

John W. Thiel
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Merrill Lynch, Pierce, Fenner & Smith Incorporated

March 5, 2013

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

By electronic mail to pubcom@finra.org

Re: Regulatory Notice 13-02 – Recruitment Compensation Practices

Dear Ms. Asquith:

Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”) submits this letter in response to Regulatory Notice 13-02, “Recruitment Compensation Practices” (the “Notice”), to provide comments regarding the proposed rule to require disclosure of recruitment compensation that may give rise to potential conflicts of interest (the “Proposed Rule”). Merrill Lynch appreciates this opportunity to present its comments regarding the Proposed Rule.

Merrill Lynch writes this letter in support of the Proposed Rule. Throughout this letter, we use the term “financial advisor” to refer to any person associated with a FINRA-member firm dealing with client accounts for natural persons. We use the term “enhanced compensation” throughout this letter as it is defined in the Notice for purposes of the Proposed Rule.

I. Support for mitigation and disclosure of conflicts of interest relating to enhanced compensation

As with other regulations that require disclosures to mitigate conflicts and aid the understanding of investors through the use of plain English language, Merrill Lynch believes that disclosure of enhanced compensation makes investors aware of potential conflicts, and, through this transparency, can lead to increased investor confidence and trust.

Merrill Lynch therefore supports specific, prominent, industry-wide, written disclosure of the financial advisor’s enhanced compensation arrangements.

II. Responses and comments to the Notice

2.1 Content of the disclosure.

Merrill Lynch agrees with the disclosure principles that are described in the Notice and the Proposed Rule, and suggests that interpretive material further describing what is entailed by disclosure of “nature, timing, and amount” of enhanced compensation be incorporated into the Rule. Merrill Lynch also believes that the required disclosures should be plain-English disclosures that are readily understandable by retail clients.

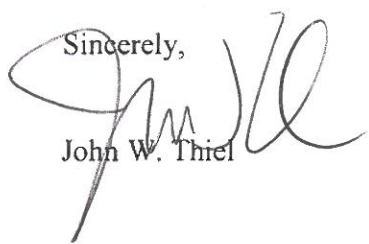
2.2 Disclosure should be written.

The Notice contemplates both oral and written disclosure. While we support the general concept of oral disclosure at the first time the financial advisor speaks with clients to inform them that he or she has moved to another firm, we believe that the delivery of such oral disclosure will be difficult to supervise and to demonstrate. We therefore recommend a practical solution, namely a requirement of written disclosure at account opening. Disclosure at account opening provides transparency to the prospective client prior to the time that a client has moved his or her assets, in a form that can be supervised and demonstrated by firms.

III. Conclusion

Merrill Lynch appreciates this opportunity to comment regarding the Proposed Rule, and reiterates its support for the Proposed Rule. We would be pleased to discuss the Notice and the Proposed Rule further, and to provide any additional information that might be helpful to FINRA as it further considers the Proposed Rule. To that end, please feel free to call the undersigned at 212-236-4395 at any time in this regard.

Sincerely,


John W. Thiel