STIFEL
FINANCIAL

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[redacted]

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By Electronic Mail to rule-comments@sec.gov
Ms. Elizabeth M. Murphy
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: FINRA Rule 2243 (Disclosure and Reporting Obligations Related to Recruitment Practices)

Dear Ms. Murphy,

I am writing to comment on the above-referenced FINRA proposed rule. I fully support the goals of clear, meaningful and concise communications with clients. However, I want to express concern regarding the lack of any meaningful review of the costs of implementing such a rule versus the benefits to be derived by the investing public, as required by law. (15 U.S.C. §78c (f)). Additionally, the rule as proposed does not achieve the goal of clear, concise and material disclosure to clients.

I. We Support The Position of SIFMA

I support the position expressed by SIFMA in their comment letter. All firms want clear, concise, understandable disclosure of potential material conflicts of interests. However, as outlined in SIFMA's letter, the new proposed rule creates a myriad of operational challenges, new reporting obligations and potential breaches of employee privacy that do not accomplish the stated goal of clear and concise disclosure material to the individual client. The proposed rule makes no attempt to quantify the information disclosed in the context of the individual recipient of the disclosure. The costs to the industry of these requirements will be substantial, and must be weighed against the potential benefits derived by clients.

II. FINRA Should Address The Lack Of A Cost/Benefit Analysis

The many new requirements imposed by this proposed rule, from the innumerable disclosures to prospective clients to the reporting to FINRA of virtually every recruit's compensation, have not been measured against the costs of compliance to be incurred by firms. Indeed, many of these requirements were inserted by FINRA after the comment period

had passed. The failure to consider these costs and to consider those costs in light of the questionable benefits of the proposed rule is a unilateral approach and not consistent with the legal requirements imposed upon both the SEC and SIFMA. Such an approach requires the SEC to return the proposal to FINRA to conduct such analysis.

III. Disclosure Should Be Per Client, Not Aggregate Compensation

In addition, the current proposal requires firms to disclose to the clients the aggregate compensation to be paid to a financial advisor when joining a new firm. However, such disclosure is not put in any context vis-à-vis the individual client receiving such disclosure. Therefore, it is not clear, concise and material to that individual. It is, however a serious breach of the financial advisor's right to privacy regarding their own compensation. This rule must be modified to give individual clients meaningful disclosure on compensation earned by a financial advisor on that clients' account, without aggregating it with information on all clients of that financial advisor. For example, if a client were to ask how much in fees they were charged in a given year, any firm would honor that request and give the information to that individual client. But no one would seriously argue that the client is entitled to know the amount of fees received by a firm as a result of the work of their financial advisor on all the accounts that he or she served. Context is crucial to the rule as proposed.

IV. Conclusion

I would ask you, as SIFMA has, to encourage FINRA to sit down with representatives of our industry and seek an alternative to this overly complex, unworkable proposal. We continue to believe that this is a solution in search of a problem, but the discussion should in any case include the balancing of the goal of meaningful specific disclosure to clients with the legitimate privacy interests of our employees. The substantial administrative burdens, coupled with the serious breach of privacy of the brokers involved, cannot be justified by the perceived potential of injury to prospective clients supposedly damaged by the lack of this information. At best, if disclosure is deemed necessary, a simple range of disclosure which is relevant to a specific client would be all that would be necessary, rather than the gross compensation disclosure, provided without any appropriate context, currently called for by the proposal.

Yours truly,