



PACIFIC WEST
FINANCIAL GROUP

June 25, 2009

Office of the Corporate Secretary-Admin.

JUL - 1 2009

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

FINRA
Notice to Members

RE: FINRA's Proposed Rule Governing Suitability and Know-Your-Customer Obligations

Dear Ms. Asquith:

Pacific West Securities, Inc. is writing to comment on FINRA's proposed consolidation of rules governing suitability and know-your-customer obligations. The Proposed Rule includes modifications of both NASD Rule 2310 and NYSE Rule 405, and would codify interpretations regarding the scope of the suitability rule, to create a modified suitability rule for the Consolidated FINRA Rulebook.

Registered representatives and financial advisors are accustomed to gathering accurate and detailed information about their clients prior to making a recommendation of securities or financial services. While we recognize the advantages of consolidating existing suitability rules, various regulatory interpretations, and SEC and FINRA decisions into one explicit Suitability Rule, we believe the Proposed Rule's requirements are overly burdensome and unworkable.

The following comments outline our concerns with regard to the Proposed Rule.

1. We strongly oppose FINRA's effort to expand suitability requirements to non-security investment products or services

The sale of insurance products, investment advisory services, and other products and services are closely regulated by state and federal authorities. FINRA's suggestion that its suitability rule should apply to these activities would potentially result in redundant, conflicting, contradictory regulatory requirements that do not advance the goal of investor protection. As a result, we oppose FINRA's suggestion that it expand the 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.

2. We Oppose the Expansion of Suitability Criteria to Include Portfolio Level Concerns

A client's investment time horizon, liquidity needs, and risk tolerance are important considerations. However, we believe they are best judged at the portfolio level. The Proposed Rule would instead require each securities transaction to be suitable based upon these additional criteria. We believe this would have unfortunate unintended consequences for investors who may 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.

3. We Oppose the Expansion of the Suitability Review to Information Known by the Broker-Dealer

Independent financial advisors operate their own small businesses in communities throughout the country. They can compete with other financial advisors who are registered with the same broker-dealer. As a result, it is quite possible for an independent broker-dealer's records to include information about a client 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 through all of their internal client databases, files, and documentation along with the records of their affiliated financial advisors to determine if there is other relevant suitability information "known by" the firm. We believe this requirement is simply unworkable and unlikely to result in a significant improvement in investor protection. We, therefore, oppose this aspect of the Proposed Rule.

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PACIFIC WEST INSURANCE AGENCY, INC.

4. Proposed Rule is Offered Prematurely

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. It is, however, only one small part of the current debate surrounding the financial services regulatory structure. An important issue in this debate is the standard of care owed by a financial advisor to a client. The resolution of this debate has the potential to make the Proposed Rule a moot point. As a result, we urge FINRA to delay this Rule Proposal while we await clarity on the broader standard of care issue. Such an approach will help reduce the cost and confusion inherent in making two significant and fundamental changes to this foundational principle.

We appreciate the opportunity to comment on the Proposed Rule. Questions regarding these comments may be directed to Mark McCloskey at (425)271-3550 or markmccloskey@pwfinancial.com.

Sincerely,



Mark McCloskey
Chief Compliance Officer

cc: Tony Pizelo, CEO
Shanon Ford, President