

November 11, 2008

VIA E-MAIL: pubcom@finra.org

Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506
Attn: Marcia E. Asquith

Re: Regulatory Notice 08-55 - Research Analysts and Research Reports

Dear Ms. Asquith:

On behalf of The National Venture Capital Association (the "NVCA"), we appreciate the opportunity to provide comments to FINRA on Regulatory Notice 08-55 on proposed FINRA Rules 1223 and 2240 regarding research analyst conflict of interest rules.

The NVCA is the premier trade association that represents the U.S. venture capital industry. It is a member-based organization, consisting of venture capital firms that manage pools of risk equity capital dedicated to be invested in high growth, entrepreneurial companies. NVCA's mission is to foster greater understanding of the importance of venture capital to the U.S. economy, and support entrepreneurial activity and innovation. The NVCA represents the public policy interests of the venture capital community, strives to maintain high professional standards, provides reliable industry data, sponsors professional development, and facilitates interaction among its members. Over the last ten years, venture-backed companies represented approximately 25 percent of initial public offerings in the U.S.

The NVCA supports FINRA's efforts to achieve a balance between ensuring objective and reliable research on the one hand, and permitting the flow of information to investors and minimizing costs and burdens to member firms on the other. We agree with FINRA that liberalizing the availability of research will provide investors with valuable market information, and that the other provisions of the research rules and SEC regulations are sufficient to protect the integrity of such research.

The proposed rules would benefit IPO issuers in particular by making research coverage available more quickly, easing restrictions on research coverage around lock-up expirations, waivers and terminations, providing greater flexibility to waive or modify lock-ups and making negotiation of lock-up agreements easier. We note, however, that the 25-day prospectus delivery

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requirement of the Securities Act may result in underwriters self-imposing a 25-day quiet period in connection with initial public offerings. Similarly, underwriters and issuers may have concerns that research issued shortly after a secondary offering could result in prospectus liability.

Overall, we believe the proposed rules are a step in the right direction, but that more can and should be done to restore the competitive position of the U.S. public equity market, especially new capital formation via initial public offerings. The number of initial public offerings in recent years has continued to decline as a result of the ongoing erosion of the competitive position of the U.S. public equity market. This loss of competitive advantage has resulted in a significant decline in capital markets activity generally, and caused seriously detrimental effects on the formation and efficient allocation of capital for emerging growth companies in particular. The recently released Interim Report of the Committee on Capital Markets Regulation (the "CCMR") found the U.S. market increasingly unable to capture initial public offerings and compete in the global marketplace, in large part due to the cost and competitive disadvantages of the regulatory process in the U.S.

Of particular concern to venture-backed companies is The Global Settlement of Conflicts of Interest Between Research and Investment Banking (the "Global Settlement") reached in April 2003, which fundamentally changed the ability of new and small companies to obtain research analyst coverage. The Global Settlement and the disincentives it created, resulted in the disappearance of research analyst coverage for small and mid-cap companies. That research coverage, formerly provided by analysts employed by the investment banks that brought such companies public, was critical to attracting sufficient interest and investment from institutional capital, without which such companies could not survive. Combined with the skyrocketing costs imposed on newly-public companies by Sarbanes-Oxley, the IPO window for venture-backed companies essentially closed.

The NVCA fully supports a regulatory framework that strikes a proper balance between investor protection and market integrity on the one hand and the cost, burden and intrusion imposed on market participants on the other. We further recognize that FINRA is part of a larger overall regulatory framework that must operate within a broader market context.

Thank you for the opportunity to comment on Notice 08-55. Please feel free to contact Ettore A. Santucci at 617-570-1531, William J. Schnoor at 617-570-1020 or Eric J. Graham at 617-570-1006 if we can be of any further assistance.

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Sincerely,

Goodwin Procter LLP

GOODWIN PROCTER LLP

cc: Mark G. Heesen, President

National Venture Capital Association