



Lisa C. Horrigan
Associate General Counsel
Office of General Counsel

Direct: (202) 728-8331

September 24, 2025

Ms. Vanessa Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Via email to rule-comments@sec.gov

**RE: File No. SR-FINRA-2025-005 (Proposed Rule Change to Amend the
FINRA Capital Acquisition Broker Rules)**

Dear Ms. Countryman:

The Financial Industry Regulatory Authority, Inc. (“FINRA”) submits this letter in response to comments received by the Securities and Exchange Commission (“SEC” or “Commission”) regarding the above-referenced rule filing amending the Capital Acquisition Broker (“CAB”) Rules (“Proposal”).

The Proposal would: (1) expand the pool of permissible investors for sales of newly-issued unregistered securities by amending the definition of “institutional investor” under CAB Rule 016(i) to include “eligible employees” (as defined under proposed CAB Rule 016(m)); (2) adopt proposed CAB Rule 016(c)(1)(H) to permit CABs to act as placement agents or finders for institutional investor sellers in secondary transactions of unregistered securities where both the seller and purchaser of such unregistered securities are institutional investors and the sale qualifies for an exemption from registration under the Securities Act of 1933 (“Securities Act”) (e.g., Securities Act Rules 144 or 144A); (3) amend CAB Rule 328 to permit CAB associated persons to participate in private securities transactions (“PSTs”), subject to the same requirements that apply to associated persons of non-CAB broker-dealer members who participate in PSTs; (4) codify prior FINRA staff guidance that permits CABs to receive as compensation securities issued by a privately held issuer client, rather than cash; and (5) amend CAB Rule 016(c)(1)(G) to permit CABs to effect securities transactions in connection with the transfer of ownership and control of a privately held company in accordance with the terms and conditions of Section 15(b)(13) of the Securities Exchange Act (“Exchange Act”) or any provision of an SEC rule, release,

interpretation, or no-action letter that permits a person to engage in the same or materially similar activities without registering as a broker or dealer under the Exchange Act.

The SEC published the Proposal for comment in the Federal Register on June 16, 2025,¹ and received two comment letters in response.² On July 17, 2025, FINRA consented to an extension of the time period for the SEC to take action on the Proposal until September 12, 2025. On September 11, 2025, the SEC published an order to institute proceedings pursuant to Section 19(b)(2)(B) of the Exchange Act to determine whether to approve or disapprove the proposed rule change.³

The following is FINRA's response to the commenters' material comments.

Both commenters supported the Proposal. Egwele stated that it is "fully supportive" of the Proposal and that "as a CAB for nearly 5 years, we see several benefits to the proposed changes, including the opportunity to generate new business as well as the ability to better retain and attract talent." Debevoise, on behalf of itself and its client, similarly expressed strong support for the Proposal, noting their agreement that it would make the CAB Rules more useful.

In addition, Debevoise requested that FINRA clarify that CABs are permitted to act on behalf of institutional investors wishing to purchase securities in private primary or secondary offerings and are not limited to acting on behalf of issuers or sellers of securities. Specifically, Debevoise requested guidance or further amendments "clarifying that it would be consistent with the amended definition of 'capital acquisition broker' for a CAB to act as a private placement agent or finder in connection with the sale of (i) newly-issued securities or (ii) securities by an institutional investor to another institutional investor, in each case where (iii) the CAB is engaged as the agent of an institutional investor acting as buyer to find and/or solicit potential issuers or institutional investor sellers." Debevoise asserted that regardless of the side of the market on which the CAB may be formally engaged, the CAB's regulatory duties to purchasers and sellers, and the resulting investor protections, would continue to apply in full.

¹ See Securities Exchange Act Release No. 103216 (June 10, 2025), 90 FR 25396 (June 16, 2025) (Notice of Filing of File No. SR-FINRA-2025-005).

² See Letter from Egwele & Company, dated June 14, 2025 ("Egwele"); and Letter from Jeffrey L. Robins, Debevoise & Plimpton, LLP, to Sherry R. Haywood, Assistant Secretary, SEC, dated July 7, 2025 ("Debevoise").

³ See Securities Exchange Act Release No. 103945 (September 11, 2025), 90 FR 44747 (September 16, 2025) (Order Instituting Proceedings To Determine Whether To Approve or Disapprove File No. SR-FINRA-2025-005).

FINRA agrees with this comment and in response is submitting Partial Amendment No. 1 to amend the Proposal to allow CABs to represent institutional investor buyers in connection with sales of newly-issued unregistered securities under CAB Rule 016(c)(1)(F)(i) and secondary transactions of unregistered securities under proposed CAB Rule 016(c)(1)(H). For reasons similar to the reasons underlying the proposed changes to allow CABs to represent the buy side in these transactions, FINRA believes that it is also appropriate to amend CAB Rule 016(c)(1)(F)(ii) to allow CABs to represent both buyers and sellers in transactions involving a change of control of a privately held company. This additional proposed change would more closely align CABs' authority to engage in such change of control transactions with the provisions of the Exchange Act's registration exemption for merger and acquisition brokers.⁴

As discussed in Partial Amendment No. 1, these additional proposed amendments are consistent with CABs' limited institutional business model because they would permit CABs to act as a finder or placement agent (1) for institutional investors in connection with the purchase or sale of unregistered securities or (2) for buyers and sellers in connection with a transaction involving a change of control of a privately held company.

FINRA believes that the foregoing responds to the material issues raised by the commenters to the Proposal. If you have any questions, please contact me at (202) 728-8331, email: lisa.horrigan@finra.org.

Best regards,

/s/ Lisa C. Horrigan

Lisa C. Horrigan
Associate General Counsel

⁴ See 15 U.S.C. 78o(b)(13).