

February 18, 2026

Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

**Re: File Number SR-FINRA-2026-001 – Notice of Filing of a Proposed Rule
Change to Adopt FINRA Rule 3290 (Outside Activities Requirements)**

Dear SEC Secretary:

I write on behalf of the Public Investors Advocate Bar Association (“PIABA”), an international bar association comprised of attorneys who represent investors in securities arbitration and litigation. Since its formation in 1990, PIABA has promoted the interests of the public investor in all securities and commodities arbitration forums, while also advocating for public education regarding investment fraud and industry misconduct. Our members and their clients have a strong interest in rules promulgated by the Financial Industry Regulatory Authority (hereinafter “FINRA”) related to investor protection.

Our organization previously commented on FINRA Regulatory Notice 25-05’s (“RN 25-05”) proposed reforms to FINRA Rules 3270 and 3280. To the extent that FINRA’s proposal retained existing supervisory requirements PIABA had no objection. However, the current proposal, as with RN 25-05, proposes problematic supervisory exemptions that would only serve to subject firms to increased regulatory and litigation risk and ultimately compromise FINRA’s Investor Protection mission and cause substantial harm to investors. PIABA takes issue with provisions that address:

- Supervision of dually registered representatives with unaffiliated RIAs; and
- Non-investment related work and outside business activities.

PIABA’s position is that FINRA’s proposed rule changes would result in member firms implementing unreasonable supervisory procedures under the Securities and Exchange Act of 1934 (the “Exchange Act”). FINRA’s supervisory rules concerning outside business activities (“OBAs”) and private securities transactions (a/k/a “selling away”) have serious consequences for investors and members alike. Despite the existing rules, selling away remains a top concern. Each year FINRA brokers engage in dozens of fraudulent schemes costing investors their irreplaceable life savings.¹

¹ For the past 15 years the sales of unregistered securities by unlicensed salesman have been noted as one of the top violations that The North American Securities Administrators Association (“NASAA”) reports each year. See NASSA 2024 Enforcement Report (available at: https://www.nasaa.org/wp-content/uploads/2024/10/FINAL_2024-Enforcement-Report.pdf) (“The top three violations charged were the offer or sale of securities/investment advice by

The rule proposal risks subjecting members to substantial reputational and litigation risk while exposing investors to increased risk of harm through reduced supervisory oversight. For the reasons set forth below, PIABA also believes the rule would not result in any meaningful differences in practical supervisory practices while increasing compliance confusion.

I. Member Firms Must Reasonably Supervise All Registered Representatives Investment Activities

A. Exchange Act Section 15(b)(4)(E) Supervisory Requirements

Exchange Act Section 15(b)(4)(E) provides that the SEC can sanction or revoke the registration of any member firm “if it finds... that such broker or dealer... has willfully aided, abetted, counseled, commanded, induced, or procured the violation by any person of any provision of the **Securities Act of 1933, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, [the Securities Exchange Act of 1934], the rules or regulations under any of such statutes, or the rules of the Municipal Securities Rulemaking Board, or has failed reasonably to supervise,** with a view to preventing violations of the provisions of such statutes, rules, and regulations, another person who commits such a violation, if such other person is subject to his supervision.” 15 U.S.C. § 78o(b)(4)(E) (emphasis added).²

The “securities laws” encompass, all securities related statutes including the Investment Advisers Act of 1940 (“IAA”) as shown above. Accordingly, registration by a representative under the IAA or any other securities act in no way lessens a broker-dealers responsibility to reasonably supervise the activity of member firms’ representatives to prevent violations of all the securities laws.³ FINRA has identified no provision within the Exchange Act which permits delegation of a firm’s

unlicensed parties (394 actions), the offer or sale of unregistered securities (386 actions)...”); ‘Selling away’ again a concern for regulators, InvestmentNews, (Oct. 14, 2011) (available at: <https://www.investmentnews.com/broker-dealers/selling-away-again-a-concern-for-regulators/39244#:~:text=Stockbrokers%20who%20sell%20products%20that,concern%20for%20state%20securities%20regulators>) (NASAA reported that in 2011 there were 54 enforcement actions involving selling away.)

