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NAIFA Questions Intent of FINRA Rule Proposal, Requests Clarification

Issue: FINRA Regulations

Date: June 16, 2008

Action Taken: In comments filed with the Financial Industry Regulatory Authority (FINRA) on Friday, June 13, 2008, NAIFA asked FINRA to clarify the intent and purpose of a proposal to consolidate FINRA's supervision and supervisory control rules, and to affirm the limited nature of broker-dealer "supervision" over a registered rep's non-securities activities.

Background: FINRA is in the process of developing a new, consolidated FINRA Rulebook. As part of this process, in Regulatory Notice 08-24, FINRA has requested comments on a proposed re-write of FINRA's existing supervision and supervisory control rules. The financial press has reported that several insurance regulators and industry representatives are interpreting the proposal as requiring broker-dealers to supervise non-securities activities such as insurance transactions.

NAIFA's Position: NAIFA feels the FINRA proposal needs clarification in both its intent and meaning. NAIFA's comment letter raises our concerns over the lack of clarity in the proposal. We have asked FINRA to confirm that the existing requirement that registered reps must notify their broker-dealer of the rep's outside business activity (but not get the approval of or be otherwise supervised by the b/d in such activity) would not change under this FINRA proposal. We have also asked FINRA to clearly indicate in the proposal that a registered rep's activities that are unrelated to investment banking or securities are not regulated or supervised by FINRA.

Read NAIFA's comments to FINRA [here](#).

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