



December 6, 2024

North American Securities Administrators Association, Inc.
750 First Street NE, Suite 990
Washington, DC 20002

Re: Proposed Revisions to NASAA’s Dishonest or Unethical Business Practices of
Broker-Dealers and Agents Model Rule

To Whom It May Concern:

Consumer Federation of America¹ writes in support of the proposed amendments to the NASAA model rule on Dishonest or Unethical Business Practices Of Broker-Dealers And Agents (“Business Practices Rule”).² The proposed revisions to the Business Practices Rule would update the model rule in light of the U.S. Securities and Exchange Commission’s (“SEC’s”) Regulation Best Interest (Reg. BI). In particular, the proposal would: (1) add a best interest conduct standard applicable to broker-dealers and agents in light of Reg. BI; and (2) prohibit misleading uses of the title “advisor” or “adviser.”

First, the current Business Practices Rule does not explicitly include a best interest standard or state that failure to comply with Reg. BI would be considered contrary to high standards of commercial honor and just and equitable principles of trade. The proposal remedies this lack of clarity by explicitly incorporating Reg. BI, making clear that broker-dealers and agents are prohibited from placing their own interests ahead of their customer’s interests. In addition, the proposal states that failure to comply with Reg. BI would be considered contrary to high standards of commercial honor and just and equitable principles of trade. Providing clarity in this manner will help unify the state and federal standards of conduct and provide states with a uniform model on which they can update their standards, if necessary.

Second, the current Business Practices Rule does not explicitly prohibit the misleading use of the professional title “adviser” or “advisor.” We agree that it is a deceptive and unethical practice for broker-dealers to mislead investors into believing they are acting as investment advisers by using the “adviser” or “advisor” titles. Using these titles in this manner blurs the lines between these two business models and gives investors a false impression regarding the capacity in which a firm or agent is operating.

In conclusion, the proposed revisions would provide state securities regulators a uniform model on which to update their regulatory regimes, if necessary. Adopting these revisions will promote clarity to broker-dealers and agents about their regulatory obligations and benefit investors by

¹ Consumer Federation of America is a non-profit association of approximately 250 national, state, and local pro-consumer organizations. It was established in 1968 to advance the consumer interest through research, advocacy, and education.

² https://www.nasaa.org/wp-content/uploads/2024/11/FINAL_Request-for-Public-Comment_Amendments-to-DU-Nov.-2024.pdf

ensuring broker-dealers and agents act with high standards of commercial honor and just and equitable principles of trade.

Respectfully submitted,

A handwritten signature in cursive script that reads "Micah Hauptman".

Micah Hauptman
Director of Investor Protection