

April 28, 2014

Via E-Mail To: pubcom@finra.org

Ms. Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K. Street, NW
Washington, DC 20006-1500

RE: FINRA Regulatory Notice 14-09, Limited Corporate Financing
Brokers

Dear Ms. Asquith:

In February 2014, the Financial Industry Regulatory Authority (FINRA) published Regulatory Notice 14-09 (Regulatory Notice) seeking comments on a proposed rule set (Proposed Rule Set”) for member firms that meet the definition of “limited corporate financing broker” (LCFB). It is a positive sign that FINRA acknowledges that LCFB firms do not in fact expose investors and the markets to the same risk as firms who do carry or maintain customer accounts, handle customers’ funds or securities, accept customers’ trading orders, engage in proprietary trading or market-making or actually market securities products to investors. However, based upon both communications with our clients and our experience in this area, a number of concerns have been identified that are discussed below.

1. As has been noted in prior Comment Letters, the most significant compliance costs for LCFBs include an annual PCOAB Financial Audit, maintenance of a fidelity bond, payment of SIPC Assessments, FINRA Assessments, the annual AML Independent Testing, and the annual internal control review and certification. Of those issues, FINRA has provided some relief with respect to the AML Independent Testing and the annual internal review and certification, but it would appear that FINRA should consider reducing the FINRA General Assessment, as the cost to FINRA to supervise LCFB firms would be significantly reduced. Of greater value to the membership would be in FINRA’s addressing the issues that aren’t under its direct control. It would appear appropriate and a true benefit for the future LCFB membership for FINRA, in its capacity as an SRO, to work with the SEC, SIPC and the PCOAB to reduce or minimize the financial audit and reporting obligations, fidelity bond requirements and the elimination of the SIPC assessment as the securities are not covered by SIPC.
2. FINRA issued a Frequently Asked Questions (FAQ) on Investment Banking that addressed among other issues, the qualifications necessary to engage in investment banking activities. The clarification in part stated that “the Investment Banking Representative registration category (Series 79) is meant to include investment bankers advising on a marketing plan prepared by a sales team or developing and/or contributing information for marketing materials. However, it

would not include persons who actively market the offering and interact with investors or potential investors, such as a person who is engaging in road show activities. Such a person would also need to be registered as a General Securities Representative (Series 7), Corporate Securities Representative (Series 62) or Private Securities Offerings Representative (Series 82) depending on the type of offering being made”. We believe that FINRA should confirm that the Series 79 qualification will be adequate to both structure and “market” the companies of LCFB clients. Additionally, as FINRA required its membership to obtain the Series 7 or Series 62 for essentially the same activities that a LCFB would engage in, FINRA should allow those individuals to maintain those licenses.

3. The majority of the investment banking clients we represent (and who would qualify as an LCFB), were required to note on their Form BD, and in their membership application, that they were in fact engaged in “private placements” of securities (to wit, they participated in a negotiated transaction of a security that was being privately placed). As a result, it would appear appropriate that to the extent the term “private placement” is no longer utilized by FINRA to describe investment banking activities, FINRA further clarify the term “private placements” so that an LCFB does not inadvertently engage in an activity that would be deemed violate the Proposed Rule Set or to work with the SEC to add the activity of investment banking as an identified activity on the Form BD.

In summary, we believe that goals set forth in the Regulatory Notice regarding the Proposed Rule Set is an important step in moving away from a one size fits all regulatory framework for broker-dealers who are engaged in investment banking activities. Thank you for your consideration of our comments. Should you have any questions, please contact the undersigned at 281-367-2454.

Respectfully submitted,



Daniel E. LeGaye
The LeGaye Law Firm, P.C.