Thank you for the opportunity to comment on this important issue. I am an attorney who regularly represents investors who have been wronged by their broker, advisor, or brokerage firm.

Notice 18-08 seeks comment on the supervision of outside business activities (pursuant to FINRA Rule 3270) and private securities transactions (pursuant to FINRA Rule 3280). Essentially, the rule proposal seeks to "reduce unnecessary burdens while strengthening investor protection relating to outside business activities." The proposed rule does seem to reduce costs to brokerage firms, but it certainly does not protect the investor in any way.

The proposed rule essentially lessens the requirement for firms to supervise outside business activities (OBAs) and private securities transactions (PSTs). From my experience, this should be one of the greatest areas of concern for firms and often is the greatest opportunity for a broker to engage in fraudulent conduct, often through "selling away" from the firm. In fact, FINRA's Annual Conference in May 2017 discussed at length the supervisory and regulatory dangers associated with OBAs and PSTs. This is no new problem – the NASD recognized this problem for decades, as evidenced by Notices to Members 01-79 and 96-33.

The proposed rule in Notice 18-08 flies in the face of investor protection. The rules related to OBAs and PSTs need to be strengthened, not weakened. I have seen many instances where brokers engaged in fraudulent schemes away from the firm, but where the broker actually disclosed the scheme to the brokerage firm. The brokerage firm's duty to follow-up and do its due diligence on disclosed OBAs and PSTs is of utmost importance, and its failure to follow its duty can cause great harm to investors.

In short, I ask that FINRA require greater burdens on brokerage firms when supervising OBAs and PSTs, since these circumstances leave investors most vulnerable to fraudulent conduct. I again want to thank you for the opportunity to comment.

Sincerely,

David Neuman
Israels & Neuman PLC