

Advisor Group

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Filed Electronically at (pubcom@finra.org)

March 5, 2013

Ms. Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: FINRA Regulatory Notice 13-02
Request for Comment on Recruitment Compensation Practices

Dear Ms. Asquith:

AIG Advisor Group, Inc. ("Advisor Group") appreciates the opportunity to submit this letter in response to the request for comment by the Financial Industry Regulatory Authority ("FINRA") regarding its proposed rule requiring disclosure of conflicts of interest relating to recruitment compensation practices (hereinafter, the "Proposed Rule").

Advisor Group is one of the largest networks of independent broker-dealers in the United States, comprised of independent registered representatives affiliated with FSC Securities Corporation, Royal Alliance Associates, Inc., SagePoint Financial, Inc., and Woodbury Financial Services, Inc.

The Advisor Group broker/dealers are members of the Financial Services Institute ("FSI"). We have reviewed FSI's comment letter, and echo FSI's views regarding postponing regulatory action until FINRA completes its ongoing review of conflicts of interest. We also agree with FSI that a firm's provision to a recruited Registered Representative of specific compensation will not necessarily result in a conflict of interest, but, rather, may result from the valid, one-time needs of a financial advisor when transferring his or her business to another firm. To that end, we agree that the \$50,000 monetary disclosure threshold was arbitrarily set. In addition, we respectfully offer the following comments.

Under the Proposed Rule, a member firm that has provided financial incentives or support to a registered representative as part of joining the firm would be required to provide specific disclosures regarding the financial incentives or support to clients who transfer their accounts to the firm. As currently proposed, the required disclosure must be made to a client prior to his or her account(s) actually transferring to the new firm. While there are a number of factors that should be considered before the adoption of the Proposed Rule, we believe the most critical are those that relate to (1) clarifying the intent and purpose of the Rule; (2) the substance, timing and delivery of any required disclosure; and (3) the attendant costs generated by the adoption of this Rule. As a corollary, we believe that FINRA should only undertake rulemaking when it determines that existing regulatory rules

are ineffective and/or deficient and there is an meaningful customer interest that would be served with such a rule proposal.

Clarifying the Intent and Purpose of the Rule

As many other commentators have expressed and as indicated by various industry publications, there is much confusion about the intent and purpose of the Proposed Rule. It appears that FINRA may be attempting to address inappropriate or potentially inappropriate sales activity. If true, there are already numerous rules in place that are designed to detect and prevent unsuitable sales.

On the other hand, FINRA has indicated that "recruitment programs raise conflicts of interest that often are not disclosed when registered representatives encourage former customers to move to their new firm."¹ FINRA has suggested that "many representatives typically address only the platform, products and services of the new firm."² If that is the case, the Proposed Rule as currently drafted may not provide customers with the information they need to make informed decisions because disclosing specific details regarding a Registered Representative's compensation package does not address FINRA's concern.

Substance, Timing and Delivery of a Disclosure

While the Firm generally supports the concept of enhancing transparency, we believe there are flaws and unanswered questions in the Proposed Rule as currently drafted. For example, how will disclosure of specific, detail compensation information inform or otherwise advance the client's decision to stay or move with their representative? Moreover, it is not hard to imagine how the proposed new disclosure requirements could result in overly verbose disclosure materials that very few retail customers would read and/or fully understand.

Furthermore, the Firm has concerns regarding the delivery method and timing of a disclosure. The Proposed Rule provides that the disclosure may be presented orally or in writing at the first time the registered person's former customer is contacted by the recruiting firm or registered person and prior to account opening. We are concerned that the firm will be unable to adequately track and supervise an oral delivery of the disclosure. In addition, we believe FINRA should consider the Proposed Rule against the backdrop of the Regulation S-P requirements. It may be inappropriate and premature to deliver a disclosure of this nature before the investor is actually a customer of the Firm.

Administration and Implementation Costs

We ask FINRA to be cognizant of the fact that the Proposed Rule will generate significant administrative challenges and implementation costs for member firms and registered persons. The Proposed Rule would require firms to develop customized disclosure forms, create tracking mechanisms, provide training and generate new policies and procedures. FINRA must adequately consider these costs in relation to the benefits of any proposed rules. We also encourage FINRA to formulate any rule proposal in a manner that would provide adequate time to implement any requirements.

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¹ Regulatory Notice 13-02

² Id.

March 5, 2013

We appreciate the opportunity to provide these comments. If you have any questions, please do not hesitate to contact me at 212-551-5133.

Sincerely,

A handwritten signature in black ink, appearing to read "N. Sorkin".

Noah D. Sorkin
General Counsel
Executive Vice President