

Monday, April 07, 2014



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

RE: File Number SR-FINRA-2014-010

Dear Ms. Murphy:

FINRA has proposed regulations that would require Financial Advisors to disclose the compensation arrangements made when an Advisor re-locates their practice to a new firm. They term the compensation arrangement a "recruitment bonus".

The proposed rule would require me to provide a disclosure form specifically related to my transition/recruitment compensation to former clients if I were to attempt to induce them to transfer assets to the firm that I relocated to. The disclosure would include the amount of compensation I was paid upfront by my new firm and/or the aggregated potential future payments I will be paid by the broker-dealer as part of our arrangement. My new firm would also have to report to FINRA if I receive either a \$100,000 or 25% increase over my prior year's compensation. FINRA has proposed this rule out of concerns that relocation/recruitment compensation paid to me creates a conflict of interest that may keep me from working toward my clients' benefit.

It is not uncommon for professionals in all fields to receive a compensation package when relocating their practice to a new employer. Any professional that is compensated for relocating their practice experiences possible "conflicts of interest". As professionals those conflicts are dealt with without required disclosure of personal information and the subjecting of their clients/patients to procedures that may create the feeling that an impropriety exists and that the relocation of their business was done solely for monetary considerations. The majority of Advisors could relocate their businesses and receive relocation compensation packages. The fact that only a small percentage of Advisors relocate each year is an indication that the compensation package is not the sole or predominant factor in such relocations.

There are several things about this rule proposal that cause me concern. Specifically :

Relocation Compensation Does Not Automatically Create a Conflict: However, Compensation paid to an advisor over \$100,000 in initial or future payments would trigger the disclosure requirement. While it is true that some recruitment compensation arrangements could present conflicts of interest, I do not think that those conflicts are materially different from those that an advisor confronts on a daily basis at their existing or any place of employment.

There are sound business reasons for receiving compensation and/or receiving reimbursement to cover the direct and indirect costs that may be incurred during the transition period when transferring places of employment. There will be a period of time when they cannot work. There is a risk of the loss of existing clients and relationships. There is time consuming and burdensome procedural documentation requirements The compensation is not a Gift or a Windfall. It is compensation for additional work, business risk, and disruption that such a transfer involves.

I find the disclosure, as proposed distasteful and invasive and I request that FINRA utilize a more precise method for identifying and addressing relocation/recruitment compensation arrangements that raise material conflicts of interest.

Recruitment Compensation Is Not Gratuitous Income: The required disclosure does not properly account for the amount of time I am not in a producing role while I transition firms. Most importantly, it fails to explain that the recruitment compensation may cover costs that would typically be paid by my clients if they were to transfer their account to the new firm (e.g., account closing and/or transfer fees). Nor does it explain to my clients that the relocation compensation may be intended to cover various costs I will incur as a small business owner when I transition to the new firm. These costs include new technology expenses, business cards, letterhead, signage, temporary staff during the transition, etc. While I may receive compensation for switching firms, the money does not go directly into my pocket as income. But rather goes toward supporting my business and my clients. While the proposed rule language would allow advisors to subtract direct costs from the calculation of compensation, the language must be clearer with respect to lost revenue and the indirect costs incurred by advisors during a transition.

The Disclosure Will Violate My Privacy: As an independent financial advisor, my clients live and work in the same community as me and I often maintain both a personal and professional relationship with them. FINRA's rule would force me to disclose my private income to them, putting me and my clients into a personally and professionally uncomfortable and unnecessary position. This information can be provided to FINRA rather than my clients in order to elicit enhanced supervision or examination. This way FINRA could examine potential conflicts of interest and enhance investor protection without causing me potential professional and personal embarrassment.

The Proposed Rule will Stifle Competition and Threaten Succession Planning: If this rule is enacted as proposed, it will have a chilling effect on financial advisors moving to new broker-dealer firms. This requirement will cause financial advisors to remain at a firm so as to avoid professional embarrassment and an invasion of privacy, even if leaving would serve their clients' interests. It would also have the unintended consequence of threatening advisors' succession planning in instances where a firm provides transition assistance to an advisor taking over the clients of a retiring colleague. This will have a severely negative impact on clients who have advisors nearing retirement.

For these reasons, I believe the rule proposal is overly broad and misdirected and will have a negative impact on clients without providing them investor protections that are not already in place. Therefore, I request that FINRA pursue other means of addressing possible conflicts of interest in relocation/"recruitment" compensation arrangements.

Thank you for considering my comments.

Sincerely,



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