

March 5, 2013

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

**RE: Regulatory Notice 13-02**

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. In addition, we would suggest a general disclosure, not specifics, be made to investors transferring from another firm indicating that the advisor may receive some form of enhanced compensation (as defined in the text of the proposed rule), that may be paid in connection with the transfer of securities or accounts to the new broker-dealer and the investor should contact the advisor or the firm for more details.
- **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.

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

Sincerely,



Nancy L. Heffner, CRCP®  
Director of Compliance