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(Original Signature of Member)

119TH CONGRESS  
1ST SESSION

**H. R.**

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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.

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IN THE HOUSE OF REPRESENTATIVES

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

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**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-



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.