² The SEC has repeatedly made this point to broker-dealers in guidance concerning supervisory procedures designed to prevent and detect undisclosed outside business activities and selling away. See Staff Legal Bulletin No. 17: Remote Office Supervision, SEC Rel. No. SLB-3A(CF), 2004 WL 5698359 (Mar. 19, 2004) (“Sections 15(b)(4)(E)1 and 15(b)(6)(A) 2 of the Securities Exchange Act of 1934 (Exchange Act) authorize the Commission to impose sanctions on a firm or any person that fails to reasonably supervise a person subject to their supervision that commits a violation of the federal securities laws.”)

³ FINRA also incorrectly states in its Proposal that the “current rules and the Proposal impose a regulatory burden for members that is not matched by equivalent requirements in the IA industry.” Pg. 10. This is not true as the duty is exactly the same on the IA side. IA’s have the same duty to reasonably supervise their representatives to prevent them from violating the Exchange Act and other securities statutes. See 15 U.S. Code § 80b-3(e)(6).

supervisory responsibilities onto a regulatory body. Further, FINRA has also failed to identify any authority that allows the organization to exempt members from reasonable supervisory requirements merely because another securities statute covers the same activity.

B. The Necessity of Supervising Private Securities Transactions

There are two primary risks for firms when a representative engages in private securities transactions. The first is that the representative will commit a securities law violation even if the representative is registered and licensed to engage in the general conduct through a separate securities statute apart from the Exchange Act. Such violations may affect clients of the member firm in addition to the non-member firm.

The second risk is that the representative will engage in the unregistered sale of securities. If the transactions are not approved by the member firm and recorded on the firm's books and records, the representative is acting as a broker within the meaning of Section 3(a)(4) of the Exchange Act [15 U.S.C. §78c(4)] without proper registration as a broker-dealer in accordance with Section 15(b) of the Exchange Act [15 U.S.C. § 78o(b)].

The SEC has stated that "associated persons who 'sell away' from their employing brokers violate Section 15(a)(1), because their employer's registration as a broker is irrelevant to their brokerage activities conducted outside that employing broker's knowledge or supervision." *In re Khaled A. Eldaher*, File No. 3-16326 (Apr. 24, 2015).⁴ Representatives engaging in selling away are "acting as an unregistered broker." *Id.*

For over 40 years FINRA has emphasized that private securities transactions "presents serious, regulatory concerns." Notice To Members ("NTM") 85-84. The SEC has stated that:

[FINRA] Conduct Rule 3040 [prohibiting "selling away"] is designed not only to protect investors from unsupervised sales, but also to protect securities firms from liability and loss resulting from such sales. Such misconduct deprives investors of a firm's

⁴ See also *SEC v. Ridenour*, 913 F.2d 515,517 (8th Cir. 1990) (individual who made "private" bond deals which he negotiated out of his office at broker Dean Witter on his own behalf, was a broker-dealer and his failure to register as such violated Section 15(a)(1)); *SEC v. Integrity Fin. AZ, LLC*, 2012 Fed. Sec. L. Rep. (CCH) ~ 96,715,2012 U.S. Dist. LEXIS 6758 at *14 n.1 (D. Ohio, Jan. 20, 2012), citing *Roth v. SEC*, 22 F.3d 1108, 1109 (D.C. Cir. 1994 (unpublished opinion)) (holding registered representative liable for violations of Section 15 where he was unsupervised by the employing broker-dealer, from whom he hid his work selling unregistered securities); *SEC v. Homestead Properties, L.P.*, 2009 WL 5173685 at *5 (C.D. Cal. 2009) citing *Roth* (finding SEC had made a prima facie showing that a registered representative violated Section 15 where he was unsupervised by the employing broker-dealer, from whom he hid his work selling unregistered securities).

oversight, due diligence, and supervision, protections investors have a right to expect.⁵

FINRA's proposed rule is not reasonably designed to stop member firm representatives from engaging in unlicensed broker-dealer activity or prevent other securities laws violations.

C. The Proposed Rule Posits That *No Supervision* of Investment Activity Is Reasonable Supervision Designed to Prevent Securities Laws Violations

In a joint notice FINRA and the SEC stated:

The responsibility of broker-dealers to supervise their associated persons is a critical component of the federal regulatory scheme. Sections 15(b)(4)(E) and 15(b)(6)(A) of the Exchange Act authorize the Commission to impose sanctions on a firm or any person that fails to reasonably supervise someone that is subject to the supervision of such firm or person who violates the federal securities laws. In order to defend such a charge, a broker-dealer could show that it has established procedures that would reasonably be expected to prevent and detect a violation...

