

## VIA ELECTRONIC MAIL

September 20, 2013

Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1900 Duke Street, Suite 600  
Alexandria, VA 22314

### **Re: Notice of Request for Public Comment on Proposed Fair-Pricing Rule**

Dear Mr. Smith:

On August 6, 2013, the Municipal Securities Rulemaking Board (MSRB) published its request for public comment on a proposed rule that would codify and consolidate existing guidance regarding fair pricing obligations (Proposed Rule).<sup>1</sup> The purpose of the Proposed Rule is to set forth in a single rule the fair pricing obligations of brokers, dealers, and municipal securities dealers (Regulated Entities) in connection with transactions in municipal securities. The Proposed Rule sets forth general principles for determining whether the Regulated Entities have attained a fair and reasonable price for the customer, and establishes relevant factors in determining the fairness and reasonableness of prices, commissions, and service charges. The Proposed Rule consolidates existing interpretive guidance under MSRB Rules G-17 and G-30 and would consolidate existing Rules G-18 and G-30 into a new Rule G-30.

The Financial Services Institute<sup>2</sup> (FSI) appreciates the opportunity to comment on this important proposal. FSI's members will benefit from the consolidation of the fair pricing obligations into one rule and the provision of relevant factors to determine the fairness and reasonableness of prices, commissions, and services charges.

#### Background on FSI Members

The independent broker-dealer (IBD) community has been an important and active part of the lives of American investors for more than 30 years. The IBD business model focuses on comprehensive financial planning services and unbiased investment advice. IBD firms also share a number of other similar business characteristics. They generally clear their securities business on a fully disclosed basis; primarily engage in the sale of packaged products, such as mutual funds and variable insurance products; take a comprehensive approach to their clients' financial goals and objectives; and provide investment advisory services through either affiliated registered investment adviser firms or such firms owned by their registered representatives. Due to their unique business model, IBDs and their affiliated financial advisers are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their financial goals and objectives.

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<sup>1</sup> Request for Comment on Proposed Fair-Pricing Rule, MSRB Notice 2013-15, available at: <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-15.aspx?n=1>

<sup>2</sup> The Financial Services Institute, Voice of Independent Broker-Dealers and Independent Financial Advisors, was formed on January 1, 2004. Our members are broker-dealers, often dually registered as federal investment advisers, and their independent contractor registered representatives. FSI has 100 Broker-Dealer member firms that have more than 138,000 affiliated registered representatives serving more than 14 million American households. FSI also has more than 35,000 Financial Advisor members.

In the U.S., approximately 201,000 independent financial advisers – or approximately 64 percent of all practicing registered representatives – operate in the IBD channel.<sup>3</sup> These financial advisers are self-employed independent contractors, rather than employees of the IBD firms. These financial advisers provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans with financial education, planning, implementation, and investment monitoring. Clients of independent financial advisers are typically “main street America” – it is, in fact, almost part of the “charter” of the independent channel. The core market of advisers affiliated with IBDs is comprised of clients who have tens and hundreds of thousands as opposed to millions of dollars to invest. Independent financial advisers are entrepreneurial business owners who typically have strong ties, visibility, and individual name recognition within their communities and client base. Most of their new clients come through referrals from existing clients or other centers of influence.<sup>4</sup> Independent financial advisers get to know their clients personally and provide them investment advice in face-to-face meetings. Due to their close ties to the communities in which they operate their small businesses, we believe these financial advisers have a strong incentive to make the achievement of their clients’ investment objectives their primary goal.

FSI is the advocacy organization for IBDs and independent financial advisers. Member firms formed FSI to improve their compliance efforts and promote the IBD business model. FSI is committed to preserving the valuable role that IBDs and independent advisers play in helping Americans plan for and achieve their financial goals. FSI’s primary goal is to ensure our members operate in a regulatory environment that is fair and balanced. FSI’s advocacy efforts on behalf of our members include industry surveys, research, and outreach to legislators, regulators, and policymakers. FSI also provides our members with an appropriate forum to share best practices in an effort to improve their compliance, operations, and marketing efforts.

#### Comments

FSI appreciates the opportunity to comment on the Proposed Changes.

**The Consolidation of the Fair Pricing Rule in the Proposed Changes Will Promote More Effective Compliance** - FSI supports the MSRB’s effort to consolidate the multiple interpretative documents regarding MSRB’s fair pricing rule into Rule G-30 under the Proposed Changes. The Proposed Changes will ease the burden on firms and market participants seeking to comply with MSRB’s fair pricing rule. FSI believes that this consolidation and simplification of existing guidance will promote more effective and efficient compliance with MSRB requirements. FSI has consistently supported the simplification and harmonization of regulatory rules as we believe that clear, uniform guidelines are the key to successful regulatory compliance and a safer and efficient financial services marketplace for investors. We applaud the MSRB for this effort.

#### Conclusion

We are committed to constructive engagement in the regulatory process and, therefore, welcome the opportunity to work with the MSRB on this and other important regulatory efforts.

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<sup>3</sup> Cerulli Associates at <http://www.cerulli.com/>.

<sup>4</sup> These “centers of influence” may include lawyers, accountants, human resources managers, or other trusted advisers.

Thank you for your consideration of our comments. Should you have any questions, please contact me at (202) 803-6061.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" followed by "Bellaire".

David T. Bellaire, Esq.  
Executive Vice President & General Counsel