Ameriprise Financial, Inc.
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Ameriprise Financial

April 18, 2014

By Electronic Mail to rule-comments@sec.gov

Elizabeth M. Murphy
Secretary, Securities and Exchange Commission
100 F Street NE
Washington D.C. 20549-1090

Re: File Number SR-FINRA-2014-010

Dear Ms. Murphy:

Ameriprise Financial Services, Inc. ("Ameriprise") welcomes the opportunity to comment on proposed FINRA Rule 2243 ("Proposed Rule") relating to recruitment compensation, reporting and disclosure practices. While Ameriprise supports the purpose of the Proposed Rule – to promote investor protection by providing customers with clear and relevant information relating to an advisor's recruitment compensation, we have significant concerns associated with the unintended consequences of the proposal. These concerns include creating unnecessary complexity for customers, the administrative and supervisory challenges required to implement the Proposed Rule, and the absence of any supportive cost-benefit analysis for the reporting requirement that is being contemplated.

The Proposed Rule is materially different from the rule proposed in Regulatory Notice 13-02 ("13-02"). In particular, with respect to 13-02, while supportive of the general disclosure of enhanced compensation, Ameriprise was opposed to the dollar specific proposal because of privacy and contextual concerns. Ameriprise appreciates FINRA's decision to eliminate the dollar specific requirements from the Proposed Rule in recognition of these concerns, and further supports the collaborative nature of this process to ensure meaningful statutory change. However, the willingness to consider revisions to portions of the Proposed Rule is particularly important in this instance because members have not had the opportunity to comment on the Proposed Rule previously.

Ameriprise believes that the final rule can be strengthened to create less confusion for consumers, and to take into account significant administrative and supervisory demands that would be generated by the Proposed Rule. Ameriprise also believes that the reporting requirement may not be necessary at this time given the absence of any supportive cost-benefit analysis.

I. Fee and Portability Disclosure Obligation

Ameriprise fully supports a customers' right to make an informed decision about moving their account(s) and Ameriprise agrees that an important part of that process is considering the costs associated with the transfer of assets. The Proposed Rule, however, requires the disclosure of information about fees, costs, and portability of assets that is largely unknown by a receiving firm. More specifically, information about costs and fees associated with transferring assets from the former firm, the specific products held by

the former customer, and the portability of those products, is no longer available to the registered person moving to the new firm. Consequently, Ameriprise is concerned about potential liability if it is required to disclose information that it does not have access to, based upon undocumented recollections of newly hired employees. Ameriprise is also concerned about violating the former firm's employment agreements or state trade secret statutes by requesting the registered person to disclose confidential information about their former customers.

In addition, Ameriprise opposes the potentially burdensome administrative demands the Proposed Rule places on customers, and the onerous supervisory demands of ensuring its compliance. In particular, if the member cannot determine the applicability of the disclosure obligation regarding the portability of assets from the former firm, the member must then advise former customers to seek this information from the former firm, unnecessarily burdening the customer. Ameriprise is also troubled about the administrative demands of implementing the rule and the supervisory requirements of enforcing it. Firms may be required to supervise hundreds of fee/portability information requests for not only each potential recruit, but also for each registered person that leaves Ameriprise. The less onerous and more practical approach may be to simply require a general disclosure of potential fees, costs and portability issues, and allow the customer to discuss the issues with the registered person and involved firms.

II. Delivery of Disclosures

Ameriprise shares FINRA's concern about the importance of delivering a written disclosure with the account transfer approval documentation, but believes that the method of delivering that disclosure under the Proposed Rule would be impracticable to supervise, may lead to unwanted litigation, and may invade the customer's privacy interests. The Rule requires that if the first contact is oral, the written disclosures must be sent within 10 business days from such oral contact, or with the account transfer approval documentation, whichever is earlier. From a supervisory standpoint, it will be next to impossible to ensure compliance with the delivery of written disclosures within the 10 day window. The newly hired registered person may be calling hundreds of clients over the span of several months, requiring the implementation of extensive supervisory infrastructure. Further, if these disclosure obligations are extended to multiple new advisor recruits, the supervisory burden could extend to over 1,000 phone calls a week. Without any cost-benefit analysis, it is difficult to justify these extraordinary demands.

In addition, Ameriprise is concerned about requiring the delivery of a written disclosure to an unreceptive client. The Proposed Rule requires the delivery of a written disclosure even if the client does not want to have any further contact with the newly hired advisor. The rule puts the advisor and new firm in an untenable position – either comply with the Proposed Rule, and violate the customer's privacy, or disregard the Rule, and risk regulatory action. Moreover, to the extent the newly hired advisor is not protected by the broker protocol, the transmittal of an unwanted disclosure form may be interpreted by the former firm as a violation of the advisor's employment agreement, leading to unwanted and unnecessary litigation. The more practical and less onerous approach may be to require that written disclosures be sent after verbal contact, but only at or before the time that account transfer approval documentation is delivered (i.e., eliminate the 10 day requirement).

III. Reporting Requirement

Ameriprise believes the reporting requirement is largely duplicative of other information being reported to FINRA by member firms and critically, it does not address the cost-benefit analysis. FINRA already receives a report when any representative is employed or affiliates with a member firm through the filing of a Form U-4. FINRA also already receives a report, via an amended Form U-4, whenever a representative is the subject of a sales practice complaint. Further, FINRA receives a Form U-5 when a representative's employment is terminated. The only new piece of information that FINRA would receive with the imposition of this reporting obligation is information on the recruitment compensation paid to a registered person. FINRA, however, has not provided any rationale why this new piece of information is necessary or why it is a benefit.

A full cost-benefit analysis is necessary to gauge the full economic impact of the reporting requirement. FINRA has not offered any basis in support of the reporting requirement other than the **belief** that this information will assist them in determining "the adequacy of firm systems to monitor conflicts of interest . . . **potentially** attributable to recruitment compensation incentives. . ." *emphasis added.* It would seem more appropriate for FINRA to first use information from existing reports, such as sales practice complaints made against recently transitioned representatives, to determine if a potential problem exists, and only then consider imposing burdensome reporting obligations.

IV. Conclusion

Ameriprise appreciates the opportunity to comment on the Proposed Rule, and representatives of the firm would be pleased to discuss the comments presented in this letter or to provide the SEC or FINRA with additional information.

Please do not hesitate to email me at [redacted] or to call me at [redacted].

Kind Regards,

Kathleen A. Dedenbach

Kathleen A. Dedenbach
Vice-President and Group Counsel