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

RE: File No. SR-FINRA-2026-007 (Proposed Rule Change to Exempt Specified Collective Trust Funds from FINRA Rules 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and 5131(b) (New Issue Allocations and Distributions) – Response to Comments

Dear Ms. Countryman:

The Financial Industry Regulatory Authority, Inc. (“FINRA”) submits this letter to respond to comments that the Securities and Exchange Commission (“SEC” or “Commission”) received on the above-referenced rule filing. The proposed rule change would exempt specified collective trust funds (“CTFs”) from FINRA Rule 5130 (Restrictions on the Purchase and Sale of Initial Equity Public Offerings) and from paragraph (b) (Spinning) of FINRA Rule 5131 (New Issue Allocations and Distributions) subject to conditions (“Proposal”). The proposed conditions are: (1) the fund has investments from 1,000 or more plan participants and beneficiaries of one or more employee retirement benefits plan; and (2) the fund was not formed or maintained for the specific purpose of permitting restricted persons to invest in new issues.

The Commission published the Proposal for public comment in the Federal Register on April 10, 2026.¹ The Commission received two comment letters on the Proposal.²

¹ See Securities Exchange Act Release No. 105163 (April 07, 2026), 91 FR 18493 (April 10, 2026) (Notice of Filing of File No. SR-FINRA-2026-007).

² See letter from Clifford Kirsch, Partner, Everland Sutherland (US) LLP, on behalf of the Coalition of Collective Investment Trusts to Vanessa Countryman, Secretary, SEC, dated May 1, 2026 (“Coalition”) and letter from Tara R. Buckley, Deputy General Counsel, Investment Company Institute, to Vanessa Countryman, Secretary, SEC, dated May 1, 2026 (“ICI”). Coalition refers to CTFs as collective investment trusts, or CITs. In the Proposal, we use the term CTF because it aligns

Both commenters expressed general support for the Proposal; however, they suggested changing or removing one of the conditions of the proposed exemption. The following are FINRA's responses to the commenters' material comments.

ICI and Coalition identified practical difficulties of implementing the initially proposed condition that would require a CTF relying on the exemption to have investments from 1,000 or more plan participants and beneficiaries of one or more employee retirement benefits plans. Coalition noted that "the number of participants and beneficiaries who have selected the CIT as an investment alternative changes every day." ICI also noted that "[p]articipant counts can fluctuate for reasons unrelated to any abuse risk (e.g., workforce changes, plan mergers, or recordkeeping practices)." Both commenters noted that determining the number of plan participants and beneficiaries would be especially challenging where plan participants and beneficiaries invest in CTFs offered in their plans through omnibus arrangements.

Both commenters explained that CTFs operate under comprehensive regulatory and fiduciary frameworks that provide investor protections. Coalition identified the following applicable regulatory regimes: "in the case of CITs with national bank trustees, the Office of the Comptroller of the Currency (OCC) administers the OCC regulations; the Department of Labor administers the Employee Retirement Income Security Act of 1974 (ERISA) which governs virtually all CITs; and state bank regulators oversee state-chartered CIT trustees." ICI further noted that CTFs maintained by banks are subject to banking supervision and examination. And Coalition stated, among other things, that investment decisions are made by professional investment fiduciaries who owe a duty of loyalty to their investors and are prohibited from using managed assets to influence broker-dealer new issue allocations.

In response to the commenters' concerns and as stated in Partial Amendment No. 1, FINRA is amending the Proposal to eliminate the condition that "the fund has investments from 1,000 or more plan participants and beneficiaries of one or more employee retirement benefits plan." The exemption, as amended, would apply to a CTF or similar fund as described in Section 3(a)(12)(A)(iv) of the Exchange Act provided that the fund was not formed or maintained for the specific purpose of permitting restricted persons to invest in new issues.

FINRA generally agrees with the commenters that eliminating this condition would not impact the integrity of the public offering process because CTFs are subject to regulatory frameworks that impose fiduciary obligations on their trustees or managers. The Exchange Act's "exempted security" definition includes "any interest or participation in a single trust fund, or a collective trust fund maintained by a bank, or any security arising out of a contract issued by an insurance company, which interest, participation, or security is issued in connection with a qualified plan," as defined in

with terminology used in the Securities Exchange Act of 1934 ("Exchange Act").
See 15 U.S.C. 78c(a)(12)(A)(iv).

Section 3(a)(12)(C). Thus, by definition, CTFs can only accept investments from retirement plans meeting certain criteria, which we believe further mitigates potential risks.³

FINRA believes the Proposal as amended addresses the practical challenges raised by the commenters. It also includes safeguards—the regulatory oversight of CTFs combined with the express requirement that the CTF was not formed or maintained for the specific purpose of permitting restricted persons to invest in new issues—that maintain the integrity of the public offering process while facilitating vibrant capital markets by expanding access to initial public offerings through a highly regulated entity.

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 (312) 899-4332, email: Demetri.Lambros@finra.org.

Best regards,

Demetri Lambros
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³ See 15 U.S.C. 78c(a)(12)(A)(iv).