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(Original Signature of Member)

119TH CONGRESS
1ST SESSION

H. R. _____

To amend the Securities Exchange Act of 1934 to provide an exemption from the definition of a broker for certain registered representative-owned personal services entity, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. NUNN of Iowa introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Securities Exchange Act of 1934 to provide an exemption from the definition of a broker for certain registered representative-owned personal services entity, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Clarity for Compensa-
5 tion Act”.

1 **SEC. 2. BROKER DEFINITION EXCEPTION FOR REGISTERED**
2 **REPRESENTATIVE-OWNED PERSONAL SERV-**
3 **ICES ENTITY.**

4 (a) IN GENERAL.—Section 3(a)(4) of the Securities
5 Exchange Act of 1934 (15 U.S.C. 78c(a)(4)) is amended
6 by adding at the end the following:

7 “(G) EXCEPTION FOR REGISTERED REP-
8 RESENTATIVE-OWNED PERSONAL SERVICES EN-
9 TITY.—

10 “(i) IN GENERAL.—A personal serv-
11 ices entity shall not be considered a broker
12 solely by reason of receiving compensation
13 on behalf of a registered representative
14 from that representative’s broker at the di-
15 rection of such representative, if—

16 “(I) the broker instructs or oth-
17 erwise approves the amount and tim-
18 ing of the payment and maintains
19 records regarding the payment made;

20 “(II) the personal services entity
21 does not hold itself out as a broker;

22 “(III) the personal services entity
23 does not engage in broker or dealer
24 activity, other than the receipt of com-
25 pensation on behalf of the registered
26 representative;

1 “(IV) the broker maintains ade-
2 quate supervision and control over the
3 registered representative;

4 “(V) the broker and the personal
5 services entity have a written agree-
6 ment governing their relationship and
7 the responsibilities of each party re-
8 garding compensation arrangements;

9 “(VI) the personal services entity
10 is only owned by—

11 “(aa) the registered rep-
12 resentative;

13 “(bb) if the registered rep-
14 resentative is an individual, im-
15 mediate family members of the
16 registered representative; or

17 “(cc) entities wholly owned
18 by—

19 “(AA) the registered
20 representative; or

21 “(BB) if the registered
22 representative is an indi-
23 vidual, immediate family
24 members of the registered
25 representative; and

1 “(VII) the personal services enti-
2 ty meets such other requirements as
3 the Commission may prescribe, by
4 rule.

5 “(ii) OVERSIGHT AND EXAMINA-
6 TION.—In order to ensure that a personal
7 services entity that is not considered a
8 broker by reason of this subparagraph con-
9 tinues to meet the requirements to not be
10 considered a broker by reason of this sub-
11 paragraph, the personal services entity
12 shall maintain, and make available upon
13 request to the Commission and the applica-
14 ble self-regulatory organization, all books
15 and records that both—

16 “(I) the broker from which the
17 personal services entity receives com-
18 pensation is required to maintain and
19 make available to the Commission and
20 the applicable self-regulatory organi-
21 zation; and

22 “(II) the Commission determines
23 necessary and appropriate to dem-
24 onstrate that the personal services en-
25 tity continues to meet the require-

1 ments to not be considered a broker
2 by reason of this subparagraph.

3 “(iii) DEFINITIONS.—In this subpara-
4 graph:

5 “(I) APPLICABLE SELF-REGU-
6 LATORY ORGANIZATION.—With re-
7 spect to a personal services entity or
8 a registered representative of a
9 broker, the term ‘applicable self-regu-
10 latory organization’ means each self-
11 regulatory organization with which the
12 related broker is required to be reg-
13 istered.

14 “(II) BROKER OR DEALER ACTIV-
15 ITY.—The term ‘broker or dealer ac-
16 tivity’ means an activity undertaken
17 by a broker or a dealer who is reg-
18 istered, or required to be registered,
19 under this Act.

20 “(III) IMMEDIATE FAMILY MEM-
21 BER.—With respect to an individual,
22 the term ‘immediate family member’
23 means a spouse, child, parent, broth-
24 er, sister, grandparent, grandchild,

1 step-parent, step-child, step-brother,
2 or step-sister of the individual.

3 “(IV) PERSONAL SERVICES ENTI-
4 TY.—The term ‘personal services enti-
5 ty’ means an entity that is established
6 by a registered representative to re-
7 ceive compensation for the services of
8 the registered representative and for
9 administrative purposes and other
10 benefits.

11 “(V) REGISTERED REPRESENTA-
12 TIVE.—With respect to a broker, the
13 term ‘registered representative’ means
14 a person who is—

15 “(aa) an ‘associated person
16 of a broker or dealer’ with re-
17 spect to the broker; and

18 “(bb) registered with the ap-
19 plicable self-regulatory organiza-
20 tion.”.

21 (b) EFFECTIVE DATE.—Section 3(a)(4)(G) of the Se-
22 curities Exchange Act of 1934, as added by subsection (a),
23 shall take effect on the date that is 180 days after the
24 date of the enactment of this Act.