



February 27, 2013

Mr. Ronald W. Thomas
Director
Virginia State Corporation Commission
Division of Securities & Retail Franchising
P.O. Box 1197
Richmond, VA 23218

RE: SEC-2012-00038 Order to Take Notice (December 21, 2012)
Proposed Revisions to the Virginia Securities Act

Dear Mr. Thomas:

On behalf of the Securities Industry and Financial Markets Association ^[1]("SIFMA"), I am writing to request your consideration of our comments to the Virginia State Corporation Commission's ("Virginia Commission") proposed revisions to the rules governing the Virginia Securities Act. Many of the proposed revisions appear to be technical in nature. Overall, SIFMA supports those proposed rule modifications. We respectfully request, however, that the Virginia Commission adopt language based on FINRA's annual audit rule and remove the social media definition.

Specifically, with regard to 21VAC5-20-260 F of the revisions, we would recommend replacing the proposed language with language based on FINRA's Internal Inspection (NASD Conduct Rule 3010(c)) rule. We propose the following language: All firms registered in the Commonwealth of Virginia shall conduct a review, at least annually, of each office located in the state. This review shall be reasonably designed to assist in detecting and preventing violations of the Act and rules.

It is our view that using uniform language based on FINRA's internal inspection rule would encourage greater compliance and provide more efficient audits. In addition, the language allows auditors to take samples, which have proven to be sufficient in detecting violations, and would not

^[1] The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org.

require as the proposed rule does that every trade be examined. If each trade was required to be examined on a review in a large branch the review would take months. Finally, this type of review would be more in line with the procedure that regulators use when they conduct their own inspections.

Additionally, we would recommend that the definition of “social media” be removed from this set of revisions until we have a better understanding of the purpose and origin of the proposed language. To the best of our knowledge, no other state has such a definition in their securities statute. We fully appreciate that social media usage is frequently reported in the press and that there is legislation pending in many states related to its usage and personal privacy protections. In fact, I have attached Heath Abshire’s (NASAA’s President and Arkansas’ Securities Commissioner) letter on social media privacy to the National Council of State Legislators.

Once again, we applaud the Virginia Commission for their efforts in seeking to adopt revisions to the rules. SIFMA’s recommended modifications, we believe, create greater regulatory harmonization while retaining the core objectives of the proposed rule.

If you have any questions or need additional information, please call me at 212-313-1233 or contact me via email at nlancia@sifma.org.

Sincerely,

Nancy Donohoe Lancia
Managing Director
State Government Affairs