

June 17, 2025

*Via Electronic Submission*

Jennifer Piorko Mitchell  
Office of the Corporate Secretary  
FINRA  
1735 K Street, NW  
Washington, DC 20006-1506

**Re: Regulatory Notice 25-06 – Request for Comment on Modernizing FINRA Rules to Facilitate Capital Formation**

Dear Ms. Mitchell:

Finalis Securities LLC (“Finalis”) appreciates the opportunity to respond to FINRA’s Regulatory Notice 25-06 regarding efforts to modernize FINRA rules, guidance, and administrative processes to better support capital formation. As a technology-driven registered broker-dealer and member of FINRA, Finalis provides modern compliance and supervision to over 500 independent investment bankers and placement agents transacting across a broad range of private capital markets mandates. Our experience therefore places us in a unique position to support rule modernization efforts that recognize the evolving nature of supervision, communications, and transaction execution. We support FINRA’s commitment to evaluating and adapting its regulatory framework to align with evolving market practices and policy developments, while continuing to uphold investor protection.

We respectfully offer the following comments on specific areas highlighted in the Notice:

**1. Clarity on the M&A Broker Exemption and Broker-Dealer Supervision of M&A Transactions**

With the adoption of the federal M&A broker exemption under Section 15(b)(13) of the Exchange Act, it is essential that FINRA provide clear and consistent guidance on how M&A transactions conducted by registered persons affiliated with a broker-dealer are to be supervised. The exemption, while offering relief from registration under certain conditions, does not eliminate the need for proper oversight when such activity occurs within the scope of a FINRA-member firm.



Finalis treats all M&A transactions conducted by its registered representatives as subject to the firm's supervisory framework, including controls under FINRA Rule 3110 and communication retention and oversight under Rules 2210 and 4511. We believe this approach aligns with the exemption while ensuring that investor protection and regulatory accountability are maintained.

We encourage FINRA to affirmatively recognize that M&A activity conducted under the exemption—when performed by registered persons within a broker-dealer—should remain subject to broker-dealer written supervisory procedures (WSPs) and compliance. This would ensure consistency across the industry, reduce regulatory ambiguity, and support supervisory best practices.

In addition, we recommend that FINRA issue guidance addressing “dual-track” M&A scenarios, where a transaction may initially appear to qualify for the exemption but subsequently evolve in ways that disqualify it (e.g., the buyer does not qualify as a control person under the exemption's thresholds). Clear supervisory expectations for such scenarios—especially with respect to communications oversight, documentation, and WSP implementation—would help prevent compliance gaps and ensure that firms can maintain consistent oversight throughout the transaction lifecycle.

We also support broader efforts to bring M&A activity under the oversight of registered broker-dealers, regardless of exemption status. Encouraging this activity to remain within the supervisory framework of FINRA-member firms will strengthen market integrity and protect investors, while preserving flexibility for dealmakers.

## **2. Rule 5123 Filing Requirement – Request for Flexibility**

Rule 5123 currently requires that offering documents for private placements be filed within 15 calendar days of the first sale. While we fully support FINRA's goal of monitoring private placement activity, the 15-day filing window presents operational challenges, particularly in complex or multi-phase offerings where identifying the “first sale” can be ambiguous and documentation is evolving.

We respectfully propose that FINRA consider amending Rule 5123 to allow for quarterly summary filings for offerings meeting specified conditions—such as those limited to accredited investors under Regulation D, or where no general solicitation is used. This adjustment would retain transparency while reducing unnecessary operational burden and promoting better-quality filings. This adjustment would also modernize Rule 5123 in alignment with the increasing use of digital deal execution tools and decentralized workforces, reducing compliance uncertainty while enhancing filing quality.

Alternatively, providing a safe harbor for corrected or amended filings outside the 15-day

period (without penalty) could alleviate compliance burdens and enhance regulatory engagement.

Additionally, we recommend FINRA clarify that private placements made to regulated counterparties such as Registered Investment Advisers (RIAs), particularly when natural person investors are not directly solicited, may be treated as institutional transactions exempt from Rule 5123. This interpretation would align with other regulatory frameworks that do not require broker-dealers to “look through” RIAs to underlying clients. One such example is relating to the performance of Customer Identification Program (“CIP”) on RIA customers. Per NASD Notice to Members 03-34, Anti-Money Laundering Customer Identification Programs for Broker/Dealers, FINRA member firms are not required to perform CIP on RIA customers, as the RIA is exempt from the definition of customer, due to its status as a financial institution regulated by a Federal functional regulator.

### **3. Rule 5131 – Restrictions on Associated Persons Participating in IPO Allocations**

We encourage FINRA to re-examine the restrictions under Rule 5131(b) that generally prohibit associated persons of broker-dealers from participating in new issue allocations. While we understand the intent to prevent “spinning” and preferential treatment, the rule’s current structure is overly broad and excludes industry professionals from legitimate investment opportunities that pose minimal conflict.

We propose that FINRA consider a refined exemption framework under Rule 5131 that would permit limited IPO allocations to associated persons, subject to:

- strict value-based limits (e.g., under \$50,000 per IPO),
- attestations of no conflict or involvement in allocation decisions, and
- enhanced recordkeeping by the broker-dealer.

Such a framework could uphold fairness in allocations while recognizing that blanket prohibitions may be unnecessarily restrictive in most cases. This would also harmonize Rule 5131 with the broader principle of risk-based regulation.

The current rule may also inadvertently disadvantage smaller industry professionals who lack access to structured allocation channels. A modernized framework would ensure fairness without compromising regulatory safeguards.

### **4. Technology-Enabled Supervision: A Framework for Modern Compliance**

Relatedly, Finalis encourages FINRA to promote clear, consistent standards for electronic communications oversight—particularly with respect to internal messaging and collaboration platforms—as broker-dealers increasingly adopt modern, remote, and hybrid work models. We support rulemaking or guidance that:



- Clarifies expectations for the capture and supervision of internal electronic communications;
- Affirms the permissibility of cloud-based supervisory and archival systems;
- Supports remote branch inspection protocols that preserve security and supervisory integrity; and
- Recognizes the compliant use of digital tools (e.g., e-signatures, encrypted messaging platforms) under robust WSP controls.

Establishing uniform supervisory standards across the industry will reduce regulatory uncertainty, promote fairness among firms with varying compliance resources, and enable responsible adoption of technology-enabled supervision. As a firm that leverages modern oversight systems, Finalis believes that regulatory clarity in this area is essential to driving both innovation and better compliance outcomes.

Finalis appreciates FINRA's commitment to modernizing its rulebook in a manner that reflects evolving market practices and promotes capital formation while upholding core investor protections. We are eager to support these efforts and would welcome continued dialogue as rule proposals are developed.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Brad Ziemba', with a horizontal line extending to the right.

Brad Ziemba, Chief Compliance Officer

Finalis Securities LLC

brad@finalis.com

A handwritten signature in black ink, appearing to read 'Dennis Azary', in a cursive script.

Dennis Azary, Deputy Chief Compliance Officer

Finalis Securities LLC

dennis@finalis.com