National Examination Risk Alert: By the Office of Compliance Inspections and Examinations in cooperation with the Financial Industry Regulatory Authority, Vol. 1, Iss. 2, pg. 4 (Nov. 30, 2011).⁶

FINRA's proposal to exempt an unaffiliated IA's securities activities from member firm supervision fails to meet the reasonable supervision standard because it appears to impose no

⁵ *In re Siegel*, 2008 SEC LEXIS 2459 at *36 (Oct. 2, 2008), *aff'd Siegel v. SEC*, 592 F.3d 147, 156 (D.C. Cir. 2010) (citation omitted); *U.S. v. Siddons*, 660 F.3d 699, 702 (3rd Cir. 2011) (describing criminal defendant's "selling away" activities, explaining that clients invested their modest life savings with the defendant, initially believing that they were investing in a bank-supported, conservative investment product); *McNabb v. SEC*, 298 F.3d 1126, 1133 (9th Cir. 2002) (affirming Commission sustaining NASD sanctions; explaining that by selling \$690,000 worth of securities to various clients without notifying his employer, appellant placed that firm at "great risk should any liability issues arise").

⁶ Both Staff Legal Bulletin No. 17 and the National Examination Risk Alert focused on the firm's need to supervise OBAs and selling away activity to prevent violations of The Exchange Act. *Id.* ("a firm should be alert to and investigate 'red flags' indicating possible undisclosed outside business activities and assess all outside business activities by a representative, whether or not related to the securities business. The Commission has recognized that there is a risk that representatives will use outside business activities to carry out or conceal securities law violations.").

supervisory requirement.⁷ FINRA’s proposal bends over backward attempting to craft a rule that ultimately lacks internal consistency. FINRA focuses on OBA supervision directed toward “investment-related activities that may pose a greater risk to members and the public” while simultaneously claiming unaffiliated IA investment activity should be categorically exempt even though it is clearly high-risk investment-related activity. Fed. Reg. Vol. 91, No. 22, pg. 5004 (Feb. 3, 2026).⁸

FINRA’s proposal attempts to revoke prior guidance that provided firms with information necessary to achieve reasonable supervision of investment-related activity. FINRA Rules 3270 and 3280 and NTMs 91-32, 94-44, and 96-33⁹ are designed to help firms reasonably achieve compliance with a member’s supervisory obligations under the Exchange Act. A dually registered representative presents a high risk of using the RIA OBA to conduct unregistered broker-dealer activity. FINRA’s proposal unreasonably creates an enormous blind spot in members’ ability to supervise violations - not only of IAA violations but of the Exchange Act’s registration requirements.

A dually registered representative can all too easily use his RIA to sell a private venture to a client without having the asset custodied in an advisory account or charged an advisory fee. The IA may take custody of client funds or pass such funds on to a separate issuer for commission or other compensation uncharacteristic of IA compensation. The fact that the dually registered representative would claim that the activity occurred through the RIA would not be dispositive. In such cases the member firm would not be able to show that its registered representative’s activity went through an unaffiliated IA as opposed to being unregistered broker-dealer activity.¹⁰ As shown above, preventing representatives from engaging in unregistered broker-dealer activity is

⁷ FINRA states that “For unaffiliated IA activities, registered persons would only need to provide prior written notice. In the case of unaffiliated IA activity, members would not need to approve, supervise or recordkeep the activity, but could impose conditions, limitations or prohibitions on the activity.” Fed. Reg. Vol. 91, No. 22, pg. 5008.

⁸ FINRA claims the fact that States or SEC are regulators of RIAs makes broker-dealer supervision duplicative. However, the same argument can be made of FINRA and States that regulate broker-dealers which makes firm supervision equally duplicative.

⁹ NASD NTM 91–32 (the NASD states that Rule 3040 “should apply to all investment advisory activities” and “to conclude otherwise would permit registered persons to participate in securities transactions outside the scope of the oversight and supervision of the employer member and of a self-regulatory organization to the potential detriment of customers.”)

