

April 19, 2012

By Electronic Mail

To: Richard E. Pullano, Vice President and Chief Counsel
Registration and Disclosure

From: Peter T. Wheeler, President
James B. Adelman, General Counsel
Joe Tully, Asst. General Counsel
Paul J. Tolley, Chief Compliance Officer
Commonwealth Financial Network

Re: Comment with Regard to Regulatory Notice 12-10

Dear Mr. Pullano:

In Regulatory Notice 12-10 ("RN 12-10"), FINRA requested comments on a variety of proposed enhancements to the BrokerCheck[®] program as a means to "facilitate and increase investor use of BrokerCheck information." Among other things, RN 12-10 proposes to expand the information available in BrokerCheck to include qualification examination test scores and to provide for the mass dissemination of BrokerCheck information to for-profit commercial users.

Commonwealth Financial Network ("Commonwealth") is a broker/dealer and an SEC-registered investment adviser with home office locations in Waltham, Massachusetts, and San Diego, California. The firm has more than 1,600 registered representatives, conducts business in all 50 states, and is the largest privately owned independent broker dealer in the nation.

Commonwealth welcomes the opportunity to comment on RN 12-10.

Disclosure of Test Scores

Commonwealth strongly supports investor education and the need for our industry to implement transparent and streamlined means of disseminating relevant information to investors to help them make better informed decisions about the financial professionals from whom they seek investment recommendations or financial advice. However, it is our opinion that posting or disseminating registered representative ("RR") test scores via FINRA's broker check web page, or any other vehicle, provides no material insight into the expertise or experience of a RR or the quality of the RR's recommendations or advice.

Preliminarily, the firm is unaware of any empirical evidence that higher test scores make one a “better” (however defined) or more ethical RR.

The FINRA BrokerCheck program presently offers substantial information to investors with regard to RRs’ employment and disciplinary background. Information relative to a RR’s test scores would not improve investor protection or serve any public good beyond disclosures that already exist. Investors are already adequately served by the knowledge that FINRA imposes rigorous testing standards upon RRs (along with regulations that govern the ongoing conduct of RRs). Additionally, RRs are required to complete regulatory and firm element continuing education as a means to ensure ongoing exposure to changing rules and regulations in the industry following their initial examination period.

Creating categories of RRs based on test scores will unduly prejudice those individuals that may have required multiple opportunities to achieve a passing score, or who have not satisfactorily achieved what each of the millions of investors arbitrarily considers to be a “high enough” score.

Posting test scores would also seem to unfairly punish those RRs who may have successfully passed more difficult versions of the respective exams, while unfairly rewarding those that may have seemingly overachieved due to the serendipitous passing of less difficult iterations of a given examination.

Similarly, the publication of test scores would seem to adversely affect those RRs who tested under a different framework and now have had the rules changed “in the middle of the game.” One imagines that under the existing “pass/fail” structure, where a high passing score is no better than a low passing score, many candidates may have simply foregone the prestige of a high mark, opting instead to devote time and effort to enhancing core investment product and strategy knowledge and learning the practical side of our business. The belief that a high passing score on a qualification examination may somehow result in better quality or more reliable advice from an RR is completely unfounded.

Investors should be encouraged to conduct appropriate due diligence when seeking a RR and should place a premium on a RR’s reputation, experience and other relevant criteria, rather than putting undue faith in a higher test score.

Additionally, test scores would almost certainly be abused by plaintiff’s lawyers or by competing RRs when soliciting clients of an RR with a lower-passing score. The corollary to this is of course that higher scoring RRs may feel authorized to promote their scores in sales presentations, or marketing materials - leaving the customer with the impression that his recommendations come with a FINRA stamp of approval.

Furthermore, test scores are only indicative of what a RR knew at the very infancy of his/her career and do not represent the vast knowledge and experience gained by the RR throughout the following years of practical experience.

Commercial Use

Commonwealth strongly opposes the release of BrokerCheck information for commercial use. The data provided by BrokerCheck is already publicly available, free of charge. FINRA's consideration to provide for the mass availability and use of BrokerCheck information by for-profit companies will not provide any enhanced investor protections. Rather, making such data available for mass download and use by for-profit companies will only serve the interests of the for-profit companies in question, at the expense and potential harm of investors, RRs and the firm's with which the RRs are associated.

There are already many examples of for-profit companies who are data mining BrokerCheck and other state and federal websites for their own gain. Because data published on these sites often combine information from a variety of public sources, we have witnessed numerous examples of inaccurate information being provided to the investing public. For example, we have seen sites inappropriately combine firm information with RR information in a manner that is misleading and factually inaccurate – such as attributing an investment advisory firm's total assets under management to a single RR.

These errors are exacerbated by the fact that the companies making the errors generally put the burden on the firm or the RR to correct the inaccurate, incomplete or misleading information. In some cases, even requiring a fee to make the correction. Additionally, some of these companies permit the firm or RR to supplement the information derived from regulatory sources with additional marketing content by paying a fee. Such practices give the impression that all of the content published on such sites has been obtained from a reliable source, even when self-serving editorial has been added. Further, combining or supplementing information derived from BrokerCheck and other regulatory sources onto a for-profit site frequently results in such information being taken out of context, and likely lacks the independent verification necessary to ensure that the combined or supplemental information published on the site is not false or misleading.

In summation, Commonwealth supports FINRA's efforts to improve usage of BrokerCheck for the benefit of investors. However, we strongly oppose the publication of test scores and the commercial use of BrokerCheck, neither of which will provide any additional investor protections and, in fact, could be harmful to the investing public.