From: Jeff Sella [mailto:JSella@SPCFinancial.com]
Sent: Saturday, June 27, 2009 1:06 PM
To: Comments, Public
Subject: Proposed Rile 2111

Over the past several months I have read many articles on the current limitations of the current suitability rules and the proposals that have been discussed or enacted by various organizations. In general these discussions have highlight two major flaws in the current regulations.

The first flaw is that the current suitability rules are not appropriate. The CFP went and created a "fiduciary standard" and the SEC has also suggested something similar. A fiduciary standard is much broader and seems more appropriate than the current suitability rule.

The second weakness is that there are financial planners that are regulated by the SEC, while others are regulated by FINRA, while others are simply insurance licensed and some are not licensed at all. A consumer may not always know which rules their advisor may be operating under and may assume that they are operating under one set of rules when, in fact, they are operating under a second set of rules.

Your proposed rule might be your attempt to move the FINRA rules closer to the CFP rules but suffers some practical hurdles. For one, you assume that a client fully discloses all relevant information and can properly convey their risk tolerance levels. Unfortunately many clients thought that they were more comfortable with risk in the 1990's than they actually were. Many wanted exposure to technology stocks and some went elsewhere when we discouraged these investments. In 2001, 2002, and 2003 we acquired clients that could not believe that they experienced the losses that they did and we can only speculate whether they were at fault or if their previous advisor was at fault. After the stock market plunge in 2008 many clients are now stating that they are more risk averse. Therefore, I feel that it is almost impossible to determine in hindsight what a client's risk tolerance level really was.

I also do not think that our recommendations should be expanded to include information known to my broker dealer or other associated persons. There are numerous problems with this requirement. The first would mean that I would need to periodically request that my broker dealer disclose any and everything that they may know about everyone of my current and prospective clients. I cannot imagine how burdensome that would be on them. Furthermore I would need to determine if the information provided is still accurate and appropriate which would create an additional burden on my firm and on our clients. Furthermore, I am unsure how this rule would conflict with confidentiality rules that current govern our disclosure of information provided to me by our clients. For example, a CPA practice is affiliated with our firm. Under IRS regulations this

firm cannot release any information provided as part of the tax engagement to any other entity without the client's written authorization. Would SPC now have a legal liability for not including that information in their recommendations when the client has not authorized the release to SPC?

I support the overall goal of bringing all financial advisors, regardless of license, under one set of rules. Unfortunately this proposed rule does not accomplish that and creates some regulatory pitfalls that I find problematic. I would be happy to further clarify any points raised.

Thank you for your consideration of the points raised in this e-mail

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