

January 11, 2013

Ms. Marcia E. Asquith  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1506

Re: Request for Comment on a Proposed Rule to Require Disclosure  
of Conflicts of Interest Relating to Recruitment Compensation  
Practices

Dear Ms. Asquith:

In response to FINRA's request for comments on a proposed rule to require disclosure of conflicts of interest relating to recruitment compensation practices, I would like to offer the following:

As a small firm with fewer than 25 registered representatives, we find it a huge challenge to recruit quality registered representatives with an established and loyal client base.

Larger firms have significant offerings of all sorts that can entice registered personnel. These include state of the art technology, research departments, syndicate participation, company funded insurance, retirement programs and much more. The offerings of small firms are usually limited to an improved payout grid, less pressure to produce at all costs and a more relaxed atmosphere. Added to that is the registered reps potential ability to contribute in a significant way to the survival of a small firm in a regulatory climate that is decidedly burdensome and unfriendly to small firms.

So, what do we do? Well, we offer incentives (enhanced compensation) to induce a registered person to give up their large firm benefits and place themselves in a quality, co-operative environment where they, their clients and their business actually matter and can make a difference.

Now, we are being told that we may have to disclose those incentives to clients before the client makes a determination to transfer their account to our firm. This is being done under the pretext of making sure that the client is aware of any conflicts of interest. The conflicts of interest being referred to are the possibility that a registered person may

make additional, unnecessary and/or inappropriate transactions within an account due to the structure of the enhanced compensation. Also called, churning or unsuitable transactions.

In reality, regulations related to both churning and suitability already exist! Firms are already required to maintain compliance with those regulations. The how or why an account was "churned" makes no difference, it is still against regulations, period. The same goes for unsuitable transactions. It is a firm's regulatory responsibility to insure that these rules are complied with. Firms already have procedures and policies in place to monitor for such abuses and, are required to do so.

When a registered person makes a decision to move firms, it is always after a lot of thought. In my experience, it is mostly related to how their business relationship with their clients will be affected. The impact on the clients matters significantly. When a client chooses to move their account to the new firm, it is a testimony to the relationship they already have in existence with their registered rep. The client clearly values the services of their rep enough to continue that relationship at the new firm. If they were unhappy, they simply wouldn't complete transfer paperwork.

What exact purpose is served in requiring a rep to tell the customer how much more money he or she may be making at the new firm? Historically, this has been confidential and private information between an employee and his/her employer. Is this disclosure designed to benefit larger firms by discouraging a rep from transitioning? Or, is it maybe a push from regulators to add even more onerous requirements upon reps and firms that could potentially undermine a successful client/rep relationship? Either way, to what benefit?

Rather than adding more burdensome disclosures and regulations that really have nothing to do with the quality of service provided to a client, I believe we all should be concentrating on reviewing and enforcing the myriad of existing rules and regulations that, in this case, already provide for the protection of the client.

Respectfully submitted,

Kristin H. Kennedy  
Sr. Vice President  
Arthur W. Wood Company, Inc.  
Boston, Massachusetts