From: Sean Lehmann
To: Comments, Public
Subject: RE: Comment on Proposed Rule Streamlining Rules 3270 and 3280 (Regulatory Notice XX-XX)
Date: Thursday, May 1, 2025 1:43:02 PM

Dear Ms. Mitchell:

I write to express my strong opposition to the proposed rule changes that would consolidate FINRA Rules 3270 and 3280 into a single new rule governing Outside Business Activities (OBAs) and Private Securities Transactions (PSTs).

While I recognize FINRA's stated intent to "streamline and reduce unnecessary burdens," the Proposal, in its current form, fails to deliver on this promise. In fact, the rule as proposed introduces new complexities, increases the administrative burden on both firms and associated persons, and may have significant unintended consequences for small firms, independent advisors, and entrepreneurial professionals within our industry.

1. The Proposal Creates Additional Burden, Not Less

The new rule expands the scope of reportable and reviewable activities beyond what Rules 3270 and 3280 currently require. The requirement for firms to make a subjective "investment-related" determination in virtually all cases, regardless of the nature of the activity, forces compliance departments to adopt overly conservative stances to avoid regulatory risk. This not only increases internal compliance costs, but also discourages legitimate and harmless business activities that have no bearing on the firm or its clients.

2. Overreach Into Personal and Entrepreneurial Activity

The Proposal, as written, encroaches unnecessarily on the personal and entrepreneurial pursuits of associated persons. Many registered persons engage in benign side activities—teaching, real estate ventures, or consulting work—that do not involve securities, investors, or even financial products. Subjecting these activities to firm oversight, recordkeeping, and potential disapproval is an excessive overreach and potentially violates individual rights to engage in lawful work outside their registration.

3. A Disincentive for Innovation and Financial Independence

The Proposal disproportionately impacts independent broker-dealers and registered representatives operating in hybrid or entrepreneurial models. These professionals rely on the ability to engage in outside ventures to supplement income or build financial independence. The proposed framework—laden with firm discretion, approval processes, and expanded recordkeeping—may dissuade firms from allowing such activity altogether, reducing career flexibility and harming the industry's competitiveness in attracting top talent.

4. Lack of Evidence That Existing Rules Are Deficient

FINRA has not provided compelling evidence that the current regulatory framework under Rules 3270 and 3280 is failing to protect investors or that it results in material gaps in oversight. The retrospective review should have focused on reducing compliance redundancy, not expanding the reach of regulation under the guise of simplification. The Proposal risks solving a problem that does not exist while creating new burdens in the process.

5. Unclear Definitions and Guidance Create Compliance Risk

The proposed rule uses terms such as "investment-related," "compensation," and "materiality" in ways that are insufficiently defined and ripe for inconsistent interpretation across firms. This ambiguity increases legal risk and invites uneven enforcement, further deterring firms from approving legitimate outside activity.

Conclusion

Rather than reducing regulatory burden, the Proposal amplifies it. It introduces vagueness, increases compliance costs, threatens personal liberty, and undermines professional autonomy —particularly for small firms and independent advisors. FINRA should not move forward with this proposal in its current form. Instead, I urge FINRA to retain the current bifurcated structure under Rules 3270 and 3280, and, if warranted, issue updated guidance to clarify expectations without resorting to a sweeping new rule.

Respectfully submitted,

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