¹⁰ In determining whether someone has engaged in unregistered broker-dealer activity courts evaluate the “securities transactions at key points in the chain of distribution.” *SEC v. Hansen*, No. 83 Civ. 3692, 1984 WL 2413, at *10 (S.D.N.Y. Apr. 6, 1984) (quoting *Massachusetts Fin. Services, Inc. v. Securities Investor Protection Corp.*, 411 F. Supp. 411, 415 (D.Mass.) *affd*, 545 F.2d 754 (1st Cir. 1976)); see also *SEC v. Margolin*, No. 92 Civ. 6307(PKL), 1992 WL 279735, at *5 (S.D.N.Y. Sept. 30, 1992) (“brokerage” conduct may include receiving transaction-based income, advertising for clients, and possessing client funds and securities).

one of the primary purposes of the selling away rule. Further, FINRA's proposal insists that its goal is to prevent this type of selling-away activity.

The foregoing example of selling away misconduct concealed by RIAs continues to occur in scenarios PIABA members encounter. For example, RIA Adam Nugent ran several private equity funds. Mr. Nugent was dually registered as an RIA through Foresight Wealth Management ("FWM") while also being registered as a broker. The broker-dealer argued in federal court that the private securities transactions occurred through FWM. However, the investments were never custodied in a FWM account nor was any evidence provided that FWM charged an advisory fee on these investments. A federal judge found that the "Agronomic investment was not made through the [investor's] accounts with Foresight." *Purshe Kaplan Sterling Invs., Inc. v. Thomsen*, No. 2:24-CV-00002-JNP, 2024 WL 1307268, at *9 (D. Utah Mar. 26, 2024).

Accordingly, Mr. Nugent was engaged in unlicensed broker-dealer activity while being registered with a broker-dealer and using his RIA to conceal the violation. FINRA's rule proposal makes it less likely that the broker-dealer would follow reasonable supervisory guidance with a view towards detecting and preventing the unregistered broker-dealer securities transactions that occurred at the RIA. In sum, FINRA's proposal fails to provide the necessary guidance to accomplish its purported aim of supervising private securities transactions. The only way to comply with the Exchange Act's requirements to protect member firms and the investing public is to supervise all securities activities of a firm's registered representative to prevent securities laws violations.

D. The Proposal Is Unworkable From A Practical Perspective

FINRA fails to provide a realistic framework of how its rule proposal would realistically be implemented by member firms. Dually registered IAs would still engage in host of conduct with clients, either joint clients or otherwise, that would be required to be supervised by member firms. FINRA members would still be required to supervise:

- all investment-related emails;
- conduct inspections of branch locations where dually registered representative conducts business;
- all marketing materials that could be sent to joint clients;
- all consolidated reports with IA and broker-dealer assets;
- documents sufficient for a suitability analysis under Regulation BI taking into RIA assets and broker-dealer assets and various other scenarios that could raise conflicts of interest in the type of account being recommended;
- gather information about RIA OBAs which would include Form ADVs and other pertinent RIA information sufficient to determine whether to impose limitations on the activity;

If a representative recommended a client sell all of their assets at a member firm to invest entirely in private placements at the registered representative's IA, that recommendation or investment strategy would have to be supervised under NTM 12-25¹¹ as well as the determination whether the investment and account type were in the client's best interests.

FINRA has also stated that the suitability rule "requires a broker to seek to obtain and analyze a customer's other investments. The rule thus explicitly permits a suitability analysis to be performed within the context of a customer's other investments." NTM 12-25, pg. 13. A FINRA member would have to have access to the IA's investments to ensure that member firms were acting in their client's best interests.

Likewise, member firms are obligated under Rule 17a-4 to record and supervise communications of their registered representatives related to firm business. *See* SEC Rel. No. 34-38245 (Jan. 31, 1997). Any potential rule would not clarify FINRA's past guidance on member firm's requirements to record correspondence and investigate "red flag" communications through OBAs, through affiliated firms or third-party IAs that share joint clients with members and other scenarios. It is unlikely that FINRA would be able to devise a correspondence supervisory protocol that would achieve compliance with Rule 17a-4 without requiring firms to monitor and record all investment-related emails.

