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VIA ELECTRONIC FILING

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U.S. Securities and Exchange Commission
Nancy M. Morris, Secretary
100 F Street, N.E.
Washington, D.C. 20549-1090

RE: File Number S7-06-08
Comments on Proposed Amendments to Regulation S-P

Dear Ms. Morris:

This letter is submitted on behalf of AIG Advisor Group, Inc., which includes Advantage Capital Corporation, AIG Financial Advisors, Inc., FSC Securities Corporation, and Royal Alliance Associates, Inc., each of which is a registered independent broker-dealer and investment advisor. We appreciate the opportunity to submit comments regarding the recent proposal by the Securities and Exchange Commission ("SEC" or "Commission") to amend Regulation S-P.[1] Our comments specifically concern the proposed Exception for Limited Information Disclosure When Personnel Leave Their Firms, to be codified as 17 C.F.R. Section 248.15(a)(8) (hereinafter the "Proposed Amendment").

I. Background on the AIG Advisor Group, Inc. Firms

The AIG Advisor Group, Inc. is the largest independent broker-dealer network in the United States with nearly 8000 independent affiliated financial advisors and more than $40 billion in assets under management.

II. Background on the Independent Broker-Dealer Model

As noted above, the AIG Advisor Group, Inc. firms are independent broker-dealers. Their affiliated registered representatives are independent contractors, not employees. Furthermore, in the independent broker-dealer model, the clients' primary relationship is with the representative, not the broker-dealer.

Many, if not most, clients of independent contractor representatives think of themselves as clients of the financial advisor as opposed to the broker-dealer with which their representative is associated. The

[1] SEC Release No. 34-57427 (March 4, 2008), published at 73 Fed. Reg. 13692 (March 13, 2008).

Many, if not most, clients of independent contractor representatives think of themselves as clients of the financial advisor as opposed to the broker-dealer with which their representative is associated. The independent contractor representatives frequently operate as small "doing business as" ("DBA") firms. In addition, the registered representatives own or lease their offices, and own their file cabinets, computers, laptops, PDAs, and other client information storage media. Further, the personal and financial information gathered from the clients (sometimes gathered prior to the representative's association with his or her current broker-dealer) is generally viewed as belonging to the representative, not the broker-dealer. The broker-dealer maintains only that information required under relevant books and records provisions of the federal securities laws.

On occasion, an independent contractor representative decides to move to another broker-dealer. Given that the clients' primary relationship is with the representative, not the broker-dealer, most clients will follow the representative to the new broker-dealer. Transferring client accounts from one broker-dealer to another involves a considerable amount of paperwork. It is in the interest of the clients to transfer accounts as quickly as possible, a process that is significantly easier if the representative is able to share client information with the new broker-dealer. The client is, of course, the ultimate decision maker regarding whether he or she transfers the account. Transfers to new broker-dealers are often of little consequence to the clients of independent contractor representatives. While the representative's affiliated broker-dealer changes, the representative's DBA firm does not change.

III. Concerns with the Proposed Amendment

We have the following concerns with the Proposed Amendment, many of which stem from the fact that the Proposed Amendment ignores the realities of the independent broker-dealer model.

A. The Proposed Amendment creates a veto power by the registered representative's original firm.

The Proposed Amendment allows broker-dealers to disclose limited information when a registered representative moves from one broker-dealer to another. However, such disclosure is permissible only when the representative's original broker-dealer consents. The practical effect of this aspect of the Proposed Amendment is to grant the original broker-dealer a veto power, perhaps causing delay in the orderly transition of accounts to the new broker-dealer. The Commission offered no rationale for granting the original broker-dealer this veto power.

The veto power should be deleted from the Proposed Amendment for the following reasons, among others. First, the veto power does not safeguard client information. As the Commission acknowledged, the limited disclosure of client contact information to the new broker-dealer poses little to no risk of identify theft or misuse, and is the type of information a client would expect a representative to remember.[2] Second, the veto power undermines the Commission's stated goals of promoting client choice and convenience, and "legal certainty" in the transition process.[3] Indeed, the veto power creates significant uncertainty, and, if exercised, might impede client choice and result in client inconvenience. Third, the Commission's rationale for the veto power, although unstated, appears to be that the broker-dealer, not the representative, owns the client information, which is not true in the independent broker-dealer context. As noted above, it is the independent contractor representative, not the broker-dealer, who has the greater interest in the client information in the independent broker-dealer model. Moreover, the Commission's concern about protecting the broker-dealer's interest in the client information is not a privacy concern and, in any event, it is unwarranted because broker-dealers can simply use non-solicitation agreements to protect that information, if they so choose. For these reasons, departing

[2] *Id.* at 13702.

[3] *See id.* at 13702-3.

representatives should have an absolute right to share the client information, at a minimum the three categories of information contemplated by the Proposed Amendment, with their new broker-dealers.

B. The information sharing allowed by the Proposed Amendment is too restrictive.

The Proposed Amendment permits the disclosure of only three categories of information: the client's name, the client's contact information (including address, telephone number, and email address), and "a general description of the type of account and products held by the customer."[4] These categories are far too restrictive. Independent contractor representatives gather various forms of client information, and they should be permitted to use that information for legitimate purposes, including sharing it with their new broker-dealers to facilitate the orderly transition of accounts. This would promote the Commission's stated purposes of fostering client choice and convenience.[5] For example, the Proposed Amendment should be revised to allow representatives to provide their new firms with account registration information, which would significantly aid the transition process especially where there are multiple accounts within households. This type of information would help the new broker-dealer ensure that the proper paperwork is sent to each customer depending on the type of account. Absent a broadening of the categories of disclosable information, there will be delays in the transitioning process because the client contact information alone is not sufficient to allow the new broker-dealer to begin establishing accounts. Expeditious transitioning of accounts is in the client's best interest. Moreover, even if the client opts not to transition with the representative to the new firm, disclosure of client information to the new broker-dealer poses little, if any, risk of misuse, identity theft or other abuse.

C. The Proposed Amendment fails to take into account regulatory requests and litigation.

If registered representatives are unable to take client information to their new broker-dealers, representatives may be placed in the untenable position of being unable to respond to regulatory inquiries or defend themselves against customer complaints relating to customers at the original broker-dealer. This unfair result is yet another reason why departing representatives should have the right to take client information with them to their new firms.

D. The Proposed Amendment fails to consider registered representatives who are not employees.

The Proposed Amendment requires a departing representative to provide his or her broker-dealers with a written record of information that will be disclosed to the new firm "no later than the representative's separation from employment."[6] As noted above, independent contractor representatives are not employees of their broker-dealers, and accordingly, will not have a date of "separation of employment." This language should therefore be revised to take into account the independent contractor status of representatives associated with independent broker-dealers.

E. The Proposed Amendment fails to take into account state-registered advisers.

The Proposed Amendment applies only to information sharing when representatives transfer between broker-dealers and SEC-registered investment advisers; the Proposed Amendment does not apply when a representative transfers from or to a state-registered investment adviser. The Commission should correct this oversight.

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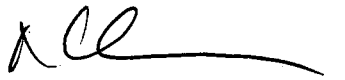
[4] *Id.* at 13702.

[5] *Id.* at 13702-3.

[6] *Id.* at 13702.

On behalf of the AIG Advisor Group, Inc., I want to thank the Commission again for the opportunity to comment on this important matter. Should you have any questions, please contact me at 212-551-5133.

Respectfully Submitted,



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