



**FARMERS**  
FINANCIAL SOLUTIONS

June 29, 2009

Ms. Marcia E. Asquith  
Office of the Corporate Secretary  
Financial Industry Regulatory Authority  
1735 K Street, NW  
Washington, DC 20006-15061

Re: Comments to FINRA Regulatory Notice 09-25

Dear Ms Asquith,

Farmers Financial Solutions (“FFS”) appreciates the opportunity to comment on Regulatory Notice 09-25 (“Notice”) and the discussion concerning suitability and know your customer expectations. We support the effort to maintain the highest levels of professional conduct and ethical sales practices.

As a limited broker-dealer of an affiliated insurance group of companies the firm offers mutual funds, college savings plans variable annuities and variable universal life insurance policies through exclusive insurance agents. In addition to sales of securities, these Series 6 registered representatives also sell a variety of property and casualty insurance products, fixed annuities, traditional life insurance. Such agents are independent contractors and may also be engaged in the sale of other insurance products such as health insurance, long term care and disability insurance. These agents are relied upon by their customers to provide products and services that address their insurance and financial needs. They live and work in their communities and typically may develop close ties and a personal understanding of their customer’s circumstances.

While the firm supports the stated intent of the Notice to “clarify the information to be gathered and used as part of a suitability analysis.” Creating clear, objective, and realistic requirements defining suitability standards and the application of such standards is an important objective. However, we would question whether this proposal meets the stated objectives and otherwise offers a practical approach in addition to the timing of such sweeping changes.

In particular, the firm would like to address the proposed text considering “expanding suitability obligations to all recommendations of investment products, services and strategies made in connection with a firm’s business, regardless of whether the recommendations involve securities.” It appears the intent, scope, and implications of this passage warrant further analysis and clarification.

To begin many registered representatives may have personal and business interactions with customers that extend well beyond the broker-dealer relationship. Thus, we would suggest further clarification concerning recommendations “in connection with the firm’s business.”

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For example, would the proposed rule apply if a registered representative recommended or sold a fixed annuity, term life insurance policy, in which the broker-dealer received no remuneration nor had and direct or indirect involvement? Would the broker-dealer assume new requirements if a security were subsequently recommended? Furthermore is the firm required to otherwise supervise such outside business activities beyond the requirements of NASD Rule 3030? These scenarios do not appear addressed by the proposed rule.

In addition, references to ‘services and strategies’ also necessitate further clarification. For example, would a referral to a tax or legal advisor to settle estate issues constitute a “service or strategy” necessitating suitability obligations and the firm’s oversight? Supervising such non-securities activities in which the firm is neither compensated nor involved would obviously pose considerable operational, financial and compliance challenges.

We would also note that the firm is opposed efforts to expand broker-dealer suitability requirements to non security products or services not executed through the firm and clearly beyond the intent of current NASD Rule 3030.

We would also note that the proposed rule raises questions with regard to potential jurisdiction and duplicative oversight. Many of the products and services offered by registered representatives as outside business activities are in fact regulated by states or other federal agencies. Suitability requirements, account forms, applications, and other operational procedures are already established for such products and services. Requiring broker-dealer involvement would add another layer of oversight by those not necessarily familiar with the products or services in question.

We hope the scenarios and questions noted above provide issues to consider concerning the proposed rule. Many FINRA member firms have distinct business models, serving diverse segments of the population and it is important to consider all of the business models and the implications of such changes to such rules. As written, the proposed rule appears impractical and overly burdensome for member firms and their registered representatives and we would ask that further clarification be provided concerning recommendations “in connection with the firm’s business...”.

Sincerely,

Steve Klein  
Chief Compliance Officer  
Farmers Financial Solutions, LLC