Finally, any such proposed rule would clearly contradict prior SEC guidance and fails to clarify whether FINRA is proposing to limit the scope of branch audits and its joint guidance with the SEC under NTM 11-54. Oftentimes dually registered representatives work in small one or two-person shops that occupy the same office space, utilize the same equipment, share support staff, the same advertising materials, etc. FINRA provides no guidance on these areas or explains what supervisory requirements remain in place.

E. The Proposal Increases Member Firm Regulatory and Litigation Risks

FINRA's proposal increases member firms' regulatory and litigation risk. Even "FINRA acknowledges that the supervision requirement may increase members' litigation risk because lawyers representing clients of unaffiliated IAs may use FINRA's supervisory requirement as the basis for asserting claims against BDs for misconduct occurring at unaffiliated IAs." Fed. Reg. Vol. 91, No. 22, pg. 5011. Further, FINRA recognizes that members are likely to continue to "impose supervisory obligations on their associated persons as a condition to participating in outside unaffiliated IA activity, whether or not required by rule."

The regulatory risk is not theoretical. In a recent case the State of Massachusetts found that a broker-dealer violated Mass. Gen. Laws. c. 110A, § 204(a)(2)(J) by failing to supervise a dually registered representative's IA activity. *In re Purshe Kaplan Sterling Investments, Inc.*, (Mass. Docket No. E-2021-0014, Jan. 4, 2024). In that case, "PKS did not flag for further review any accounts that the Harvest Group DRAs invested in leveraged ETFs for periods of time in excess of days, weeks, months, and even years despite the risks outlined in the prospectuses for QLD and SSO." *Id.* at ¶ 34. In the State of Massachusetts comment letter to RN 25-05, the Secretary noted that "[b]ased on these failures in supervision [by the broker-dealer], investors were offered

¹¹ *See* pg. 6.

restitution and my office required the firm to enhance its supervisory practices.” Secretary of the Commonwealth of Massachusetts comment letter to Reg. Notice 25-05, pg. 2.

In another instance the State of Michigan alleged a representative “through an unregistered entity that was not affiliated with his broker-dealer, sent at least six of his brokerage customers invoices that purported to charge investment advisory fees on securities and insurance products that he had sold to them.” The individual was terminated because “[t]he firm ha[d] reason to believe that the RR violated firm policies by engaging in an undisclosed outside business activity as an unlicensed investment adviser representative.” NASAA Comment letter to RN 25-05, pg. 8.

Again, FINRA’s proposal fails to protect member firms from the risk of litigation and regulatory action by unreasonably attempting to remove supervisory oversight required by Federal and State laws. Member firms following FINRA guidance will not be able to avail themselves to the defense of reasonable supervision.

F. Investors Face Substantial Harm From Small Dually Registered RIA Offices

It has been the experience of PIABA members that far too many registered representatives establish solo or small RIA firms and use OBAs to avoid member supervision to the harm of investors. Attached as **Exhibit A** are some examples of investors losing hundreds of millions in investment frauds perpetrated by registered representatives through third-party IAs established by the registered representative.

FINRA and the SEC have repeatedly warned of the harm caused when lax supervision combine with investment activity in smaller, remote or dispersed offices. In NTM 98-38: NASD Reminds Members Of Supervisory And Inspection Obligations, FINRA warned that the SEC’s decision *In re Royal Alliance Associates, Inc.*, Release No. 34-38174 (January 15, 1997) “stated that it harbored grave doubts that a practice of conducting a pre-announced compliance examination only once a year would necessarily discharge the supervisory obligations of any firm that incorporates a structure in which smaller offices are operated by only one or two representatives.” In *Royal Alliance*, “Royal Alliance’s failure to scrutinize adequately the securities-related businesses of its registered representatives, which were conducted beyond the direct aegis of the firm was a certain recipe for trouble.”

FINRA’s proposed rule of granting an exemption to broker-dealers from scrutinizing its registered representatives unaffiliated IA activity is a certain recipe for trouble.

G. FINRA’s Justifications For the Rule Proposal Are Unsupported

FINRA and member firms have provided weak justifications for the proposed rule. One argument is that the current rule raises privacy concerns, obstacles for members to obtain personal information of unaffiliated IA clients, and the risks for members under various privacy laws and rules.

