

STIFEL FINANCIAL

Ronald J. Kruszewski
Chairman, President and Chief Executive Officer

March 5, 2013

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

**Re: Proposed Rule Regarding Disclosure of Conflicts of Interest Related to
Recruitment Compensation Practices**

Dear Ms. Asquith,

I am writing on behalf of Stifel Financial Corp. and its over two thousand registered representatives to express my opposition to your proposed disclosure rule.

Let me thank you at the outset for your willingness to accept comments on this proposed rule. However, the proposal as written raises a number of complex issues including serious privacy concerns on the part of registered representatives and potential anti-competitive consequences, despite no harmful conflict of interest being apparent. Certainly, everyone, from FINRA, to the investing public, to members of the securities industry, is in favor of greater transparency and meaningful disclosure of material conflicts of interests. Those goals, however, must be tempered with concerns for the rights of individuals and their right to privacy, as well as the potential anti-competitive effects of the proposed rule.

The proposed rule is driven by the fact that “FINRA believes that customers would benefit from being told the material conflicts arising from a registered person being paid recruiting incentives to change firms.”¹ The fear is that a registered representative would have an incentive to “engage in conduct that might violate obligations to investors.”² FINRA cites this ongoing concern as an issue that it has been focused on since 2009. In fact, the use of these “Transition Compensation” packages goes back much further. It was raised as a “potential” conflict of interest as far back as 1995 by the “Tully Commission”. Yet in the intervening seventeen years, despite the “ongoing regulatory concerns”, I am unaware of a single action being brought by regulators alleging that a registered representative violated any obligations owed to a client based on this perceived conflict of interest. This fact is compelling evidence that any such perceived conflict does not create the motivation ascribed to it by FINRA. This proposal is truly a solution in search of a problem.

¹ Regulatory Notice 13-02 “Recruitment Compensation Practices” pg. 4

² Regulatory Notice 13-02 Pg. 3

The need for the proposed disclosure must be weighed against the substantial invasion of privacy that it represents. There is a presumption of privacy rightly afforded to working people's income in all industries, and to require the disclosure of specific information about a financial advisor's transitional compensation would unfairly single them out for unnecessary scrutiny, especially in light of the lack of any evidence of actual harm having been caused by any such perceived conflict.

The unnecessary scrutiny contemplated by this rule also creates an ancillary risk that the proposed disclosure will have anti-competitive effects. By unfairly singling out financial advisors for intense scrutiny of their private financial circumstances, some may be hesitant to move to a new firm because of the unwarranted negative perceptions disclosure may create among his or her clients. Such hesitancy could result in financial advisors failing to change firms, even when it would be in their best interest and the best interest of their clients to do so. Such a result would be more detrimental to clients than the perceived problem the rule seeks to address.

To presume the existence of a conflict of interest merely because a financial advisor is compensated for joining a new firm, or even the manner of such compensation, is unsupported by the facts. Such a presumption is unfair to professionals who work hard and in their clients' best interests and whose perceived performance is impacted by factors over which they have little control. The proposed rule also has the perverse effect of shifting the focus of disclosure from clearly identifying the fee or commission charged to the client to focus upon the aggregate compensation of the financial advisor.

In conclusion, the proposed rule seeks to resolve a problem that has not been proven to exist. It does so at the expense of the privacy rights of the financial advisors involved and creates the potential for anti-competitive challenges. At best, the perceived conflict of interest could be resolved through the use of generic disclosures that would adequately inform the investing public while also avoiding privacy and anti-competitive issues. I would urge you to consider this alternative as an effective means to balance all of the interests impacted by the proposal.

Yours truly,

A handwritten signature in black ink, appearing to be "Tom [unclear]", with a long horizontal flourish extending to the right.