Mr. Katz--

I am aware that the comment period for Certain Broker-Dealers Deemed Not to be Investment Advisers is officially closed. I was speaking with Nancy Morris of the SEC and discussed that I had compiled a comparison of brokerage vs advisory. She requested that I submit it. See attached WORD document.

I did submit a comment letter during the comment period. As a reminder, I am a consulting firm serving both BDs and RIAs. I have no bias as to which service provider is better. I have no bias as to compensation. Therefore the goal of my comparison is to be as objective as possible. Each statement is positively worded as to what a service provider does, and not to point fingers at what the other side does not do. It is presented with the intent, that if BDs and RIAs will be required to provide a comparison disclosure, that it is reader-friendly (including a one-page format). It is a uniform disclosure that BDs and RIAs can utilize. It is meant to get to the basic service and fee differences that is important to client understanding, and not belabor recordkeeping and other ministerial differences.

Despite this submission, I want to reiterate from my comment letter that I am not completely satisfied with a disclosure fix. Clients are already buried in too many disclosure documents. The more documents a client has to read, the less likely they are to read any of them. My recommendation is to have a bright line (logical) test between BDs and RIAs -- that of holding out and special [fee] compensation.

I appreciate your continued consideration of my comments. I will make myself available to the SEC to offer additional insights and work on any special study committee.

Thank you.
--Nancy Lininger
Founder/Consultant
The Consortium

COMPARISION BROKERAGE VS ADVISORY

BROKERAGE	ADVISORY
Registered Rep ("RR") recommends securities (stocks, bonds, mutual funds, other vehicles) and transacts for a commission through own Broker/Dealer ("BD") in registered agent capacity. Current rules allow RRs to have discretionary authority, however this issue is being debated as a possible bright line test to distinguish brokerage from advisory.	Investment Advisor Rep ("IAR") recommends (or places discretionary trades) in securities (stocks, bonds, mutual funds, other vehicles) and places the trades under a limited power of attorney through a third party BD. IAR is paid a fee (hourly, flat, or percentage of assets under management) from the client (or from client funds held at the BD).
RR must recommend a suitable investment based on client investment objectives and risk tolerance.	IAR acts in clients' best interest as a fiduciary based on client investment objectives and risk tolerance.
RR can place trades in any listed security. (Some limitations may be set by the BD as to penny stocks or restricted securities.) Packaged products (mutual funds and limited partnerships) go through BD due diligence and must be on the approved product list to be offered to the client. RRs would be in violation of NASD rules to earn any compensation from a product not on the approved list.	IAR in theory is not limited to an approved list and should seek the best investment. However the IAR may be restricted by the firm's Investment Policy Guidelines as set out by its Investment Committee. Furthermore, the IAR may not have access to, or otherwise may avoid certain commissionable products, so that the client does not end up paying a fee plus commission. Therefore, the investment universe may also be limited.
Client pays only a commission (and incidental brokerage transaction fees). Commissions take a bigger chunk out of the initial investment than advisory fees, but can be less expensive in the long run for a buy and hold investor.	Client pays only a fee to the IAR. The IAR may be "fee-only" meaning that the IAR only gets fees and no commissions. However, the client may be paying commissions (and other trading fees) to the brokerage firm. The use of "no-load" mutual funds (or load funds offered at NAV) avoids the double hit (however all funds charge annual expense fees). Advisory fees are a smaller percentage than commissions, however the fee is charged each year whether trading takes place or not, and on the whole portfolio, not just the portion that is traded. Advisory fees could be more expensive in the long run for an inactive trader, and therefore the investor must consider any value-added services if any.
To determine suitability, the RR must gather information and may create a financial plan that is "segmented" or focused on investments and/or insurance products with considerations for taxes, college funding, retirement, and other needs. Plan solutions are likely to concentrate on commissioned transaction solutions. Financial planning is incidental to the brokerage activity, and therefore is offered free of charge.	Not all IARs create financial plans, since some firms only "manage" or "supervise" investment portfolios. If financial planning is offered, the plan could be segmented on particular needs, or could be "comprehensive." Plans are likely to have an emphasis on taxes, college funding, retirement, estate, or other needs – however the IAR does not perform legal or accounting services (unless otherwise an attorney or accountant). Client pays a fee for "objective" advice. However, the solution is likely to focus on the favored investment philosophy (stocks, no-load mutual funds, separately managed accounts).
RRs should not "hold out" as providing investment advisory services (unless also	IARs may be called financial planners, portfolio managers, or other similar names. Only

dually registered in that capacity). A debate is under way as to what constitutes holding out and what is incidental to the brokerage business. Many RRs call themselves "financial advisor" but this is being debated within the industry as to the appropriateness of this title.	certain IARs may use the term "Investment Counsel."
Client pays a commission. Therefore the RR gets compensated. Commission is a current bright line test to distinguish brokerage. Currently some brokerage accounts may be on a fee basis, but the future of fee accounts are being debated.	Client pays an advisory fee. Therefore the IAR gets compensated. Fees traditionally were a bright line test of what was an advisory account, but currently the lines are blurred.

There ain't no free lunch. Investment professionals earn a living for services rendered.