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May 19, 2025

Response to Regulatory Notice 25-06

Thank you for this opportunity to provide comments regarding the Membership Application Process of FINRA. The formation of members and the change in membership authorizations and combinations plays an important role in the capital formation process. There are a variety of members and not all require the same level of scrutiny.

Most of the clients I represent are small firms, ranging in size from 2 or 3 registered persons to 60 registered persons. Their interactions with MAP usually arise when they want to expand to a new business line or are involved in an acquisition.

Let me begin with the acquisition process. When an individual or a small entity is acquiring a broker-dealer they are usually doing it to augment an existing business. Examples of this are investment advisers looking to expand so they can capture commissions on the purchase or sale of securities in private funds, or to simply expand their business; consulting firms that find that the ability to introduce clients to potential investment will enhance their business. At this time, it appears that these small entities are put through the same review process as large firms that are merging and probably have a full range of business offerings including the provision of services to retail customers. If the firm to be acquired is small and deals only with institutional investors and the present management is staying in place (they may even be the purchaser) it makes little sense to go through a six month process. While sometimes these firms are "fast tracked" even that process can take months. The uncertainty that this places on the firm can have a negative impact on the business and also on capital formation. I would recommend a pared down review process that focuses on the new owner and their ability to maintain net capital. If the business is not changing the rest of the questions are redundant.

Another acquisition issue deals with the larger financial institution that is purchasing another institution and downstream one or both have a small broker-dealer. While the upstream acquisition is the major transaction, the broker-dealer is a minor part of the transaction. There have been instances where MAP has requested that the larger transaction not close until the MAP

approval is complete. Perhaps a materiality consultation is more appropriate particularly when both the acquiring and target companies have FINRA members downstream.

Business expansion is another area where the MAP process has a dramatic impact on small firms that do not deal with retail customers. If the firm is not changing its, net capital requirement and is not changing the type of customers (i.e. institutional to retail) the business expansion should be reviewed with an eye toward supervision and operations. For example, I have had a firm that was authorized to raise capital for private funds and when it wanted to add private placements for venture capital it was required to go through a CMA.

Finally, in all follow-ups to NMAs and CMAs, I often find that the same question is asked in a different manner, several times. Sometimes it is a request to confirm something that is already in the application. Other times it is simply asking for the same information using different words., One example that I have seen many times is will the FinOp change as a result of the transaction or business expansion. That is a question that is in the CMA initial application. Why does it need to be asked in subsequent request letters?

I think the overall concern is that the process be consistent and transparent.

Again, thank you for this opportunity to address my concerns. Please feel free to follow up if you have any questions.

Very truly yours,

A handwritten signature in cursive script that reads "Shary M. Davis". The signature is written in dark ink and is positioned below the typed name "Shary M. Davis".