



VIA ELECTRONIC MAIL

December 27, 2010

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

Re: Comment Letter-Regulatory Notice 10-54 Disclosure of Services, Conflicts and Duties

Dear Ms. Asquith:

National Planning Holdings, Inc., ("NPH") offers this comment letter on behalf of its subsidiary broker-dealers, all of which are Financial Industry Regulatory Authority ("FINRA") member firms:

• INVEST Financial Corporation	CRD #12984
• Investment Centers of America, Inc.	CRD #16443
• National Planning Corporation	CRD #29604
• SII Investments, Inc.	CRD # 2225

The four NPH Firms have approximately 3,500 Financial Advisers providing financial solutions to their clients in all domestic jurisdictions. The NPH Firms are also members of the Financial Services Institute ("FSI") and support the advocacy activities of the FSI. We appreciate the opportunity to submit comments on Regulatory Notice 10-54 regarding the Concept Proposal to Require a Disclosure Statement for Retail Investors at or Before Commencing a Business Relationship. The comments provided in this letter represent the collective view of the NPH Firms.

The NPH Firms believe that clear, concise, and appropriate client disclosure is important to assure that clients understand the nature and terms of their relationship with broker/dealers. Client disclosures and agreements are required to notify clients of the firm's positions and standards on a number of issues, whether currently required by FINRA or SEC rule, or used to establish legal standards between the firm and the client. We believe that for disclosure to be effective it must be coordinated and integrated with other required disclosures and industry standard provisions, and disclosure must be designed to assure client understanding.

Coordinated Disclosure

Securities broker/dealers are already subject to significant disclosure requirements based upon SEC and FINRA rules and industry standards. Coordination is required for new disclosure requirements, rather than simply adding to the existing disclosure requirements. Existing disclosure requirement include privacy policies, disaster recovery, arbitration provisions, and defining suitability terms. There are also various proposed and pending matters that will impact disclosure obligations, such as the SEC Summary Prospectus, Sections 913(g) and 919 of Dodd-Frank Act (requiring clear disclosure to investors including any material conflicts and SEC authority to determine documents or information to be provided to investors), prior SEC and FINRA point of sale proposals, and proposed amendments to confirmations

under Rule 10b-10 will add to these disclosure requirements. Additionally, the SEC study of a common standard between investment advisory and brokerage activities may modify the nature of the relationship and further add to the disclosure requirements. Firms also routinely use the account opening process to establish the contractual terms of their relationship with their clients. Current disclosure requirements, new disclosure requirements, and contractual terms must all be considered in determining what items can be effectively disclosed to clients. Simply adding to the current requirements, without coordination of all these requirements, will result in ineffective disclosure or client confusion.

Investment advisory services may also impact the disclosure received by clients. If the firm is also registered as an investment adviser, and delivery of Form ADV or a brochure is required, any FINRA required disclosure should also take this into account in considering the nature and timing of additional client disclosure.

Testing of Disclosure

As noted in the Regulatory Notice, the Staff determined that customers would benefit from an upfront plain English disclosure. In light of this, we believe FINRA should move carefully to ensure that a proposed disclosure is consistent, meaningful and not overwhelming to customers. Focus Group Testing of the type and format of the disclosure documents would provide input from customers as to the information and format they find useful. This information could be taken into account in deciding regulatory priorities as to existing and new proposed disclosures.

Design of Disclosure and Method of Delivery

The NPH Firms believe that a two-tier approach to disclosure would provide meaningful disclosure without overwhelming the customer. In our view, the First Tier Disclosure would be provided prior to or as the account is established. The First Tier Disclosure should consist of a brief statement of the following information in a standardized format in order for customers to compare firms:

- The standard of care owed by the firm to each customer;
- The nature and scope of the business relationship between the parties, services to be provided, and length of the engagement;
- A general description of the nature and form of compensation to be received by the firm and financial adviser;
- A general description of any material conflicts that may exist between the firm/financial adviser and the customer;
- An explanation of the customer's obligation to provide the firm and financial adviser with information on their investment objectives, risk tolerance, financial situation and needs;
- An explanation of the customer's need to inform the firm and financial adviser if their investment objectives, risk tolerance, financial information, or needs change;
- A phone number and e-mail address the customer can use to contact the firm should they have concerns about the advice or service they have received; and
- A description of the means by which a customer can obtain more detailed information on these standards free of charge.

Any FINRA developed template disclosure form must also take into account various business models, to allow firms to adopt language applicable to their business. In regard to a Second Tier Disclosure, customers who want more detailed disclosure information should be able to access this information through the firm's website or a brochure offered free of charge to those without Internet access. These detailed disclosures would include such things as full schedule of fees and services charges that may apply to the customer's account, the specific details of arrangements in which the firm receives an economic benefit for providing a particular product, investment strategy or service to a customer and similar information.

The level of disclosure, required during a First Tier or Second Tier Disclosure, must depend upon the nature of the business the client has with the firm and how much business each firm conducts in a particular line. We believe that some of the financial incentives outlined in the Notice are far too detailed for a First Tier Disclosure and such disclosure would be extremely complex, voluminous and unhelpful to retail customers. For example, a general statement relative to potential conflicts of interest and outline of material conflicts should be contained in the First Tier Disclosure. More detailed information on specific conflicts of interest and financial information could be contained in a Second Tier Disclosure. We understand and agree customers must be informed of firm/financial adviser's incentives and potential conflicts of interest. However, in order not to overwhelm customers and provide a plain English disclosure, we believe FINRA should consider developing a general template in order to assist firms in creating a standardized and customer friendly disclosure in this area.

In regard to the delivery method for the disclosure statement, we believe that firms should be able to deliver either Tier One or Tier Two disclosure in a convenient electronic format. As to how often a firm should update and provide the disclosure statement, we believe it should be provided at the outset of the relationship and that firms should be allowed to update the disclosure on its website or provide updates on its website, without a duty to notify all clients. Clients are always free to ask for a current disclosure document. Many clients tend to ignore periodic updates that are forced upon them through mailings. Firms should be able to update and post this information, without required mailings or through a simple disclosure in a one-page mailing which directs the client to more information on the firm's website (or allows for alternative delivery methods).

In summary, the NPH Broker-Dealers reiterate their support for an upfront, plain English disclosure to provide useful information to clients to enhance their understanding of the firm's services, conflicts and duties. We respectfully request that FINRA consider the issues we have raised relative to this Regulatory Notice.

Sincerely,



James Livingston
President/Chief Executive Officer
National Planning Holdings, Inc.