

Text of Proposed New FINRA Rule

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Enhanced Compensation

(a) A member (“recruiting member”) that provides, or has agreed to provide, to a registered person enhanced compensation in connection with the transfer to the recruiting member of the securities employment (or association) of the registered person from another financial services industry firm (“previous firm”) must disclose, for one year following the date the registered person associates with the recruiting member, the details of such enhanced compensation to any former customer with an account assigned to the registered person at the previous firm who:

(1) is individually contacted by the recruiting member or registered person, either orally or in writing, regarding the transfer of the securities employment (or association) of the registered person to the recruiting member; or

(2) seeks to transfer an account from the previous firm to a broker-dealer account assigned to the registered person with the recruiting member.

(b) The disclosure of the details of the enhanced compensation must be made orally or in writing at the time of first individualized contact by the recruiting member or registered person with the former customer after the registered person has terminated his or her association with the previous firm. If such disclosure is made orally, the recruiting member also must provide the disclosure in writing to the former customer with the account transfer approval documentation.

(c) Where a former customer seeks to transfer an account from the previous firm to a broker-dealer account assigned to the registered person with the recruiting member, and no individualized contact with that customer has occurred requiring disclosure of the enhanced

compensation under paragraph (b) above, the recruiting member must provide the disclosure in writing to the former customer with the account transfer approval documentation.

(d) Written disclosure must be clear and prominent.

(e) This Rule shall not apply to enhanced compensation in an amount less than \$50,000 or require disclosure to a customer account that meets the definition of an institutional account pursuant to FINRA Rule 4512(c), except any natural person or a natural person advised by a registered investment adviser.

(f) For purposes of this Rule:

(1) The term “enhanced compensation” means compensation paid in connection with the transfer of securities employment (or association) to the recruiting member other than the compensation normally paid by the recruiting member to its established registered persons. Enhanced compensation includes but is not limited to signing bonuses, upfront or back-end bonuses, loans, accelerated payouts, transition assistance, and similar arrangements, paid in connection with the transfer of securities employment (or association) to the recruiting member; and

(2) The term “financial services industry” means any industry regulated by the SEC, Commodity Futures Trading Commission, state securities authorities, federal or state banking authorities, state insurance authorities, or substantially equivalent foreign regulatory authorities.