



NASAA

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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June 20, 2014

Submitted electronically to rule-comments@sec.gov

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

Re: FINRA Regulatory Notice 14-19 FINRA Requests Comment on a Revised Proposal to Require a Hyperlink to BrokerCheck in Online Retail Communications With the Public.

Dear Ms. Asquith,

On behalf of the North American Securities Administrators Association (NASAA),¹ I hereby submit the following comments in support of the revised proposal as described in Financial Industry Regulatory Authority's (FINRA) Regulatory Notice 14-19 Revised Proposal to Require a Hyperlink to BrokerCheck in Online Retail Communications with the Public ("the revised proposal"). NASAA strongly shares FINRA's desire to stimulate greater investor awareness and access to information critical to making informed investment decisions.²

When it comes to selecting financial advisors that will assist or directly make investment decisions for investors, FINRA's BrokerCheck system is the largest public information repository of securities professionals nationwide, a critical but, unfortunately underutilized, resource. As a 2009 study found, only 15% of people check a financial advisor's background before engaging that advisor's services.³ FINRA is absolutely right to seek increased investor

¹ 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.

² See Letter from Rex Staples, General Counsel, North American Securities Administrators Association, to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, Re: Release Number 34-60462; File Number SR-FINRA-2009-50 (September 8, 2009) (available at http://www.nasaa.org/wpcontent/uploads/2011/07/24BrokerCheck_090809.pdf); Letter from Ralph A. Lambiase, President, North American Securities Administrators Association, to Barbara Sweeney, NASD, RE: NASD Notice to Members 03-76 – Request for Comment, Enhanced Access to BrokerCheck (January 9, 2004) (available at <http://www.nasaa.org/wp-content/uploads/2011/07/73BrokerCheckDelivery.37996-42199.pdf>).

³ See Applied Research & Consulting LLC, Financial Capability in the United States, at 46 (December 1, 2009), <http://www.finrafoundation.org/web/groups/foundation/@foundation/documents/foundation/p120536.pdf>. NASAA notes that financial advisor is not a defined term under the federal securities laws, but for purposes of this analysis, equates the term with broker-dealer representative or associated person of a broker-dealer.

use of this resource and NASAA believes the steps proposed in the original proposal would have gone far to accomplish that goal.⁴ NASAA was very excited about the transformative impact that direct hyperlinks and, specifically, individualized deep links⁵ would have in automatically, effortlessly connecting investors with the specific information they need in the BrokerCheck system.⁶ NASAA is disappointed that FINRA's revised proposal eliminates the most effective component originally advanced, i.e., direct BrokerCheck hyperlinks/deep links to individual broker records, as well as excludes e-mail correspondence from the rule.⁷ There is no question that those components would be significantly more effective than "readily apparent references" to the BrokerCheck system in increasing investors' real-time, day-to-day exposure to financial advisor information.

Should this proposal move forward to the Securities and Exchange Commission rulemaking process, NASAA will advocate for reinstatement of the deep link component in the final rule, as well as the elimination of the exception for e-mail. Moving forward, NASAA would also be interested in expansion of the rule beyond websites geared toward retail investors and online communications that include a professional profile like LinkedIn.⁸ More and more investors are communicating online with their financial advisors in this digital age. While NASAA understands and supports FINRA's effort to avoid unworkable disclosure burdens involving third party websites or services over which member firms have no control, NASAA would urge FINRA to maximize BrokerCheck's visibility in areas where the firm or its financial advisors do exert control. Firms and their financial advisors control e-mail correspondence and most social media exchanges with investor clients.

In regards to FINRA's requests for empirical or other factual data, NASAA would suggest that FINRA inquire of its examination staff or, alternatively, poll member firms to ascertain and compare utilization rates of the different types of online communications occurring between a financial advisor and their clients to figure out which applications would have the most bang for the buck. FINRA examination teams are in member firm offices every day reviewing client communications and should have a strong, first-hand understanding of what the most popular online communication modes are. The final rule should be geared toward embedding direct links to BrokerCheck and deep links to individual financial advisors in those communications.

⁴ See Letter from A. Heath Abshire, President, North American Securities Administrators Association, to Elizabeth M. Murphy, Secretary, Securities & Exchange Commission, Re: Release No. 34-68700 SR-FINRA-2013-002 (February 15, 2013).

⁵ A "deep link" refers to a BrokerCheck link that directs the user directly to the BrokerCheck summary reports specific to a member firm or associated person. Such a BrokerCheck web address would include a firm's or individual's CRD number and would be specific to each member or associated person. The link would take the user to BrokerCheck's search results screen for the subject firm or individual.

⁶ See SEC Release 34-68700; File No. SR-FINRA-2013-022 (January 18, 2013), 78 Fed. Reg. 5542 (January 25, 2013).

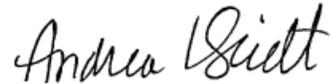
⁷ NASAA notes that e-mail correspondence was not addressed in the electronic communications included in the original proposal.

⁸ FINRA noted that the revised proposal clarifies that a hyperlink to BrokerCheck should be included only on websites of the firms that are available to retail investors, rather than on all of its social media pages and proprietary sites that limit access to institutional investors.

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Once again, NASAA appreciates the opportunity to comment as well as FINRA's effort to improve investor awareness and access to important BrokerCheck information. Should you have any questions about NASAA's comments, please feel free to contact Joseph Brady (jb@nasaa.org), General Counsel, or A. Valerie Mirko (vm@nasaa.org), Deputy General Counsel, via email or at (202) 737-0900.

Sincerely,

A handwritten signature in cursive script that reads "Andrea Seidt".

Andrea Seidt
NASAA President
Ohio Securities Commissioner