



NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION, INC.

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August 7, 2018

Submitted electronically to rule-comments@sec.gov

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

RE: Proposed Regulation Best Interest, File No. S7-07-18; Proposed Form CRS Relationship Summary, File No. S7-08-18; Proposed Commission Interpretation Regarding Standard of Conduct for Investment Advisers, File No. S7-09-18

Dear Mr. Fields:

On behalf of the North American Securities Administrators Association, Inc. (“NASAA”),¹ I am submitting this initial letter regarding the above-referenced proposals published by the Commission on April 18, 2018. NASAA is continuing its review of the proposals and is preparing a comment letter responding to specific components of the proposals. We anticipate filing our comment letter with the Commission on or before August 30 and, based on discussions with SEC staff, understand that the delayed filing of our detailed comment letter will not preclude consideration of NASAA’s views with respect to any potential final rulemakings.

NASAA supports the SEC’s efforts to elevate the current suitability standard for broker-dealers and address practices by investment advisers that may not be consistent with their fiduciary duties. We believe the Commission’s approach of raising the standard for broker-dealers while not weakening investment advisory standards is the correct one. The proposals represent a good initial step; however, we believe the proposals need significant improvements to serve the best interests of investors.

NASAA is particularly supportive of the Commission’s effort to raise the broker-dealer standard of care through focusing on greater transparency, restricting the use of misleading broker-dealer titles, and implementing strong conflict mitigation standards. In each area, however, the proposals would leave broker-dealers in a position to put their own interests ahead

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.

of their clients. For instance, Regulation Best Interest should explicitly prohibit certain conflicts tied to agents' financial incentives, not merely leave it to broker-dealers to evaluate whether they have cured such conflicts through adequate disclosures and mitigative measures.

The Commission's proposal to address the proliferation of misleading titles is also to be commended. The use of the word "advisor" or "adviser" by persons whose primary goal is to sell a product and whose compensation is based on the sale of such products is misleading and confusing. To fully address this issue, the Commission should take a regulatory approach that addresses how a person "holds out" to the public as well as the person's title.

Additionally, any best interest standard imposed on broker-dealers must be applied as broadly as possible under the securities laws and must become operative early in the client relationship. As we will discuss in our comment letter, allowing broker-dealers to otherwise limit the application of the heightened standard to any of the services they provide will only serve to diminish the important protections to be gained with the implementation of a heightened standard of care. Further, investors' rights of redress must be fully protected under the standard and investors must be provided information regarding how violative conduct by firms and associated persons may be addressed.

It is similarly important that the efficacy of the proposed investor disclosure be validated. Consequently, we reiterate our initial request that the SEC make public the results of its investor testing and provide sufficient additional time to comment on the results of that testing. We encourage the SEC to conduct testing on the Form CRS (or a CRS-like disclosure document) as we believe the document in its current form is difficult to follow and will, therefore, be of limited use to investors.

NASAA appreciates the Commission's effort to address this complex issue and we look forward to sharing our detailed comments in our forthcoming letter.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Borg", with a horizontal line underneath.

Joseph Borg
NASAA President
Director, Alabama Securities Commission