

March 5, 2013

VIA ELECTRONIC MAIL

Marcia E. Asquith  
Office of the Corporate Secretary  
Financial Industry Regulatory Authority  
1735 K. Street, NW  
Washington, DC 20006-1506

RE: Regulatory Notice 13-02: FINRA Requests Comment on a Revised Proposal Regarding Disclosure of Conflicts of Interest Relating to Recruitment Compensation Practices

Dear Ms. Asquith:

On behalf of the Bond Dealers of America (BDA), I am pleased to submit this letter in response to the Financial Industry Regulatory Authority's (FINRA) solicitation of comments in connection with Regulatory Notice 13-02, a proposed rule to require disclosure of conflicts of interest relating to recruitment compensation practices. We welcome this opportunity to state our position.

The BDA recognizes FINRA's intention to further the protection of customers by considering a proposal to require the disclosure of enhanced compensation packages. However, we believe the notice, as proposed, will not serve the purpose of client protection and would confuse those clients who receive such disclosures for the following reasons:

**1. *In general, these new requirements would not protect an actual investment decision by a customer.***

Current FINRA customer protection rules focus on protecting the investment decisions of customers. There are several existing rules and regulations which cover the concerns noted in the Notice. These existing rules currently serve to identify components of advice from a representative that could harm the customer in making an investment decision (such as suitability and conflict of interest rules.) The addition of this new proposed rule would not serve to further protect a customer's investment decision, as such, because it focuses on the decision to move the customer's account from one firm to another. In general, there is no decision in such an account transfer that entails risk to the customer and thus the ostensible protections do not actually protect the customer at all. This proposed rule would be

an intrusive, costly and potentially misleading disclosure that would not promote customer protection beyond what the current rules provide.

**2. *Representatives are inherently incentivized to have all of their customer accounts transferred to a new firm but isolating this one incentive confuses the matter.***

Representatives are in the business of attracting new customers and trading securities for them. Customers know this. When a representative leaves one firm for another, his or her customers understand that the representative has potentially numerous incentives for that customer account to be transferred to the new firm. It would be misleading and confusing to customers to single one of those incentives out, when customers already understand that an economic incentive is one of many reasons for the representative to wish to transfer their accounts to the new firm. Additionally, the complexity and wide variety of compensation plans and incentives across the industry make it hard for any client to understand them in way that would be beneficial to them.

**3. *To the extent a customer is making an investment decision, such as disposing of a proprietary investment of the firm the representative is departing, existing customer protection rules fully protect the investor from advice it receives in that investment decision.***

There are some circumstances in which the transfer of an account would result in an investment decision, but even in those circumstances, the customer protection rules will protect the customer from suitability, conflicts of interests and other concerns. This can arise if the customer has an investment in a proprietary investment of the firm the representative is departing. However, with regard to the disclosure of one discrete compensation package, there is nothing this proposed new rule does to further protect the customer beyond existing rules.

**4. *The new disclosure requirements will require release of extremely personal information that is inappropriate for public dissemination.***

It is not appropriate for the requirements of the proposed rule to allow the compensation packages of customer representatives to be disclosed publicly. These potential disclosures represent personal and confidential information of the representatives and should not be required to be disclosed absent a compelling public policy reason for it to be disclosed.

We encourage FINRA to focus on the investment decisions that customers make and to ensure that its rules provide meaningful and sensible protections for those decisions. This proposal strays from that focus by requiring the disclosure of information that does nothing to further protect the customer, but rather, has the potential to divulge highly personal information of the representative, with no tangible benefit to the customer.

Thank you again for the opportunity to submit these comments.  
Sincerely,

A handwritten signature in blue ink that reads "M. Nicholas". The signature is written in a cursive, flowing style.

Michael Nicholas  
Chief Executive Officer  
Bond Dealers of America