

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

August 31, 2009

Dear Chief Executive Officer:

Recent press articles have reported that some broker-dealer firms may be engaging in a vigorous recruiting program for broker-dealer registered representatives. Reports suggest some firms are offering substantial inducements to potential registered representatives, including large up-front bonuses and enhanced commissions for sales of investment products. In light of these reports, I want to remind broker-dealer firms and their CEOs of the significant supervisory responsibilities you have under the federal securities laws to oversee broker-dealer activities, particularly with respect to sales practices.

Certain forms of potential compensation may carry with them enhanced risks to customers. Some types of enhanced compensation practices may lead registered representatives to believe that they must sell securities at a sufficiently high level to justify special arrangements that they have been given. Those pressures may in turn create incentives to engage in conduct that may violate obligations to investors. For example, if a registered representative is aware that he or she will receive enhanced compensation for hitting increased commission targets, the registered representative could be motivated to churn customer accounts, recommend unsuitable investment products or otherwise engage in activity that generates commission revenue but is not in investors' interest.

I therefore encourage broker-dealer firm CEOs and their fellow supervisors to be particularly vigilant in ensuring that sales practices are closely monitored and that investor interests are carefully considered in the sale of any security or other investment product.

I also encourage firms and their CEOs to ensure that, in the event a firm's sales force expands, the firm's supervisory and compliance infrastructure retains sufficient size and capacity.

Thank you for your attention to these important matters.

Sincerely,

Mary L. Schapiro

Chairman