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Via Electronic Mail (pubcom@finra.org)

March 5, 2013

Ms. Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 2006-1506

RE: FINRA Regulatory Notice 13-02 Recruitment Compensation Practices

Dear Ms. Asquith:

Please accept this letter from Ameriprise Financial Services, Inc. ("Ameriprise") as a comment for the Financial Industry Regulatory Authority ("FINRA") on Regulatory Notice 13-02 and its accompanying proposed ruled ("Proposed Rule") related to conflict disclosures in instances where a registered representative receives increased compensation when reaffiliating with another member firm. Ameriprise supports the objective of disclosing material conflicts of interest in the securities industry, and the firm believes that transition compensation can create at least a potential conflict that should be appropriately disclosed. Ameriprise appreciates that FINRA determined to seek comment from member firms before the Proposed Rule is submitted to the Securities and Exchange Commission ("SEC").

Ameriprise also believes that disclosures in this context should be meaningful and should be properly crafted to recognize the:

1. goal of keeping disclosures simple and balanced, so as not to confuse or mislead clients inadvertently,
2. individual advisor's privacy interests,
3. operational inconsistencies that could be created by overly tailored disclosures,
4. pre-existing obligations of member firms to supervise client suitability in the recruiting context, and
5. unintended consequences for advisor and client migration that the Proposed Rule might create within the current regulatory framework.

In light of these factors, Ameriprise believes that prominent disclosures made in conjunction with or before a client finalizes the transfer of an account would be most appropriate and that these disclosures should describe the forms of enhanced compensation that may be available to recruited advisors without specifying the exact types or amounts of enhanced compensation received by an individual advisor.

Summary of the Proposed Rule

The Proposed Rule would require registered representatives to make personal and dollar-specific disclosures to retail customers upon their "first individualized contact" after representatives join a new firm. The proposed disclosure applies to any form of "enhanced compensation" paid to the representative by a broker-dealer in addition to ordinary compensation received by other representatives already registered at the new firm, and the disclosure would need to be made during the first year of the new affiliation at time of the first individualized written communication with the prospective client as well as during the first oral communication with the prospective client if that conversation precedes the disclosing written communication.

Factors to Consider for Appropriate Disclosure

Ameriprise recognizes FINRA's concerns about undisclosed conflicts related to enhanced compensation, and Ameriprise supports FINRA's objectives of greater transparency in the securities industry. In light of current regulatory obligations related to account transfers in the recruiting context, Ameriprise believes that prominent disclosures included in the body of a cover letter with account transfer paperwork would best meet this goal.

Initially, the Proposed Rule may create misperceptions about member firms and their registered representatives rather than helping clients understand the potential impact of transitional compensation. For instance, a sizable up-front bonus paid to an advisor does not directly cause a client to have to pay higher commissions or fees. Individual client assets for transferring clients are treated like other client assets at the new firm, and the revenue from commissions and fees is reallocated so that the recruited advisor receives a larger portion of current or anticipated revenue, but an individual client's assets do not directly contribute to the bonus paid to an advisor. The different types of enhanced compensation paid to registered representatives and the different types of practice structures also may not be appreciated by a client who receives a disclosure. For instance, a substantial loan or bonus amount may be lucrative for an individual employee advisor who moves from one firm to another, but that same amount may only cover operating costs for an independent contractor who employs five to ten support staff and who is making mortgage payments on the commercial space that she leases for her practice. This transitional compensation could be extremely important for an independent contractor because her clients may take three to nine months to transition – drastically reducing the revenue that she normally uses to pay the expenses and salaries associated with the practice. In addition, some advisors send a mere announcement card to clients in the event that a client wishes to contact them at their new firm. These simple types of mailings should not require a disclosure, and the Proposed Rule does not address the materially different contexts in which it would operate.

Ameriprise believes that it is also important to recognize that many registered representatives would prefer to keep this information confidential due to concerns for their privacy. The personal financial information that a client shares with a FINRA member firm (even a client that is also a registered representative who has deposited an enhanced compensation check in a brokerage account) is protected by Regulation S-P or other state privacy and information security requirements. In a similar vein, when a registered representative files a federal tax return that reflects enhanced compensation, that return is considered confidential under the Internal Revenue Code. The information contained in disclosures under the Proposed Rule, however, would be subject to further uncontrolled publication through websites or other electronic media and could become available to identity thieves or others with less refined motives. In light of the common expectations that this information would ordinarily be highly confidential and the potential risks related to subsequent disclosures, FINRA should be reluctant to require dollar-specific disclosures unless there is an overwhelming need for the disclosure that cannot be addressed in any other way.

Detailed disclosures would also present challenges related to the accuracy of the information. Some enhanced compensation packages may require a registered representative to collect a minimum amount of assets or to repay an unrelated debt before receiving additional enhanced compensation. If an advisor does not meet some of these interim requirements, his compensation may change, and his disclosures to clients would need to be revised. Tracking this type of performance for hundreds of advisors and modifying the disclosures for many thousands of clients over the course of a year would be resource intensive and difficult to operationalize consistently.

FINRA also has two Notices To Members (07-06 and 07-36) that protect clients by directing member firms engaged in recruiting to analyze client holdings of mutual funds and variable products when an advisor reaffiliates to a new firm and moves client assets from the prior firm. In addition, both member firms in a recruiting situation have supervisory obligations related to activity in an account while the account is at that firm. As a result, there are active processes providing supervision over a client's account at the original firm and at the new firm, and the recruiting firm has additional responsibility pursuant to these two Notices. Unlike the Proposed Rule, which requires only disclosure, these Notices have already caused firms to perform diligence on client holdings and to actually manage the potential conflict.

In contrast to the obligations in the Proposed Rule, many registered representatives would be able to avoid these disclosures entirely by joining a Registered Investment Advisor that uses a separate broker-dealer to custody assets and clear trades. These RIAs could pay identical bonuses to the registered representatives and would operate entirely outside of the purview of the Proposed Rule. While those RIAs might choose to disclose the enhanced compensation, they would not need to disclose the exact amount of compensation received by the representative, and they probably would not require that disclosure to be part of the first individualized contact with a client.

Finally, FINRA specifically requested comments on the proposed requirement that would require the representative to disclose enhanced compensation details to any customer contacted by the representative while the registered person is still at the previous firm. We do not believe that this portion of the proposed rule is workable. It would prevent any supervision of their interaction with the customer by virtue of the fact that their new firm would have no means to monitor the situation between the representative and the customer. This portion of the proposed rule is incongruent with both the obligations of an employee to act in good faith on behalf of their current broker-dealer and the responsibilities of a firm to supervise all representatives conducting business for the firm.

In conclusion, Ameriprise believes that the specificity being contemplated by the Proposed Rule creates unnecessary vulnerability for registered representatives and would be likely to create disclosures that, while noticeable, would be difficult to operationalize and maintain. The same degree of conflict avoidance and management can also be achieved by more general disclosures to the client about the broad categories of enhanced compensation that may be available to advisors who transition to a new firm while firms continue to operate under the directives of Notice To Members 07-06 and 07-36. Ameriprise appreciates the opportunity to provide comments on FINRA regulatory Notice 13-02, Recruitment Compensation Practices, and representatives of the firm would be pleased to discuss any comments herein or to provide FINRA with any additional assistance as it proceeds

with the rule proposal. Please do not hesitate to email me at patrick.e.cox@ampf.com or to call me at (612) 678-7419.

Kind regards,

/s/ Patrick E. Cox

Chief Counsel - The Personal Advisors Group
General Counsel's Organization