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Finra Postpones Action on Recruitment Disclosure Rule.

Proposal would require brokerages to inform customers about incentive deals with reps.

The Financial Industry Regulatory Authority Inc. has postponed action on a controversial proposal to require disclosure to customers of broker recruitment deals.

As reported earlier, a notice on Finra's site said the Finra board would "consider an updated [disclosure] proposal" at its board meeting July 11.

But Finra spokesperson Nancy Condon said the organization's board had pushed off consideration of the rule to a later date, due to tight scheduling. She had no further information.

The SRO's board must give its approval before Finra staff can file rules with the Securities and Exchange Commission.

In January, the industry regulator asked for comment about its initial disclosure proposal. The plan would require a brokerage firm to disclose to customers the upfront or back-end bonuses, accelerated payouts and other forms of transition assistance given to a new recruit. The disclosure rule would apply to customers who are solicited for a period of one year following that broker's transfer to the new firm. The rule, as initially proposed, would not apply to incentives totaling less than $50,000.

Several hybrid advisers said they wanted Finra to act on the rule.

"I think it's very much needed and long overdue," said Jonathan Heller, founder of JG Heller Private Wealth Advisors Inc.

"Reps get an enormous amount of money, and the [recruiting] firms counsel the adviser to just focus on the positives of the new firm," Mr. Heller said. "But in reality, if there's a multimillion-dollar check involved, clients have no knowledge of that."

"I'm in full favor of it," Gerard Gloisten, president of GBS Financial Corp., said about Finra's proposal. "The reality is, there are a certain number of reps who hop from firm to firm for the bonus. It's not fair for anyone involved."

Finra's initial plan generated over 60 comment letters. In comments, industry trade groups said they supported disclosure, but wanted the proposal narrowed or changed.

The Securities Industry and Financial Markets Association urged Finra to adopt a plain-English disclosure model focusing on potential conflicts for firms to use.

The National Association of Insurance and Financial Advisors wanted Finra to increase the compensation threshold for disclosure to $100,000, and decrease the time frame to less than one year.

The Financial Services Institute Inc. said disclosure should also apply to retention bonuses as well as to recruiting deals.

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