



NASAA

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**NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.**

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April 17, 2015

*Submitted electronically to rule-comments@sec.gov*

Brent J. Fields, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

RE: Release No. 34-74490, File Number SR-FINRA-2014-048

Dear Mr. Fields:

On behalf of the North American Securities Administrators Association (“NASAA”),<sup>1</sup> I hereby submit the following comments in response to Release No. 34-73623, File Number SR-FINRA-2014-048, entitled *Notice of Filing of Amendment No. 1 to a Proposed Rule Change to Adopt FINRA Rule 2242 (Debt Research Analysts and Debt Research Reports)* filed on March 12, 2015 (“the Amended Proposal”).<sup>2</sup> The Amended Proposal makes changes to a contemplated new rule that would address the conflicts of interest present between a firm’s investment banking and debt trading business and a firm’s debt research analysis department. NASAA appreciates the opportunity to offer its comments on the Amended Proposal.

In NASAA’s prior comments on the original proposal, NASAA urged FINRA to amend the proposal to more fully incorporate a prescriptive framework, as is found in the current equity research rules, as well as the policies and procedures approach contemplated by the rule as originally proposed.<sup>3</sup> The Amended Proposal shifts to a regulatory framework based solely on a policies and procedures approach.

As stated previously, in NASAA’s view a prescriptive regime with a policies and procedures component is better suited to address conflicts of interest of this nature.<sup>4</sup> A prescriptive approach is known to be generally effective in mitigating these types of conflicts,<sup>5</sup> and given the industry’s continued violations under the current prescriptive equity research

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<sup>1</sup> NASAA is the association of the 67 state, provincial, and territorial securities regulatory agencies of the United States, Canada, and Mexico. NASAA serves as the forum for these regulators to work with each other in an effort to protect investors at the grassroots level and to promote fair and open capital markets.

<sup>2</sup> Notice of Filing of Amendment No. 1 to a Proposed Rule Change to Adopt FINRA Rule 2242 (Debt Research Analysts and Debt Research Reports), 80 Fed. Reg. 14198 (Mar. 18, 2015).

<sup>3</sup> See Letter from William Beatty, President, NASAA, to Brent Fields, Secretary, Securities and Exchange Commission (Dec. 19, 2014) available at <http://www.sec.gov/comments/sr-finra-2014-048/finra2014048-4.pdf>.

<sup>4</sup> *Id.*

<sup>5</sup> Notice of Filing of a Proposed Rule Change to Adopt FINRA Rule 2242 (Debt Research Analysts and Debt Research Reports), 79 Fed. Reg. 69905, 69906 (Nov. 24, 2014).

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regime, NASAA continues to question the effectiveness of a regulatory scheme based solely on a policies and procedures approach when attempting to mitigate the risks associated with conflicts of interest of this nature.

While NASAA is generally supportive of the substantive provisions of the Amended Proposal, NASAA continues to urge FINRA to implement a regulatory framework that combines a policies and procedures approach with a more prescriptive approach as is currently found in the equity analyst rules. NASAA appreciates the opportunity to offer its comments on the Amended Proposal, and should you have any questions about these comments, please contact NASAA's Acting Executive Director and General Counsel, Joseph Brady, at [jb@nasaa.org](mailto:jb@nasaa.org).

Sincerely,

A handwritten signature in black ink, appearing to read "William Beatty". The signature is fluid and cursive, with a large initial "W" and "B".

William Beatty  
NASAA President  
Washington Securities Administrator