when dealing with these types of matters with a product sponsor or affiliate.

III. Supplementary Material .07

The proposed Supplementary Material .07 requires members to report events "relating to a former associated person if the event occurred while the individual was associated with the" firm. Unfortunately, registered representatives no longer with a member firm have very little incentive to cooperate in a firm's investigation. Member firms that seek any information from a former registered representative are almost always unsuccessful. This proposed provision forces member firms to reach legal conclusions without all of the necessary information to do so. These instances lead to ineffective filings on the part of the member and potential inefficiencies for FINRA. Furthermore, member firms may be subject to defamation or related claims from departed representatives due to the fact filings were made without full information. NMIS respectfully requests that the proposed Supplementary Material .07 only apply to registered representatives currently affiliated with the member firm.

If the final rule retains the requirement that firms report events relating to a former associated person, we respectfully request that FINRA give serious consideration to how to provide limited immunity to firms who make filings in good faith that are later determined to be incomplete or inaccurate.

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IV. Supplementary Material .05

Proposed Supplementary Material .05 requires members to include attorney's fees in their calculation of the dollar value of any judgment, award, or settlement that may require reporting of the proposed rule within 30 days.

NMIS respectfully requests that FINRA remove attorney's fees from the calculation of monetary thresholds. NMIS believes that the amount of the attorney's fees often bears no relation to the severity of customer harm, and, therefore, is not a meaningful trigger for reporting obligations. For example, some legal fees are a negotiated flat fee for the engagement. In addition, member firms should not be penalized for selecting counsel that is relatively more expensive when they believe there is a benefit to the member firm, or for staffing decisions (associates vs. partners) that may impact the quality of the firm's defense. Moreover, legal fees may not be known within 30 days. In NMIS' view, this provision of the proposal would not advance FINRA's goal of providing meaningful information to protect the investing public.

We appreciate your consideration of our comments. Please let us know if we can provide any further assistance. If you have any questions, please contact me at 414.665.1924.

Very truly yours,

Jeffrey B. Williams

Vice President and Chief Compliance Officer