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Via email to: pubcom@finra.org

Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006

RE: Outside Business Activities, FINRA Notice 18-08

Dear Ms. Mitchell:

The Alternative and Direct Investment Securities Association (“ADISA” or the “Association”), submits the following comments in response to FINRA’s Regulatory Notice 18-08, in which it seeks comments on proposed Rule 3290, which would replace current FINRA Rule 3270 (Outside Business Activities of Registered Persons), and FINRA Rule 3280 (Private Securities Transactions of Associated Persons). ADISA appreciates the opportunity to comment on this important regulatory proposal (referred to herein as the “Proposed Rule”).

Background

ADISA is the nation’s largest trade association for the retail alternative investment space (direct investments). Our members sponsor, manage and distribute alternative investments. These alternative investments include products such as non-listed real estate investment trusts (“REITS”), real estate partnerships, tenant-in-common interests, oil and gas interests, equipment leasing, non-listed business development companies (“BDCs”), private equity and other direct investments. The Association has close to 4,000 active members, who are investment professionals throughout the nation, including sponsors and managers of real estate and related offerings, broker-dealers, securities licensed registered representatives, registered investment advisers, investment adviser representatives, accountants, attorneys, due diligence consultants, and others. In short, just about all professionals involved in bringing direct investment opportunities to the investor.

With such a broad constituency, ADISA generally seeks to assess the many sides of important issues by listening to our members in order to accurately gauge our members’ views and to determine whether there is any consensus before embarking on a comment letter to regulators. We pride ourselves on thoughtful examination of topics and hope to be a good partner to regulators and those in law and rule-making authority.

In this particular case, we surveyed our members who are broker-dealers, investment advisers and associated persons of these organizations (our population of this group is about 2,500). About 15% of them responded; since it was not randomized, however, we do not claim a strict scientifically valid measurement (although we did include checks for internal validity and survey instrument design consistent with academic rigor). We do believe the results meaningfully support what we believe to be the consensus among our BD/RIA/Rep members.

Opinions on the Proposed Rule from Our Membership

Based on our findings, we believe that our membership is strongly in favor of adopting the Proposed Rule and rescinding FINRA Rules 3270 and 3280. Furthermore, our membership believes that simplifying the oversight responsibilities of broker-dealers provides relief that outweighs any possible benefits that might otherwise flow from that oversight.

Thus, ADISA believes the Proposed Rule to be a positive step for clarity in administration and will ultimately redound to the benefit of firms and investors alike.

Suggestion

We suggest qualifying the word "public" in the Proposed Rule, so as to define it more precisely. In the current Internet-driven age and politically charged ethos, the use of "public" could mean any electronic or other passerby who is not necessarily involved other than as a malcontent seeking speculative litigious gain. Defining the public in this case to be a customer or genuinely interested potential customer who has made direct contact with the registered member or authorized agent of the BD would clarify this concept.

We again express our thanks for the opportunity to comment on the Proposed Rule. ADISA is eager to help in any way and to discuss our comments further at your convenience.

Sincerely,



Keith Lampi
President

cc: Catherine Bowman, Legislative & Regulatory Committee Chair