



## VIA ELECTRONIC MAIL

July 16, 2018

Mr. Ronald W. Smith  
Corporate Secretary  
The Municipal Securities Rulemaking Board  
1300 I Street NW  
Washington, DC 20005

Re: Regulatory Notice 2018-09 | Request for Comment on Draft MSRB Rule G-36, on Discretionary Transactions in Customer Accounts and Related Draft Amendments (Notice)

Dear Mr. Smith:

On May 16, 2018, the Municipal Securities Rulemaking Board (MSRB or the Board) published its request for public comment on the Board's intent to reinstitute a standalone rule that would govern discretionary transactions.<sup>1</sup> That request also seeks public comment on the Board's plans to establish new requirements for discretionary transactions by individuals other than dealers and dealers' associated persons (Proposed Amendments).<sup>2</sup> The proposal's regulatory objective is to clarify dealers' obligations and to harmonize the Board's rules with the rules of other regulators.<sup>3</sup>

The Financial Services Institute<sup>4</sup> (FSI) appreciates the opportunity to comment on this important Notice. FSI believes that, where practicable, laws and regulations should be harmonized and we recognize these Proposed Amendments further that goal. Additionally, and perhaps more importantly, the Proposed Amendments heighten investor protection and add clarity to the MSRB's rules.

### **Background on FSI Members**

The independent financial services community has been an important and active part of the lives of American investors for more than 40 years. In the US, there are more than 160,000 independent financial advisors, which account for approximately 52.7 percent of all producing registered representatives.<sup>5</sup> These financial advisors are self-employed independent contractors, rather than employees of the Independent Broker-Dealers (IBD).<sup>6</sup>

---

<sup>1</sup> See MSRB Regulatory Notice 2018-09 (May 16, 2018).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* at p. 1.

<sup>4</sup> The Financial Services Institute (FSI) is an advocacy association comprised of members from the independent financial services industry, and is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has been working to create a healthier regulatory environment for these members so they can provide affordable, objective financial advice to hard-working Main Street Americans.

<sup>5</sup> Cerulli Associates, Advisor Headcount 2016, on file with author.

<sup>6</sup> The use of the term "financial advisor" or "advisor" in this letter is a reference to an individual who is a registered representative of a broker-dealer, an investment adviser representative of a registered investment adviser firm, or a dual

FSI's IBD member firms provide business support to independent financial advisors in addition to supervising their business practices and arranging for the execution and clearing of customer transactions. Independent financial advisors are small-business owners and job creators with strong ties to their communities. These financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations, and retirement plans. Their services include financial education, planning, implementation, and investment monitoring. Due to their unique business model, FSI member firms and their affiliated financial advisors are especially well positioned to provide Main Street Americans with the affordable financial advice, products, and services necessary to achieve their investment goals.

FSI members make substantial contributions to our nation's economy. According to Oxford Economics, FSI members nationwide generate \$48.3 billion of economic activity. This activity, in turn, supports 482,100 jobs including direct employees, those employed in the FSI supply chain, and those supported in the broader economy. In addition, FSI members contribute nearly \$6.8 billion annually to federal, state, and local government taxes. FSI members account for approximately 8.4% of the total financial services industry contribution to U.S. economic activity.<sup>7</sup>

### **FSI Supports the Proposal**

FSI commends the Board on this undertaking. While the Proposed Amendments do not represent, verbatim, the rules of other regulators; in a practical sense, they would more closely align the Board's rules with those of other regulators. Additionally, the newly required documentation heightens investor protection and enhances firms' abilities to supervise for potential misconduct.

### **Conclusion**

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

Thank you for considering FSI's comments. Should you have any questions, please contact me at (202) 393-0022.

Respectfully submitted,



Robin Traxler  
Vice President, Regulatory Affairs & Associate General Counsel

---

registrant. The use of the term "investment adviser" or "adviser" in this letter is a reference to a firm or individual registered with the SEC or state securities division as an investment adviser.

<sup>7</sup> Oxford Economics for the Financial Services Institute, The Economic Impact of FSI's Members (2016).