

June 7, 2023

Dear Mr. DuBose,

Following our phone conversation last Friday, I am writing to provide you with responses to the three follow-up questions you asked after reviewing my letter of May 19, 2023 (which responded to your letter of April 18, 2023).

First, you indicated that shareholders of Next Bridge Hydrocarbons (“NBH”) have asked whether the company has a legal right to force investors who hold short positions in the company’s stock to close their short positions. I can only address FINRA’s authority in this regard; as indicated in my letter of May 19, FINRA has jurisdiction only over its broker-dealer members and their associated persons, not investors. Neither FINRA Rule 6490 nor any other FINRA or SEC rule provides authority for FINRA to force particular investors to close out short positions. Whether other entities, such as NBH, have the means of effectively compelling this outcome is a question of corporate law that FINRA cannot answer. NBH would need to seek the advice of its own counsel on that question.

Second, you asked whether NBH could have access to blue sheet data for trading activity in MMTLP in December 2022. FINRA does not voluntarily provide its confidential records, including blue sheet data, to third parties. As you may know, FINRA blue sheet data comprises transaction information obtained upon request by FINRA from clearing broker-dealers and is used solely for regulatory and law enforcement purposes. *See Draddy Affidavit, Khorassani v. FINRA*, No. 153819/2023 (N.Y. Sup. Ct) [Dkt. No. 37], ¶¶ 8, 15. This data contains very sensitive trading information and highly confidential personal, financial, and other identifying information for individuals and other investors, much of which is subject to various data privacy laws. *Id.* ¶¶ 11-12. Indeed, FINRA restricts internal access to blue sheet data to its own examination and investigation teams and does not widely share such data even among its own staff. Consequently, FINRA is unable to provide blue sheet information for MMTLP trading to NBH.

Finally, you asked whether FINRA is reviewing the trading activity in MMTLP for irregular trades or buy/sell imbalances. In addition to the automated surveillance patterns FINRA routinely runs to identify potentially violative trading, FINRA takes any complaints or regulatory tips regarding potential trading violations seriously. FINRA focuses keen attention on identifying and pursuing trading activity that may violate FINRA rules, the federal securities laws or the rules and regulations thereunder (or referring this activity to other regulatory agencies, when the parties are not FINRA members or associated persons). In this case, although I cannot provide details on specific areas of inquiry, I would note our recent statement in *Khorassani* that FINRA “has initiated a number of investigations related to MMTLP, some of which remain open and ongoing.” *See Dumont Affidavit, Khorassani v. FINRA*, No. 153819/2023 (N.Y. Sup. Ct.) [Dkt. No. 38], ¶ 11.



Thank you for sharing your questions in our call, and I hope you find this letter responsive.

Very truly yours,

A handwritten signature in black ink that reads "Robert Colby". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Robert Colby
Executive Vice President
and Chief Legal officer