



December 20, 2010

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

Re: Regulatory Notice 10-54

Dear Ms. Asquith;

I am writing on behalf of the National Association of Independent Broker-Dealers ("NAIBD") with our response to the request for comment noted above. The NAIBD was formed in 1979 to positively impact rules, regulations, and legislation by facilitating a consistent, productive relationship between industry professionals and regulatory organizations. The organization is national in scope with a network of approximately 150 Broker-Dealer and Industry Associate Members.

NAIBD recognizes the importance of clear and comprehensive upfront disclosure regarding a firm's services, conflicts of interest, and limitations on duties owed to the customer. Since many of NAIBD's members are dually registered as broker-dealers and investment advisers, we also have a strong interest in the manner in which regulatory gaps are addressed. For these reasons, NAIBD urges FINRA to abandon the Form ADV-like approach proposed by Notice 10-54, and consider instead an approach that takes into account the needs of the investors it is meant to serve, the technical capabilities and variety of media familiar to and in regular use by today's investor, and, as it currently exists, the proposal's high cost to low benefit ratio.

In this context we make our recommendation that FINRA craft its rule regarding an upfront disclosure in a way that will truly benefit investors. In regard to investor benefits and protections, we urge FINRA to consider that investors of today and tomorrow are well acquainted with the use and flexibility of various types of electronic media. We as a nation are well beyond the point where electronic delivery or accessibility of a PDF is meaningful or effective as disclosure. Rather, we believe that current and future investors deserve to have their answers in an interactive format with sort/search functionality, updated more frequently than annually, with features that allow the investor to compare, contrast, and, ultimately, to reach an effective investment decision. Most importantly, the information and format of that information must be understandable to and usable by the investor. The Rand Study of a couple of years ago revealed with clarity that most investors lack a meaningful understanding about the difference between BD's, IA's, and other financial professionals. Considering that Form

ADV was well established at the time of the Rand Study, a step toward implementation of a Form ADV-like rule for broker-dealers seems to be a step in the wrong direction.

We believe the opportunity to present up-front disclosure data to investors in a progressive and practical manner is at FINRA's fingertips, and that the burden should be on FINRA, not on member firms, to present appropriate information about firms, products and services to the investing public.

For instance, in Notice 10-54, FINRA describes the type of information it sees as fitting in an upfront disclosure. It lists broad categories of data. Upon review, it is apparent that much of this is data which FINRA already has in systems including Form BD, Form BR, Web IR, Gateway filings and through data collected and presumably verified by its staff through its examination program. It appears that roughly 80% of the data points enumerated by FINRA are accessible in this manner. A presentation of data already controlled by the regulator would be efficient, and would have the added benefit of ensuring that hyperbole and exaggeration are avoided.

For other of the data points not currently collected by FINRA, such as those that include pricing disclosure, it is unlikely that the typical investor will gain much of value from a firm's own description of its pricing scales and levels, which will without doubt include language that the lawyers will create to protect the BD rather than inform the investor. We encourage FINRA to conduct a review of pricing disclosures in a sampling of Form ADVs to validate our position in this regard. Instead of firm-drafted content, FINRA could provide a tool that enables pricing data to be compared from firm to firm. Such a tool could be used by investors to further their understanding of the impact of proposed pricing in the context of the market day by leveraging its market data through interactive real and hypothetical historical and forward looking examples. We are confident that vendors exist to provide tools of this nature such that implementation could be swift.

We believe that several of the remaining categories of data proposed by FINRA for inclusion in the proposed disclosure aim to do little more than disclose away risk, with limited likelihood that an investor will read or understand what the firm is really trying to convey. An example is FINRA's suggestion that a firm disclose that it 'takes no responsibility for the propriety of unsolicited orders, other than to discharge its best execution obligation'. This is the type of disclosure that is little more than fodder for argument in arbitration, and which has no relevance or meaning to an investor.

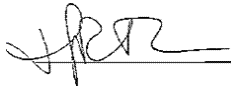
NAIBD believes that the cost of development of a written statement as proposed will be over-burdensome for small firms, and requests that FINRA present a cost-benefit analysis of its proposal for the scrutiny of its member firms who stand to bear the high

cost of what will be nothing more than another document discarded by investors at the point of sale. We believe it has been shown that the more paper we inundate investors with at the inception of an account, the less of it gets understood, or gets read at all.

In summary, NAIBD believes that an initiative of this high degree of importance must be implemented in a way that does more than seek to inform investors of their myriad choices. The plain English initiative recently implemented in changes to Form ADV Part 2A and B will not help to overcome the reality that investors do not read it, and/or do not understand it. FINRA's efforts to replicate this process, one that the Rand Study has already proven to be ineffective, would not add to investor protection and would most probably add to investor confusion, but most importantly, it would not achieve what investors desperately need: the opportunity to make sound investment choices.

Thank you for the opportunity to comment on this proposed rule.

Sincerely,

A handwritten signature in black ink, appearing to read 'LRoth', written over a horizontal line.

Lisa Roth
Association Past-Chairman
Chair, NAIBD Member Advocacy Committee