Thank you for the opportunity to comment on the "Recruitment Compensation Practices" Regulatory Notice 13-02.

As a small firm, the rule proposal outlining disclosure requirements concerning recruiting compensation and/or incentives of $50,000 or more would have little impact on our firm – as we would not typically be in an economic position to offer this size incentive package to prospective financial advisors. You might think that this fact would cause me to support the newly proposed disclosure requirements in an effort to stem this practice (clearly the requirement to disclose some of these enormous recruitment packages would create a disincentive to continue them – at least at the very highest levels). However, that is not the case.

I am against the proposed disclosure requirements for the following reasons:

- The random nature of picking $50,000 as the threshold disclosure amount has no bearing on purported conflicts. A $50,000 incentive paid to a $1 million producing rep is quite a bit less meaningful than that same incentive paid to a rep that produces $250,000.
- The random nature of requiring disclosure for one year – particularly to "all customers". Most advisor transitions happen within a very short time period. One year of disclosures seems extensive based on the typical transfer timeframe and the indication that the disclosure would be required to be made to "all customers" recruited by the transferring rep leads me to believe it would cover all new clients as well, even those not associated with the prior firm. An incentive package provided as part of a transfer should be completely irrelevant to a new customer.
- Oftentimes these incentives are used to pay back a portion of a "forgivable loan" in order to leave an existing firm, that in many cases may very well be the best move for the advisor and his/her clients. It is sometimes applied to the expenses the transferring clients incur when moving their accounts. There should not be an automatic assumption that incentive compensation is a conflict of interest – it is often a part of the package to make the transition realistically able to be accomplished.
- When an advisor transfers their book of business, there is a real impact to their current income due to the disruption. There may be relocation expenses, equipment to start up a new office, staff that need to be hired, etc. Will the advisor be able to give the client an offsetting disclosure that outlines what it will cost to make the move?
- Exactly how would this figure be calculated, particularly as it pertains to "enhanced payouts"? So, if I agree to give a 10% higher payout than I normally would pay an advisor, what activity do we base the 10% enhancement on to come to a dollar figure to compute whether it requires disclosure? Do we guesstimate the future business that has yet to be executed with the firm? Do we base it on the previous 12 months production regardless of what is actually produced over the next 12? If I provide a computer to an advisor as part of the move, and that is not something I routinely do, is that "enhanced compensation". The vagaries around this calculation make it nearly impossible to calculate what the actual "incentive compensation" is or will be…
- The option of providing an oral disclosure is not practical as an option. I appreciate that FINRA considered some flexibility in how the disclosure is to be delivered, but I can't

fathom any firm that would allow for oral disclosure and put themselves in a position of not having physical evidence the disclosure was made.

- Finally, I feel that this is just not an area that FINRA should be spending its time and resources on. Our country is based on capitalism – which sometimes means paying the most money or offering the best benefits to attract the best talent. This can be found in every industry – it may not be based on "trailing 12" as it is in the financial industry – but clearly all industries vie for the "best of the best" when it comes to hiring. It is not new or uncommon that the size of a company's compensation package reflects their interest in a particular person. I worry what might come next, will we be told what payout levels are "inappropriately" too high? Will our employment contract language be dictated to read a certain way?

As frustrating as it is to compete with firms that have such large checkbooks – in my mind, this is just part of our cost of doing business. You learn to compete in other ways and those that are attracted to a firm like mine are probably not the ones that are looking for 300% of their trailing 12. That doesn't mean that those that are in this mindset are bad or inherently doing anything wrong to attain those incentives. As many other respondents to this proposal have already pointed out, there are plenty of other rules on the books to capture inappropriate activity, if that should occur. Let's not use that as an excuse to go after incentive compensation. If a firm is willing to basically lose money on a new advisor for a period of time, with the hopes to recoup it over an extended contract period, that should be their prerogative.

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