Q Advisors
An Investment Banking Partnership

VIA E-MAIL

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street
Washington, D.C. 20006-1506

April 25, 2014

RE: Comments on Regulatory Notice 14-09 re: Limited Corporate Financing Brokers

Dear Ms. Asquith,

Below are our comments regarding Regulatory Notice 14-09, which was issued in February. As an initial matter, Q Advisors LLC, CRD #127232 ("Q LLC") believes it could fit under the definition of a Limited Corporate Financing Broker ("LCFB") under FINRA's proposed definition. However, there are deficiencies in both the definition and the accompanying proposed regulations that make it unlikely that Q LLC would change its registration from its current status as a Broker-Dealer ("BD") to that of an LCFB, unless the proposed category and attendant rules are altered. Before addressing some of FINRA's direct questions, we will note several issues that we feel merit discussion.

1. **"Institutional Investor."** For the most part, the definition of "Institutional Investor" (including certain types of institutions and benefit plans, as well as 'persons' with total assets of at least $50 million) would permit Q Advisors to continue to offer its services in the manner we have to date. The purchasers or investors in our clients' transactions have consistently met such a definition, with few exceptions. It has never been our practice to solicit investments from persons who are "Accredited Investors" as defined in Regulation D under the Securities Act of 1933. However, it seems to us there could be circumstances in which one of a group of potential investors might fall somewhat below the "Institutional Investor" level – for example, in the case that company insiders, such as directors or officers, were offered securities in a merger, reorganization, or other capital raising transaction.

   It would make sense to either (a) lower the threshold, as other commentators have suggested, to something along the line of "qualified purchasers" as defined in the Investment Act of 1940 (i.e., $5,000,000 in assets), or (b) include a list of exceptions to the "Institutional Investor" standard. Without lowering the amount, or adding exceptions, most current BD's would probably be wary of the new LCFB category in the event an investor even occasionally falls outside of the proposed standard. Taking either one of these steps would enable LCFBs to carry on the work that was done by them previously

as BDs, without lowering the standard to the point that FINRA's concerns over private placement offerings to "Accredited Investors" would be triggered.

2. **Equity/Debt Raises**. We want to ensure that the concept of "capital raising activities" in the LCBD registration category is broad enough to encompass debt, equity or equity-linked instruments, and not solely one category of securities. In addition, the list of permitted activities in the LCFB definition seems somewhat limited to us, and ought to be enlarged to encompass all of the "active" tasks that we undertake on behalf of clients – negotiations, meetings, valuations, etc. (It might be helpful, in fact, to have a definition of the word "advising," or to add examples in the footnote to the LCFB definition.) Finally, it would benefit our business to be able to pay a referral fee in certain circumstances to unregistered persons who solely provide introductions to new clients.

3. **SIPC**. We understand that FINRA is not in a position to alter the current requirement of the Securities Investor Protection Corporation ("SIPC") that all licensed Broker Dealers pay fees based upon their income. However, we continue to feel that a conversation needs to be continued regarding the requirement that a firm such as ours, which has no customer accounts and therefore would never be able to take advantage of SIPC protection for our clients, must pay 0.25% of our revenue to SIPC. In light of the proposed new LCFB designation, we feel it is now even clearer that the fees are an unacceptable tax on businesses that are providing no services whatsoever to SIPC's intended beneficiaries. It seems obvious to us that the LCFB designation should be added to the list of exempt entities contained in the SIPC rules.

4. **FINRA questions regarding the LCFB registration category (edited)**.

   A. ***Are there any activities in which Broker-Dealers with limited corporate financing functions typically engage that are not included in the definition?***

      As mentioned above, services such as acting as a placement agent and providing valuations (rather than just the issuance of fairness opinions) should be included in the list of permitted activities.

   B. ***Are there activities that should be added to the list of activities in which an LCFB may not engage?*** We do not engage in any of the five proposed prohibited activities (carry or maintain customer accounts, hold or accept customer funds or securities, accept orders from customers to purchase or sell securities either as principal or agent for the customer, possess investment discretion on behalf of a customer, or engage in proprietary trading of securities or market-making activities). However, prior comments have expressed concern regarding whether the prohibition on accepting orders from customers to purchase or sell securities would impact an LCFB's activities in recommending M&A transactions or particular structures to its clients. We believe this potential confusion should be explicitly clarified. In addition, as the use of the term "customer" with respect to an LCFB is confusing, in the context of many other FINRA rules, we agree with others that the use of a distinctive word such as "client" would be a better fit for LCFBs.

   C. ***What is the likely impact to an LCFB , other broker-dealers and their competitors of adoption of the LCFB rules?*** For Q Advisors, the new category of LCFB would provide minimal benefits as an alternative to our current registration. Under the LCFB rules, we would still be required to pay fees to SIPC (so far); have a PCAOB-approved auditor; obtain a securities dealer blanket bond (though we do not

hold securities for customers); conduct AML testing (though every two years rather than annually) - despite the fact that the definition of an LCFB excludes carrying or maintaining customer accounts; and generally be subject to the remainder of our current regulations, though in some cases "streamlined" ones. Other, unregistered brokers (such as those described in the January 2014 SEC No-Action letter, see below) would retain an economic advantage. However, our clients appreciate our registration, and the new LCFB category as currently envisioned would not provide us with enough benefits to make it worthwhile to switch.

D. Registration categories for principals and representatives. There does not seem any point to us in limiting principals' and representatives' registrations; the limits on an LCFB's activities would control the actions of each person associated with the firm. The proposed limitations would merely unfairly limit individuals' job mobility.

E. Does an LCFB normally make recommendations to customers to purchase or sell securities? Please see 4.B. above. In addition, we do not "accept orders" from clients, *per se* (i.e., in the retail customer sense), but making recommendations to our clients in the M&A or private placement realm is a large part of what we do. If the language in the proposed rule is likely to lead to confusion on this point, it should be further clarified.

F. Does the SEC staff no-action letter issued to Faith Colish, et al., dated January 31, 2014 (the "M&A Broker Letter"), 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 think it is likely that most firms that are currently unregistered will remain so after the issuance of the M&A letter, so long as their activities fall within the parameters set forth therein. If a firm sometimes diverges from that model (e.g., a buyer in a client transaction will not "control and actively manage" a purchased entity), it may determine that it must register as an LCFB. On the other hand, the financial and regulatory differences between a regular BD and an LCFB are minimal, so such an M&A Broker might decide to register as a full BD instead.

Thank you in advance for your attention to these issues. Please contact me directly if you have any questions or would like additional information.

Sincerely,

Michael S. Quinn, Member and CCO