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WEALTH MANAGEMENT

# Merrill Lynch Says It Will Remain in Broker Recruiting Pact

Move comes after rivals Morgan Stanley, UBS abandoned accord



A Merrill Lynch building in San Diego. The company said it would remain in a broker recruiting pact, a move that surprised some observers. PHOTO: MIKE BLAKE/REUTERS

By Lisa Beilfuss

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Merrill Lynch will remain part of a recruiting pact that its biggest competitors have recently abandoned, a move that may help the firm in retaining and recruiting at a time when Wall Street brokerages are under threat from independent rivals.

Under the 2004 recruiting pact—known as the Protocol for Broker Recruiting—departing brokers are limited to taking names, addresses, phone numbers and email addresses of “clients that they serviced while at the firm.” Brokers are also restricted from telling clients about plans to move. Firms that aren’t party to the pact are able to make it tougher for departing brokers to bring their clients with them through litigation and by seeking temporary restraining orders.

“While other firms are focused on leaving the broker protocol as a way of retaining advisers and clients, we’re staying focused on making sure that our advisers have everything they need to serve their clients and grow their businesses,” Andy Sieg, head of Merrill Lynch Wealth Management, said in a conversation with his leadership team, according to a person familiar with it.

Mr. Sieg told leaders that Merrill is asking advisers, “in turn, to concentrate on two things: first, to help existing clients achieve their financial goals, and second, to acquire new client relationships.” He said the firm will continue to evaluate the competitive landscape, “but we are

not making plans to leave the protocol, "according to the person. A spokeswoman confirmed the conversation.

The indication that Bank of America Corp.'s Merrill Lynch will remain in the protocol comes as other Wall Street brokerages have dropped out in an effort to stem an exodus of brokers and assets toward independent competitors known as registered investment advisers, or RIAs. Such firms offer brokers more autonomy and higher pay and have become an increasing threat to the traditional brokerage model.

The U.S. wealth-management arm of Swiss bank UBS Group AG said last week that it would exit the protocol after Morgan Stanley made its own move in late October. With more than 1,600 signatories, the pact has made it easier for financial advisers to jump to rivals and take clients' assets with them by allowing departing advisers to take basic client information.

"I think it's smart," Ross Intelisano, a New York-based attorney with Rich, Intelisano & Katz LLP who represents financial advisers, said of Merrill's decision to remain in the protocol. "There's been backlash at UBS and Morgan Stanley," he said, and Merrill is trying "to keep the thundering herd happy."

Representatives for UBS and Morgan Stanley declined to comment on Merrill's decision.

Merrill's decision to stay in the protocol may do more to keep current advisers than rivals' efforts to better retain advisers by dropping it, observers suggest.

In addition to helping retain current brokers, Mr. Intelisano said Merrill's move may help it attract advisers. "The platforms of Merrill, Morgan Stanley and UBS are all kind of the same," he said, calling Merrill's decision to stick with the recruitment pact a move to differentiate itself from its biggest rivals. The firm is positioning itself to offer the full support of a big brokerage while at the same time saying "we won't lock you up like other firms are doing," he said.

Merrill's decision to stay came as a surprise to some observers and brokers—many of whom had been speculating in recent days that either Merrill Lynch or Wells Fargo & Co. would leave and the pact would collapse.

"It's going to keep a lot of people in their seats," said one veteran Merrill adviser of the decision. "If you talked to me this morning about Merrill Lynch I wouldn't have said too many good things," the person said, but "it's a gutsy move" that "sends a fantastic message here and at other firms."

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