



Securities Arbitration Clinic
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Via Email to pubcom@finra.org
Jennifer Piorko Mitchell
Office of the Corporate Secretary
FINRA
1700 K Street, NW
Washington, DC 20006-1505

Re: FINRA Regulatory Notice 25-06; Supporting Capital Formation

Dear Ms. Mitchell,

Thank you for the opportunity to provide feedback in response to FINRA's request for comment on supporting capital formation. We write this comment on behalf of the Securities Arbitration Clinic at St. John's University School of Law. The Clinic is part of the St. Vincent de Paul Legal Program, Inc., a not-for-profit legal services organization. The Clinic represents underserved investors with small dollar claims and is committed to investor protection and education.

The Clinic supports FINRA's efforts to modernize its rules, including those regarding supporting capital formation. As FINRA evaluates Rule 2310 (Direct Participation Programs), it should substantially retain the existing rule, which addresses sales practices related to DPPs, while harmonizing it with Regulation Best Interest to ensure consistency and investor protection.

FINRA should substantially retain Rule 2310, in particular Rule 2310(b)(2) (Suitability), in its current form, which serves to protect investors from risks inherent to DPPs. These products are often illiquid, high risk, and subject to high fees and commissions. Rule 2310(b)(2)(B)(i)(a) and (b) protect investors by requiring a higher standard for recommendations of the covered products than the standard required by FINRA Rule 2111 (Suitability) or by Regulation Best Interest. Specifically, Rule 2310(b)(2)(B)(i)(a) explicitly requires members and associated persons to assess whether a participant's financial position allows them to significantly realize the benefits, including tax benefits, of a program; Rule 2310(b)(2)(B)(i)(b) requires members and

associated persons to assess whether a participant's net worth is sufficient to sustain the inherent risks of the investment. While these considerations may be part of a broker's obligation to ensure recommended investments are in a customer's best interest, given the nature of these products it is beneficial that these obligations are explicitly spelled out within the rule.

Additionally, Rule 2310(b)(2)(B)(i)(c) currently requires members and associated persons to assess whether "the program is otherwise suitable for the participant." FINRA should modernize and harmonize this standard with Regulation Best Interest by changing the term "suitable for" to "in the best interest of," as well as incorporating brokers' obligations under Regulation Best Interest by reference.

We appreciate the opportunity to comment on these critical issues. Thank you.

Respectfully Submitted,

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