



## SUTTER SECURITIES INCORPORATED



April 1, 2014

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

Re: **14-09** Comment on a Proposed Rule Set for Limited Corporate Financing Brokers

Dear Ms. Asquith:

FINRA has requested comment on a number of issues related to the rule proposal for Limited Corporate Financing Brokers ("LCFB").

- ***Does the proposed rule set provide sufficient protection to customers of an LCFB?***

An LCFB would be allowed to issue a fairness opinion for a merger transaction. If the broker-dealer is otherwise qualified, the firm might have a net capital requirement of only \$5,000 and a fidelity bond of only \$100,000. Although this may also be the current requirement, I would suggest that firm's that issue fairness opinions on transactions that involve a public company be required to carry a larger fidelity bond.

- ***Does the proposed rule set appropriately accommodate the scope of LCFB models?***

Given the limited activities of an LCFB, I believe FINRA should ask the SEC to exempt an LCFB from the requirement of having a PCAOB audit.

- ***Is the definition of "limited corporate finance broker" appropriate?***

I would suggest three additional business activities be permitted by an LCFB.

1. The proposed rule specifically excludes transactions that involve municipal securities. There are member firms that provide financial advisory services only to municipalities or municipal agencies. The major function of these firms is to recommend the timing and type of offering and to assist in the selection of an underwriter. If the firm does not engage in the sale of municipal securities and would otherwise qualify, I believe they should be eligible to be a LCFB.
2. Firms that provide corporate financing services often provide a valuation of the securities in the transaction independent of any possible fairness opinion. I would suggest that valuation services be included in the permitted activities of an LCFB.
3. A few member firms provide expert testimony and litigation support as part of their corporate financing activities. These services should be permitted by an LCFB.

- ***Are there firms that would qualify for the proposed rule set but that would choose not to be treated as an LCFB?***

LCFB Rule 123 would limit the registration categories that a registered person could maintain. As registered persons often change their employment they might later affiliate with a firm that was not a LCFB. All active FINRA licenses should be kept active subject to appropriate annual continuing education requirements. If they were not allowed to keep all of their licenses "active", their firm may elect not to be treated as an LCFB.

- ***What is the likely economic impact to an LCFB, other broker-dealers and their competitors of adoption of the LCFB rules?***

I believe the impact would be minimal as proposed. The economic benefits might be meaningful if a PCAOB audit were not required and if an LCFB be excluded from the fees currently payable to the Securities Investor Protection Corporation ("SIPC"). The current SIPC rule includes a fee of ¼ % of all net operating revenues from the securities business.

- ***FINRA welcomes estimates of the number of firms that would be eligible for proposed rule set.***

I would suggest that FINRA's District Offices can provide a far better estimate.

- ***Proposed LCFB Rule 123 would limit the principal and representative registration categories that would be available for persons associated with an LCFB. Are there any registration categories that should be added to the rule?***

As stated above, there should not be a limitation on the licenses that may be kept active. If an associated person did have licenses not required by the LCFB, they should have an additional continuing education requirement.

- ***Should principals and representatives that registration categories not included within LCFB Rule 123 be permitted to retain these registrations?***

Yes, see comments above.

- ***Does an LCFB normally make recommendations to customers to purchase or sell securities? Should an LCFB be subject to rules requiring firms to know their customers and imposing suitability obligations?***

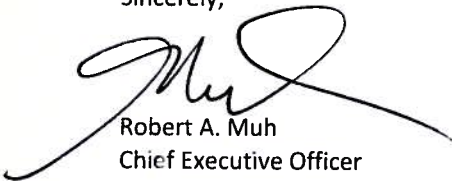
An LCFB may recommend a corporate finance transaction to a customer which would include the purchase or sale of securities. Proposed LCFB "Know Your Customer Rule 209", however, is too vague. The proposed rule states the LCFB should know those facts "required to effectively service the customer". How would a FINRA examiner determine if the firm satisfied this rule?

- ***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?***

Current member firms that qualify are likely to retain their FINRA membership as an LCFB member. New firms or existing M&A firms that are not FINRA members do not have a major incentive to become LCFB members.

Please contact the undersigned if you have any questions.

Sincerely,



Robert A. Muh  
Chief Executive Officer