

I wish to offer a comment on FINRA's proposed rule to require disclosure of conflicts of interest relating to recruitment compensation practices.

I am vehemently opposed to the proposed rule for the simple fact that this is over-regulation and a duplication of current policy. I have been with the same firm since I started in the business in 2005. I have never switched firms and therefore, have never had to have my clients switch to a different company. That being said, I do not see how a financial advisor taking a transition check would have any impact at all on clients. When an advisor moves to a different firm clients have the choice to remain at the current firm or transition with the advisor to the new one. If the advisor has not done a good job for the client or if the client has felt that the advisor has not put their interests first they most likely will choose to stay where they are and use the new broker they are assigned. Recruitment compensation should not have any impact on whether or not the client moves to the new firm. The client is ultimately the one to decide and should not be negatively influenced by a FINRA disclosure that has no impact on how the advisor has or will serve them. Will FINRA require the firm to also send a disclosure to the clients telling them how much the advisor's pay has diminished due to the interruption of payroll during the move?

In addition, this rule is targeted at only those moving to a new firm. Why is this proposal not targeted at everyone? What about the advisors who receive retention bonuses to stay at their current firms when they merge or are bought out? What about advisors who receive deferred compensation for reaching certain production performance, product targets, asset levels, financial plan numbers, or opening up certain account types? Are these any more or less dangerous than recruitment bonuses? I think the answer is no because there are policies and procedures in place to prevent abuses of the client through supervision and trade reviews. Since this supervision is now mandatory throughout the industry why would a transitioning advisor not be subject to the same review as others? This rule would not do anything that is not already practiced by firms.

I also think we must apply the common sense rule. In what other professional industry do they disclose how much a person received to switch firms or employers? If a CPA switches from Firm A to Firm B because he believes it is better for his clients and/or for himself does anyone know how much the new firm is paying them? Does the client receive worse advice because the CPA now works for a new firm and may have received compensation to move? What about doctors or lawyers? The point I'm making is that other industries, other professions, do not disclose this because they know the client makes the final call. If quality goes down then clients find a new provider for that service.

Finally, I see this disclosure as a way for advisors or management at the firms where the advisor left to use as a negative tool to retain clients. They will say that the advisor only left for money and will point to the disclosure as proof. They will not mention that the advisor probably lost clients, revenue, deferred compensation, 401(k) matches, and assets at the old firm as part of the move. If FINRA does adopt this proposal I hope they will also allow the advisor to indicate on the disclosure form their personal reason they are moving. Money is not always the only incentive.

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