

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 7187
OFFERED BY MR. NUNN OF IOWA**

Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Clarity for Compensa-
3 tion Act”.

4 **SEC. 2. BROKER DEFINITION EXCEPTION FOR REGISTERED**
5 **REPRESENTATIVE-OWNED PERSONAL SERV-**
6 **ICES ENTITY.**

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

10 “(G) EXCEPTION FOR REGISTERED REP-
11 RESENTATIVE-OWNED PERSONAL SERVICES EN-
12 TITY.—

13 “(i) IN GENERAL.—A personal serv-
14 ices entity shall not be considered a broker
15 solely by reason of receiving compensation
16 on behalf of a registered representative
17 from that representative’s registered

1 broker at the direction of such representa-
2 tive, if—

3 “(I) the representative’s reg-
4 istered broker instructs or otherwise
5 approves the amount and timing of
6 the payment and maintains records
7 regarding the payment made;

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

10 “(III) the personal services entity
11 does not engage in any other broker
12 activity, other than the receipt of com-
13 pensation on behalf of the registered
14 representative;

15 “(IV) the representative’s reg-
16 istered broker maintains adequate su-
17 pervision and control over the reg-
18 istered representative and the per-
19 sonal services entity;

20 “(V) the representative’s reg-
21 istered broker and the personal serv-
22 ices entity have a written agreement
23 governing their relationship and the
24 responsibilities of each party regard-
25 ing compensation arrangements;

1 “(VI) the personal services entity
2 is only owned by—

3 “(aa) the registered rep-
4 resentative;

5 “(bb) if the registered rep-
6 resentative is an individual, im-
7 mediate family members of the
8 registered representative; or

9 “(cc) entities wholly owned
10 by—

11 “(AA) the registered
12 representative; or

13 “(BB) if the registered
14 representative is an indi-
15 vidual, immediate family
16 members of the registered
17 representative; and

18 “(VII) the personal services enti-
19 ty meets such other requirements as
20 the Commission may prescribe, by
21 rule.

22 “(ii) OVERSIGHT AND EXAMINA-
23 TION.—In order to ensure that a personal
24 services entity that is not considered a
25 broker by reason of this subparagraph con-

1 continues to meet the requirements for the ex-
2 ception under this subparagraph, the per-
3 sonal services entity shall maintain, and
4 make available upon request to the Com-
5 mission and the applicable self-regulatory
6 organization, all books and records in the
7 possession of the personal services entity
8 that—

9 “(I) the broker from which the
10 personal services entity receives com-
11 pensation is required to maintain and
12 make available to the Commission and
13 the applicable self-regulatory organi-
14 zation; and

15 “(II) the Commission determines
16 necessary and appropriate to dem-
17 onstrate that the personal services en-
18 tity continues to meet the require-
19 ments for the exception under this
20 subparagraph.

21 “(iii) DEFINITIONS.—In this subpara-
22 graph:

23 “(I) APPLICABLE SELF-REGU-
24 LATORY ORGANIZATION.—With re-
25 spect to a personal services entity or

1 a registered representative of a
2 broker, the term ‘applicable self-regu-
3 latory organization’ means each self-
4 regulatory organization with which the
5 related broker is required to be reg-
6 istered.

7 “(II) BROKER ACTIVITY.—The
8 term ‘broker activity’ means an activ-
9 ity undertaken by a broker or a dealer
10 who is registered, or required to be
11 registered, under this Act.

12 “(III) IMMEDIATE FAMILY MEM-
13 BER.—With respect to an individual,
14 the term ‘immediate family member’
15 means a spouse, child, parent, broth-
16 er, sister, grandparent, grandchild,
17 stepparent, stepchild, stepbrother, or
18 stepsister of the individual.

19 “(IV) PERSONAL SERVICES ENTI-
20 TY.—The term ‘personal services enti-
21 ty’ means an entity that is established
22 by a registered representative to re-
23 ceive compensation for the services of
24 the registered representative and for

1 other activity that is not securities-re-
2 lated.

3 “(V) REGISTERED REPRESENTA-
4 TIVE.—With respect to a broker, the
5 term ‘registered representative’ means
6 a person who is—

7 “(aa) an ‘associated person
8 of a broker or dealer’ with re-
9 spect to the broker; and

10 “(bb) registered with the ap-
11 plicable self-regulatory organiza-
12 tion.”.

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

Amend the title so as to read: “A bill to amend the Securities Exchange Act of 1934 to provide an exception from the definition of a broker for a certain registered representative-owned personal services entity, and for other purposes.”.

