

June 24, 2009

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street NW
Washington, DC 20006-1506

RE: FINRA Notice to Members 09-25 Comment Letter

Dear Ms. Asquith:

Cambridge Investment Research (“Cambridge”) is a fully disclosed retail broker-dealer registered to conduct business in all domestic jurisdictions, with approximately 1400 registered representatives. Cambridge is an independent broker-dealer and all of our representatives are independent financial advisors.

Please accept this letter in response to the request for comments with respect to NTM 09-25 regarding the proposed rule governing suitability and “Know Your Customer” obligations into a new FINRA Rule 2111 (Proposed Rule). We appreciate the opportunity to comment on the proposed FINRA regulation. The Proposed Rule would have important implications for independent broker-dealers, independent financial advisors and their clients by greatly expanding the scope of a financial advisor’s suitability obligation.

While our financial advisors are accustomed to gathering detailed information from their clients and making suitable securities transaction recommendations based upon this information, the Proposed Rule’s requirements are of concern for three important reasons outlined below.

Cambridge strongly opposes FINRA’s effort to expand suitability requirements to non-security investment products or services. Insurance products, investment advisory services, and other products and services offered by independent financial advisors are closely regulated by state and federal authorities. FINRA’s suggestion that its suitability rule should apply to these activities would result in redundant, conflicting and contradictory regulatory requirements that do not advance the common goal of investor protection. As a result, we oppose FINRA’s efforts to expand the suitability obligations to include matters over which it does not have jurisdiction.

We agree that a client’s investment time horizon, liquidity needs and risk tolerance are important considerations; however we believe that it is best analyzed at the overall portfolio level, rather than by each individual securities transaction as the Proposed Rule suggests. Many of our clients have several competing investment objectives that are best met by a fully diversified portfolio made up of securities of varying degrees of liquidity,

risk and anticipated holding periods. Thus, we oppose the expansion of suitability criteria.

The Proposed Rule also seeks to expand the suitability review to information known by the broker-dealer. Our independent financial advisors operate their own small businesses in communities throughout the country. They can compete with other financial advisors who may be registered with the same broker-dealer. As a result, it is quite possible for an independent broker-dealer's records to include information that was collected by one financial advisor, but unknown to the client's current financial advisor. The Proposed Rule would require independent broker-dealers to engage in a search of their entire internal client database along with the records of the affiliated financial advisors to determine if there is other relevant suitability information "known by" the firm. We believe this requirement would be unduly burdensome and unlikely to result in a significant improvement to investor protection. We therefore, oppose this aspect of the Proposed Rule.

Lastly, we believe that this Proposed Rule is premature. FINRA is currently engaged in the process of integrating the existing NASD and NYSE rules into a consolidated rulebook. This is an important project with wide reaching implications. One aspect of this project is to determine the standard of care owed by a financial advisor to a client. The result of this debate could make the Proposed Rule a moot point. We believe it would be prudent for FINRA to shelve this proposal until the outcome of the broader standard of care issue. This would avoid the necessity of broker-dealers and financial advisors make major changes to achieve compliance with the Proposed Rule only to later rewrite policies, procedures and update account information to comply with a revised standard of care.

I appreciate the opportunity to comment. Please let me know if you have any questions.

Sincerely,

Julie J. Gebert
AVP, Compliance
Cambridge Investment Research