



December 1, 2023

Amy Kopleton
Broker-Dealer Market / Regulatory Policy and Review Project Group Chair
North American Securities Administrators Association

Stephen Bouchard
Broker-Dealer Section Chair
North American Securities Administrators Association

Re: NASAA's Dishonest or Unethical Business Practices of Broker-Dealers and Agents Model Rule Revisions Proposal

*Sent via electronic email to NASAAComments@nasaa.org
CC: kopletona@dca.njoag.gov; stephen.bouchard@dc.gov; Carter.Lawrence@tn.gov;
Elizabeth.Bowling@tn.gov;*

Dear Mr. Bouchard and Ms. Kopleton:

The Franklin Housing Authority (FHA) submits the following comments in response to the proposal issued by the North American Securities Administrators Association (NASAA) to revise its broker-dealer conduct rules proposal.

Our interest is driven by our commitment to ensuring that Tennessee's homeowners, potential owners and FHA members have access to transparent, fair, and efficient financial services vital for seeking and maintaining homeownership. **In its current form, FHA requests that NASAA rescind its proposed broker-dealer rule.**

Primarily, we are apprehensive about the potential fragmentation of regulations across states as a result of the proposed changes. This patchwork of standards could lead to confusion and an uneven playing field for investors, complicating their financial planning and investment strategies. The goal of any regulatory framework should be to provide clarity and consistency, particularly in financial planning and investment advice.

The proposed broadened definition of what constitutes a "recommendation" is concerning. It could encompass essential communications between brokers and clients, potentially leading to overregulation and hindering the free flow of information. Homeowners, those seeking ownership and investors rely on these interactions for informed decision-making, and any undue restrictions could adversely affect their ability to obtain and make sound financial choices.

The introduction of a requirement for brokers to “neutralize” conflicts of interest, deviating from the current standard under Regulation Best Interest (Reg BI), could have unintended consequences. It might lead to brokers eliminating essential services and products, thereby restricting the options available to homeowners, those planning for ownership and investors. This approach contrasts with the historically disclosure-based regime, which has been effective in balancing the provision of advice with transparency about potential conflicts.

The proposed prohibition on compensation beyond commissions is also very alarming. This could limit the ability of brokers to offer diverse and tailored services, particularly affecting those who serve middle- to low-income households. A vibrant financial advisory sector is vital for our community members, especially those who rely on professional advice for managing their investments that foster and promote the ability to engage in homeownership.

The absence of a comprehensive economic impact analysis of the proposal raises concerns about its potential effects on the market for retail investor advice, especially on small broker-dealers. Any regulatory change should be accompanied by a thorough assessment of its economic implications, particularly for those serving lower-income and moderate-income communities.

While we recognize the intent behind NASAA’s proposal to enhance investor protection, we believe that the current formulation could inadvertently hinder the ability of homeowners, future owners and FHA members in Tennessee to access necessary financial services and advice. We urge a reconsideration of the proposal, taking into account the potential impact on a diverse range of investors, including those critical to our mission at the Franklin Housing Authority.

Thank you for considering our perspective on this important issue. We look forward to your response and thoughtful reconsideration of the proposed rule changes.

Sincerely,



Derwin Jackson, President & CEO
Franklin Housing Authority