Dear FINRA Staff,

I am writing as principal and owner of a boutique investment bank offering niche alternative investment products to institutions, high-net worth individuals and their advisors, and other broker-dealers, with a focus on micro-cap companies.

Although Regulatory Notice 12-34 focuses on Title III of the JOBS Act and the role of intermediary platforms therein, we believe that this conversation overlaps heavily with Title II of the JOBS Act, particularly in respect of the exemption from FINRA registration it creates for operators of Rule 506 platforms. Thus, with your indulgence, I'd like to first comment on that, and then tie the discussion back to Title III, using many of the same arguments.

I am excited about the JOBS Act and in particular Title II because, quite frankly, it will allow me to run my business more like companies in every other industry are able to conduct their business in the information age. The lifting of the general solicitation ban means that registered broker-dealers like ours will be able to, for the first time, raise capital for our clients without the proverbial one hand tied behind our backs. The implications for our ability to allocate funds more efficiently can hardly be overstated. We urge FINRA to embrace these rules as a tool with which its member organizations may conduct their businesses in a more efficient and effective manner, better serving the needs of our clients and improving the marketplace for capital.

We fully understand the pitfalls inherent in opening once-private offerings up for general solicitation. Believe us when we say that we want as much as you for this new marketplace to function free from fraud; like the vast majority of FINRA members, we are tired of the actions of a few bringing discredit to the industry. We recognize that with new liberty in promoting offerings comes new responsibilities with respect to compliance, and we fully support reasonable safeguards in order to protect the integrity of the marketplace.

All that said, we believe strongly that a moderate approach is in order. After all, broker-dealers who avail themselves of the new general solicitation rules will remain registered with, regulated by and highly accountable to FINRA – as they should be. However, our concern is that Section 201(c) of Title II creates a whole new class of financial service providers who will facilitate Rule 506 offerings without having to register with FINRA. This exemption from registration is admittedly restrictive, but we can nonetheless be certain of two things: (1) these platform operators will retain clever lawyers who will help them push the envelope as far as possible, and (2) the more aggressive of these platforms can and likely will do great harm to our financial system much more quickly than the SEC can stop them.

The exemption from FINRA registration for Rule 506 platforms in Section 201(c) of the JOBS Act is there, and is out of FINRA's control – there is nothing you can do to un-write that ill-conceived provision. However, we believe that you do have extensive control over the extent to which these unregistered platforms will flourish. We believe that, all things being equal, issuers and investors will prefer to participate in this "public" marketplace for Rule 506 offerings via a registered B-D, because of the greater accountability of the platform operators and in turn the greater protections afforded to users of the platform. Accordingly, if FINRA's rules for generally soliciting Rule 506 offerings are reasonable and

usable, the demand for this powerful new financing tool will be met by registered, accountable FINRA members who will expand their business in order to supply this service, and new businesses wishing to perform this service will come under market pressure to register with FINRA. On the other hand, if FINRA adopts rules around Title II that are overly restrictive, then the opposite will occur: registered B-Ds will tend to conduct their Reg D business the way that they always have (one hand behind their backs), and those who seek to capitalize on Title II will be incentivized to de-register or avoid registration with FINRA so that they can operate their Rule 506 platforms away from regulatory restrictions. This would put registered FINRA members at a disadvantage vis-à-vis their unregistered counterparts. It would also tend to make the capital markets less transparent, less accountable, and ultimately less stable, as it would push Rule 506 offerings away from registered B-Ds and onto these unregistered platforms, which will be free to operate regardless of the strictness of FINRA's rules.

Accordingly, we believe FINRA has a responsibility to its members, the financial markets and to the American economy at large to craft balanced general solicitation rules. We aren't asking for a free pass, because that would mean the fraudsters get a free pass too, and that ultimately wouldn't be good for anybody. We are, however, asking for something that we can actually use. Sensible rules will help FINRA-registered and fully accountable finance professionals promote more efficient capital markets; overly restrictive rules will help unregistered platforms destabilize them.

It is also worth noting here that the proposed Rule 506(c) released by the SEC on August 29 is, in our opinion, quite sensible – it strikes an appropriate balance between investor protection and issuer usability. We believe that if FINRA rules dovetail with this proposed rule, the resulting general solicitation regime will greatly improve the efficiency and efficacy of our capital markets. On the other hand, if FINRA's general solicitation rules impose significant restrictions beyond those required by the SEC, it will result in confusion in the marketplace, and will tend to push capital raising activities away from registered B-Ds and into the unregulated shadows.

Finally, we believe that FINRA can borrow heavily from this philosophy as it approaches its rulemaking for non-BD "funding portals". As lifelong financial professionals, we worry about the implications for the integrity of the financial markets if non-financial professionals (some serial entrepreneurs, some college kids in dorm rooms; none of them financiers) are allowed to operate too easily in the so-called crowdfunding space. Again, we recognize that Congress has given FINRA this law, and there is nothing you can do to un-write it. However, it is in your control to determine just how light the "broker-dealer light" rules will be. We understand that the scope of funding portal operations is limited, and so not every rule that applies to registered B-Ds will apply to them. But a great many of them will. For instance, is anti-money laundering any less of a concern just because investors are using this fashionable new crowdfunding mechanism to deploy funds? Is fraud less likely on these online portals? Is supervision of a funding portal operator somehow less appropriate just because a new buzzword has been coined to describe the financial services they perform? Is transaction-based compensation, long the primary hallmark of a broker-dealer, suddenly fair game just because Kickstarter and other *donation* platforms take a piece of successful *fundraising campaigns*?

We believe the answer to these questions is emphatically and self-evidently "no". We also believe, as with the Rule 506 platforms, that all things being equal, market participants will prefer the protections and accountability that comes with crowdfunding through fully registered broker-dealers. If the playing field is level, fully registered broker-dealers will step in to fill this market need (if in fact there proves to be such a need), and "funding portals" will be subject to market pressure to fully register as a B-D. On the other hand, if "broker-dealer light" is too light and restrictions on registered B-Ds are too great vis-à-vis their semi-registered competitors, then fully registered B-Ds will stay out of the space, and the market will be served by less professional, less experienced platform operators who by and large see this as an entrepreneurial opportunity, a technology play rather than a financial service. We shudder to think about the impact on the financial markets if fundraising for the riskiest companies, from the least wealthy investors, is entrusted to intermediaries with no experience in the financial services arena, no mandatory education or certification, and only "light" regulation from FINRA. As with the Rule 506 platforms operating under Title II, such an outcome would not only put fully registered, fully accountable B-Ds at a disadvantage vis-à-vis their competitors, but would also tend to destabilize and jeopardize the integrity of our financial system.

Thank you for your time.

Sincerely,

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