



December 4, 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: Proposed Revisions to NASAA's Dishonest or Unethical Business Practices of Broker-Dealers and Agents Model Rule

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

Dear Ms. Kopleton and Mr. Bouchard:

The Small Business & Entrepreneurship Council (SBE Council) - an advocacy and research organization dedicated to promoting entrepreneurship and startups and the success of small businesses for 30 years - submits this comment letter in response to the North American Securities Administrators Association's (NASAA) proposed revisions to its model rule on Dishonest or Unethical Business Practices of Broker-Dealers and Agents.

SBE Council acknowledges NASAA's intention to update state standards in line with the SEC Regulation Best Interest (Reg BI). However, our primary concern is that the proposed amendments overreach and may lead to unintended effects on small businesses, retail investors, and the overall financial advisory landscape. **Accordingly, SBE Council urges NASAA to withdraw the Proposal.**

1. Conflict with SEC Regulation Best Interest (Reg BI)

The NASAA proposal, in its current form, appears to conflict with Reg BI by proposing standards that go beyond federal guidelines. This discrepancy could introduce significant legal and operational complexities for small broker-dealers. These businesses, already navigating the challenges of compliance with federal regulations, would face increased burdens in adapting to a fragmented regulatory environment.

2. Increased Costs and Operational Challenges

SBE Council is concerned about the increased compliance costs and operational hurdles that small broker-dealers would face under the new NASAA proposal. Small firms, unlike their larger counterparts, have limited resources to manage complex and varied state-specific regulations. Increasing these costs and challenges would not only strain operational capacity for many firms but could also lead to the undesirable outcome of these services being withdrawn from states adopting these rules.

3. Impact on Small and Middle-Income Investors

Furthermore, SBE Council is concerned about the potential impact of the proposal on small and middle-income investors. These individuals could experience reduced access to financial advice and investment products. The proposed rules risk creating an environment where comprehensive financial advice becomes a privilege only accessible to the affluent, leaving the less wealthy with limited options.

4. Inconsistencies and Confusion

The proposal's potential to foster a patchwork of inconsistent state regulations is alarming. This could create confusion among investors and broker-dealers, who would have to navigate a labyrinth of differing rules across states. Such an environment undermines the uniformity and clarity that Reg BI aims to establish.

5. Unintended Consequences for the Financial Industry

SBE Council is concerned about the broader impact these regulatory changes could have on the financial industry. This includes potential job losses and higher fees, disproportionately affecting middle-income workers, savers, and retirees. The implementation of the NASAA proposal could inadvertently harm the very groups it seeks to protect.

6. Conclusion

SBE Council is opposed to NASAA's proposed amendments as they are currently written. SBE Council supports maintaining the stability and fairness provided by the SEC's Regulation Best Interest. A cohesive, nationwide regulatory framework is crucial for protecting the interests of all stakeholders, especially small businesses and middle-to-low-income investors.

SBE Council appreciates the opportunity to express our concerns and urges NASAA to consider these in its deliberations. We stand ready to engage further on this matter to ensure a regulatory environment that supports the growth and sustainability of the startup and small business ecosystem, investors, and the broader financial market.

Respectfully,



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