



6 March 2014

Marcia E. Asquith
Senior Vice President and Corporate Secretary
FINRA
1735 K Street, NW
Washington DC 20006-1500

Re: Regulatory Notice 14-09 Proposed Rule Set for Limited Corporate Financing Brokers ("LCFB")

Dear Ms. Asquith:

Colonnade Securities (CRD #144771) advises companies in the financial services and business services sectors on M&A and private placements. In addition, we occasionally write fairness opinions. Our firm's business model conforms to FINRA's definition of an LCFB.

Responding to your solicitation, here are our comments on Regulatory Notice 14-09.

1. The proposed changes in the regulatory regime are so minor that shifting our registration status to an LCFB would not be worth our time. The only proposed regulatory relief appears to relate to continuing education, which is a small item. As a result, our decision is to either terminate our broker license or retain our current registration.
2. The proposed changes do not address any of the major burdens FINRA imposes on our firm, which are listed below in order of importance to us:
 - a. Annual audit by a PCAOB-approved auditor (Rule 4140), which imposes an all-in cost of \$25,000 annually. Changing this one requirement (*e.g.*, from an audit to a compilation) would be enough to persuade us to consider switching our registration to a LCFB license. If a broker never touches anyone else's money, works only with corporate issuers and institutional investors, is wholly-owned by its partners, and does not borrow money, we don't understand the purpose of an audit from a regulator's point of view. We are essentially management consultants who receive a commission on the value of the transactions on which we advise. We facilitate transactions among principals by organizing the transaction process, writing an offering memo, helping to structure the transaction, etc. We could understand requiring an audit from a firm of a larger size (*e.g.*, \$50 million revenue or assets) or a firm that borrows money (*e.g.*, \$5 million), or one that has external investors.
 - b. Maintenance of a \$100,000 fidelity bond (Rule 4360) on non-existent customer accounts. We do not have any customer accounts or ever touch any customer's money.
 - c. Time spent filing FOCUS Reports quarterly. Most fields on the forms do not relate to our business.
 - d. Time expended monthly reviewing and filing hard copies of stock trading records of employees; digital copies (not allowed now) would be much easier to maintain.
 - e. Time expended preparing for quadrennial in-person audit by FINRA personnel.
 - f. Cost of archiving email for three years and reviewing email periodically.

Page 8 of Regulatory Notice 14-09 lists several questions. I will address the ones most relevant to our firm in order of their importance to us:

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Does the SEC staff no-action letter issued to Faith Colish, et al., dated January 31, 2014, impact the analysis of whether a firm would become an LCFB? Is it likely that some limited corporate financing firms will not register as a broker consistent with the fact pattern set forth in the no-action letter, or will they register as an LCFB?

Yes, we may decide to abandon our registration as a broker with FINRA due to the SEC staff no-action letter issued to Faith Colish, et al., dated January 31, 2014 (the "SEC Letter") for two reasons:

- (a) In our view, the SEC Letter permits Colonnade to receive commission-based compensation in the absence of registration as a broker with FINRA.
- (b) As discussed above, the regulatory burden FINRA imposes on Colonnade is significant, and we do not see much difference between the current burden and that outlined for LCFB's.

Does an LCFB normally make recommendations to customers to purchase or sell securities?

Our firm meets the definition of an LCFB. No, our firm does not make recommendations to customers to purchase or sell securities.

Does the proposed rule set provide sufficient protections to customers of an LCFB? If not, what additional protections are warranted and why?

The point of this question is unclear, at least in our case. Our customers are typically the owners/board of directors of the companies we advise on M&A or capital raising. In no case is our customer a retail investor. In no case do we ever touch or manage anyone else's money.

Thank you for the opportunity to comment on Regulatory Notice 14-09. I would be pleased to answer any questions that you or your colleagues have.

Sincerely,

John Stuart Miller
Managing Director
Colonnade Securities LLC