

Marcia Asquith
Senior Vice President & Corporate Secretary
FINRA
1735 K Street, NW
Washington D.C. 20006

Dear Ms. Asquith:

I am generally supportive of regulatory proposals that aim to disclose to investors the existence of genuine conflicts of interest. However, FINRA Regulatory Notice 13-02 concerning recruitment compensation is so inherently flawed that I cannot support it. The unintended consequences of FINRA's approach to recruitment compensation disclosures will harm financial advisors and, more importantly the investors we serve. For the following reasons, I strongly urge FINRA to reevaluate Regulatory Notice 13-02 to address its many shortcomings, set forth below:

- The Proposed Rule Questions the Motives of All Financial Advisors - The added disclosure assumes that all advisors act in bad faith and suggests that clients should not trust their advisor after they have received enhanced compensation as part of being recruited to a new firm. However, many recruitment compensation packages do not raise any conflicts of interest and may, in fact, benefit investors. For example, a recruitment package that covers the clients' ACAT transfer fees, the advisors' moving expenses, or new advertising materials does not create a conflict of interest between clients and advisors. Instead it may allow a financial advisor to move his clients to a firm that can better serve their needs. Only those recruitment packages that create conflicts of interest should be subject to disclosure under the Proposed Rule.
- The Proposed Rule Treats Similar Compensation Arrangements Differently - The Proposed Rule leaves out some compensation agreements that may potentially raise conflicts of interest. For example, retention bonuses would not be included under FINRA's definition of enhanced compensation even if they did incentivize an advisor to put his or her interest ahead of a client's. All enhanced compensation arrangements that raise conflicts should be treated similarly.
- Doing otherwise will mislead investors into believing that recruitment compensation is the only compensation arrangement with the potential for conflict.
- The Proposed Rule will Complicate Succession Planning Efforts - This required disclosure would have the unintended consequence of complicating succession planning. Transition assistance may be offered to an advisor who is taking over the clients of a retiring colleague who is associated with a different firm. The prospect of transferring these clients becomes much less attractive if the new financial advisor is required to disclose that he or she has a potential conflict of interest for accepting this transition assistance. The interest of investors is not aided by complicating succession planning efforts that ensure that clients continue to receive the services they should expect from a trusted financial advisor.

For these reasons, I urge FINRA to reconsider this proposal. Thank you for considering my comments.

Sincerely,