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NASAA

October 31, 2014

Submitted electronically to pubcom@finra.org

Marcia E. Asquith
Senior Vice President and Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006

RE: Regulatory Notice 14-35

Dear Ms. Asquith:

On behalf of the North American Securities Administrators Association ("NASAA"),[1] I hereby submit the following comments in response to Regulatory Notice 14-35 entitled Customer Account Statements. NASAA appreciates the opportunity to offer its comments on FINRA's proposal regarding the delivery of account statements.

NASAA urges FINRA to revert to the monthly delivery requirement as originally proposed. More frequent delivery of account statements allows clients to better monitor their accounts and to identify any potential unauthorized or fraudulent activity in a more timely fashion. FINRA members have previously argued that a monthly delivery requirement would be too costly in light of what industry has characterized as the limited benefit to investors of receiving their account statements more frequently. In NASAA's view, proposed Supplementary Material .03 to Rule 2231 alleviates the cost concerns previously raised by the industry. The proposed supplementary material makes clear that FINRA members can satisfy their account statement delivery obligations electronically. Explicitly providing for the electronic delivery of account statements reduces the compliance costs associated with delivering account statements and addresses the prior concerns raised by the industry.

The current proposal also requires firms to deliver account statements directly to clients even when clients have provided explicit written instructions to have their statements delivered elsewhere. This requirement of direct delivery to clients could pose risks to clients that cannot ensure the privacy of their account statements, such as clients living in nursing homes or other assisted living facilities or clients who may remain living in their own homes but rely on the services of full-time caregivers. These types of clients, generally elderly individuals or individuals suffering from diminished capacity, cannot ensure that their account statements are

[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.

kept private. For example, a client living in a nursing home may not directly receive his or her own mail or may be unable to ensure that sensitive information contained in his or her account statements remains private. At the same time, however, NASAA recognizes the risks posed by removing the direct delivery requirement. If a client does not regularly receive his or her account statements, the client may not be able to detect unauthorized activity in his or her account or notice decreasing account balances.

FINRA must strike the proper balance between these two competing interests, each of which, if not addressed, could pose risks to investors. In the proposal, FINRA specifically seeks comments on whether the proposal should include certain exceptions for the direct delivery requirement. In NASAA's view, instead of creating exceptions to the direct delivery requirement, FINRA should require that more rigorous standards be satisfied before account statements can be delivered to someone other than the account holder. For instance, the written instructions executed by the client should be subject to a medallion signature guarantee or at a minimum notarization. These added verification steps help to ensure that a client in fact wishes to have his or her account statements delivered to a third-party. A client's intent to have statements delivered to a third-party must be expressed in the clearest terms possible because once account statements are no longer sent to the actual account holder, it is exponentially easier to defraud investors of their money.

In addition to the more stringent verification requirements for alternate account statement delivery instructions, when clients elect to have statements delivered to a third-party, firms should be required to deliver notices to these clients indicating that their account statements have been delivered to a third-party pursuant to their instructions. These notices should be delivered with the same frequency as account statements, should identify the third-party to whom the detailed statement was delivered, and direct clients to contact the firm if they would like a detailed statement or to inform the firm if they no longer desire to have their account statements delivered to the identified third-party.

NASAA appreciates the opportunity to offer its comments on the current proposal, and believes these proposed changes to the proposal strike the proper balance between clients' interest in timely receiving account statements and attempting to mitigate the risks created when clients may be unable to ensure the privacy of their account statements. Should you have any questions about NASAA's comments or desire to discuss the matter further, please contact NASAA's Acting Executive Director and General Counsel, Joseph Brady, at (202) 737-0900 or jb@nasaa.org.

Sincerely,

William Beatty
NASAA President
Washington Securities Administrator