From: James Kruzan [James.Kruzan@RaymondJames.com]

Sent: Monday, June 29, 2009 6:29 PM

To: Comments, Public

Subject: Regulatory Notice 09-25

RAYMOND JAMES®

Dear Ms. Asquith,

As a registered representative and a registered investment advisor representative with 26 years of practical experience, I oppose the proposed rule changes governing suitablity and know-your-customer obligations.
Simply put, the Proposed Rule's requirements are of a concern for three important reasons...

First, by expanding the suitability criteria, the Proposed Rule greatly expands the opportunities for regulators and the like to second guess a financial advisor's recommendations with the benefit of hindsight.

Second, the investment time horizon, liquidity needs, and risk tolerance are criteria best judged from an examination of the client's overall investment portfolio. That being said, the Proposed Rule would require the suitability of each recommended transaction to be determined under these new suitability criteria, potentially without appropriate context. This may not be in the client's best interest as it goes against modern portfolio theory and the concept of diversification. Currently, assets are chosen based on how the individual investment reacts to and with other assets within a portfolio. Studies have shown that 2 assets , both with high relative volatility, can be combined to produce a portfolio with, in fact, lower risk characteristics (and better performance) than those inherent of the two individual items. Individual investors would lose the benefits of diversification and suffer potentially lower returns if each asset would need to stand on it's own merit (absense of context) . Interestingly, I suspect many of the institutional strategies used by some of our countries largest universities and pensions to outperform the markets and reduce risk wouldn't have been able to be used it their investment committees were subject to the same one-off review.

Finally, the Proposed Rule's requirement that recommendations be based on information about the client known to the broker-dealer or associated person would appear to require a transaction-by-transaction review of all customer databases, files, forms, and records of the firm and its affililiated financial advisors for information potentially relevant to the suitability determination. This requirement is both unworkable and unreasonable.

In conclusion, the Proposed Rule is premature in light of the ongoing debate about the appropriate standard of care owed by a financial advisor to a client. It is unclear how these issues will be resolved by Congress and other policymakers. Therefore, I believe it would be prudent for FINRA to shelve the Proposed Rule while awaiting the outcome of the other policy debates.

Sincerely,

James B. Kruzan

James B. Kruzan, CFP | Branch Manager
Raymond James Financial Services, Inc.
Member FINRA/SIPC

329 W. Silver Lake Rd. | Fenton, MI 48430
(810) 593-1624 • (800) 638-6900
(810) 593-1643 Fax
james.kruzan@raymondjames.com

If you would like to execute a trade or if you have time-sensitive information for me, please call my office at (810) 593-1624, (248) 625-2993 or (800) 638-6900.