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June 5, 2009

Via E-Mail

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1560

RE: Regulatory Notice 09-22 – Personal Securities Transactions

Dear Ms. Asquith:

Northwestern Mutual Investment Services, LLC (“NMIS”)¹ appreciates the opportunity to comment on the above referenced FINRA notice concerning proposed consolidated FINRA rules governing personal securities transactions. NMIS fully supports FINRA’s efforts to develop a consolidated rulebook that harmonizes and streamlines existing rules.

In regards to FINRA proposed rule 3210, NMIS appreciates the opportunity to comment on the proposed changes to NASD Rule 3050 and NYSE Rule 407. In addition to our comments in this letter, which focus on the proposal as to NMIS’ particular perspective, we also strongly support in substantial part the comment letters submitted on behalf of the Financial Services Institute, the Committee of Annuity Insurers and the Securities Industry and Financial Markets Association.

The proposed rule would prohibit any associated person from opening or maintaining an outside brokerage account “in which securities transactions are effected” in which the associated person has a “personal financial interest,” without the prior written consent of the employer member firm. The proposed rule further adds that, as a condition to granting prior written consent, the employer member must instruct the associated person to have the executing member or other financial institution provide duplicate account statements and confirmations to the employer member.

Additionally, proposed Supplementary Material .01 addresses circumstances under which an account has been opened prior to a person becoming associated with a member firm. Under those circumstances, FINRA similarly would require the associated person, within fifteen business days of becoming associated, to obtain the employer’s consent to maintain the account and communicate association, together with instructions regarding duplicate account statements and confirmations for covered accounts, to the executing firm.

¹ NMIS is a registered broker-dealer and wholly owned subsidiary of The Northwestern Mutual Life Insurance Company.

The proposal does not define the term “personal financial interest” in an account, though the Notice indicates that spousal accounts generally would fall under the definition.

NMIS encourages FINRA to reconsider and provide greater clarity with respect to the scope of the proposed rule. Specifically, NMIS recommends that FINRA:

- Allow member firms the flexibility to request duplicate copies of confirmations and statements or electronic feeds of such data with respect to the account instead of requiring the associated person to have the executing member provide duplicate account statements and confirmations based upon the member firm’s business model. Most large member firms have invested significant resources and dollars for electronic feeds of securities trades in order to supervise personal securities accounts. These systems rely upon the member firm requesting the electronic feeds and effective supervision starts with the member firm’s request. Moreover, most member firms have established extensive policies and procedures and have designated an individual responsible for ensuring appropriate communication with executing members. Placing the responsibility upon the associated person would be unnecessary given current rule requirements.
- Incorporate the concept of “control” within the rule proposal in order to focus on those types of accounts that pose the greatest risk the proposal is intended to address. In this regard, FINRA should clarify that the rule would only apply to accounts over which the associated person has investment discretion or otherwise could exercise direct or indirect control, whether pursuant to a formal trading authorization or a fiduciary position, such as trustee, or otherwise. Conversely, to the extent an associated person does *not* exercise direct or indirect control over the outside account, that account would be excluded from the rule. Moreover, if FINRA defines “personal financial interest” this would allow for more effective risk-based oversight of the personal trading activities of associated persons to detect and prevent possible violative conduct, such as insider trading and front running.
- Amend Supplementary Material .03 to exclude certain types of accounts and transactions from the duplicate account statement and confirmation requirement. We recommend that FINRA expressly exempt from the rule proposal transactions in investment companies registered under the Investment Company Act of 1940, as amended, including mutual funds, unit investment trusts, insurance company separate accounts that fund variable annuity contracts and variable life insurance policies, and other redeemable securities of companies registered under the Investment Company Act of 1940, and accounts which are limited to transactions in the above-named securities. These accounts and transactions have little risk of insider trading and other perils the proposal is intended to address, and would force member firms unnecessarily to focus on accounts that do not raise such concerns, potentially with great expense. 529 college savings plans share many of the same characteristics as those securities identified above and accounts holding such securities; therefore, we recommend that the rule proposal expressly exclude them as well.

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- Amend Supplementary Material .01 to include "prompt" written customer consent if the account was opened or otherwise established prior to the person's association with the employer member. The proposed requirement of the 15 day would not be consistent with the other requirement of the Supplementary Material requiring "promptness". Moreover, a specific time duration requirement would be burdensome for a newly associated person and unnecessary for those firms that do not engage in market making or research activities.

We appreciate your consideration of our comments. Please let us know if we can provide any further assistance. If you have any questions, please contact me at 414.665.1924.

Very truly yours,

A handwritten signature in blue ink that reads "J. B. Williams". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Jeffrey B. Williams

Vice President and Chief Compliance Officer