

# Public Investors Arbitration Bar Association

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VIA EMAIL TO [pubcom@finra.org](mailto:pubcom@finra.org)

May 23, 2014

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

Re: **Regulatory Notice 14-15 – Gifts and Gratuities and Non-Cash Compensation**

Dear Ms. Asquith,

I write on behalf of the Public Investors Arbitration Bar Association ("PIABA"), an international bar association comprised of attorneys who represent investors in securities arbitrations. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums, while also advocating for public education regarding investment fraud and industry misconduct. Our members and their clients have a strong interest in rules promulgated by the Financial Industry Regulatory Authority ("FINRA") to govern the conduct of securities firms and their representatives. In particular, our members and their clients have a strong interest in FINRA rules relating to investor protection and disclosure.

PIABA supports FINRA's Retrospective Rule Review process and believes that FINRA should continually review its rules and rule sets to assess their effectiveness and efficiency. This process allows FINRA to improve its oversight and respond effectively to changing business and regulatory climates. PIABA encourages FINRA to devote adequate resources to the Retrospective Rule Review process without pulling resources away from enforcement or from promulgating new rules designed to increase investor protection. PIABA hopes that FINRA will be able to manage its resources effectively and maintain a strong forward vision while also looking backward to review its rules.

Having reviewed the gifts and gratuities and non-cash compensation rules identified in Regulatory Notice 14-15, PIABA believes that FINRA could more effectively regulate by consolidating these rules into one rule. Although Rule 3220 contains different language, the remaining rules all contain substantially similar language and govern the same forms of non-cash compensation in different contexts. For example, FINRA Rules 2310(c) governs non-cash compensation in connection with real estate investment trust securities. Nearly identical provisions appear in FINRA Rules 2320(g)(4) (governing

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insurance companies' variable contracts), 5110(h) (governing underwriting) and NASD Rule 2830(l)(5) (governing mutual funds). PIABA believes that FINRA could more effectively regulate by consolidating these scattered prohibitions into a single rule, perhaps as a provision of FINRA Rule 3220. In consolidating these rules, FINRA should not merely collapse duplicative language but extend these rules to apply to any high commission products and services, not merely real estate investment trust securities, the variable contracts of insurance companies, underwriting and mutual funds. A more general and principled rule would apply to any situation where non-cash compensation might be used to induce a registered representative to push a high commission product over other financial products.

We would like to thank you for the opportunity to comment on this important issue.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Jason Doss", with a long horizontal flourish extending to the right.

Jason Doss  
PIABA, President