These arguments are completely unsupported. Broker-dealers have been supervising unaffiliated IA activity for over 35 years and there is not a single known SEC, FINRA, or judicial precedent in which a broker-dealer was sanctioned, fined, or held liable for supervising its representatives’

unaffiliated IA activity or for obtaining private client records in connection with such supervision. The industry's spotless supervisory privacy record must be contrasted with the hundreds of registered representatives and firms that have been sanctioned, barred, and even jailed for selling away related violations and the millions in lost investor savings. FINRA's proposal to address non-existent privacy risks when weighed against decades of substantiated investor harm fails to strike any relative balance of concern.

II. Non-Investment Related Work and Outside Business Activities

FINRA's Proposal's limits the scope of OBAs to those that are investment related and excludes the need to report non-investment related OBAs. FINRA concludes that "there is likely little risk that noninvestment-related activities could be perceived by the investing public as part of the member's business." Pg. 9.

PIABA's position is that FINRA firms must supervise the OBAs of their registered representatives in order to detect and prevent violations of the securities laws in compliance with the Exchange Act's requirements.¹² PIABA members' experience has been that registered representatives use a variety of OBA businesses to solicit investors for financing schemes. All manners and types of businesses have been the basis for investment solicitation including real estate, restaurants, health care related facilities, equipment, medications, leasing or equipment companies, software related companies, factories, oil & gas, crypto ventures, litigation financing, and other private equity ventures. It is frequently argued that investment-related activities are not actually investment-related activities. Any proposal that limits FINRA firms' responsibilities is likely to allow further investment-related OBA misconduct to be perpetrated on the investing public.

In addition, FINRA's Proposal appears to place the registered representative in charge of determining what an "investment-related activity." An outside investment-related activity that is not a securities transaction has not been previously defined by any regulator or securities statute. Due to the confusing nature of the proposal most firms are likely to continue to document all OBAs and require their registered representatives to bring all OBAs to the firm's attention for review. It is likely firms would continue to make determinations as to whether or not the disclosed OBA would have to be reported on the representatives Form U4 or be internally classified and monitored as an outside non-investment related activity.

FINRA's proposed changes to disclosures of OBAs does little to either protect investors or provide firms and registered representatives with clarity while failing to provide any meaningful supervisory relief. Moreover, FINRA does not identify any significant regulatory burden on

¹² Staff Legal Bulletin No. 17. ("a firm should...assess all outside business activities by a representative, whether or not related to the securities business...[due to the] risk that representatives will use outside business activities to carry out or conceal securities law violations."); National Examination Risk Alert (FINRA and the SEC stated that OBAs should be inspected during branch examinations to confirm "that the scope of outside business activities of registered branch office personnel conform to those activities authorized by the firm[,] is an important component of the branch office inspection, and addresses a risk that may be more difficult to monitor.") pg. 3.

registered representatives and firms to disclose activities such as refereeing sports games or being an Uber driver.

III. Associated Person's Non-BD Activity On Behalf of a Member Or its Affiliate

FINRA's proposal excludes an associated person's non-BD activity on behalf of a member or its affiliate. FINRA provides examples as being IA activity at a dually registered firm and insurance or banking activity conducted at an affiliate. FINRA states that the justification for the exclusion for activity conducted at an affiliate recognizes members' ability to implement meaningful controls across business lines.

PIABA's position is that FINRA firms must supervise the activities of their registered representatives' investment-related activities no matter where such activities occur in order to comply with the Exchange Act's requirements. The Exchange Act provides no exemption for reasonable supervision based on the fact that the investment activity takes place through an affiliate of a broker-dealer. As such, FINRA's proposal would leave firms potentially vulnerable to failure to supervise claims by the SEC and other regulators.

Finally, FINRA does not even identify any true regulatory burden that it is alleviating through its proposed rule change. As noted the "vast majority of member affiliates are under common control; thus, these affiliates may share compliance resources and systems." Proposal, pg. 10. Those compliance resources would include common compliance officers, supervisors, unified books and records, email systems, examination cycles, clearing firms, etc. Accordingly, the Proposal not only fails to protect member firms against failure to supervise claims, but is a solution in search of a problem that does not exist.

In sum, PIABA is concerned that FINRA is proposing a rule that will lead to industry non-compliance with the supervisory requirements of the Exchange Act and provide unscrupulous advisors with a road map to commit securities laws violations to the danger of members and the investing public alike. In order to ensure FINRA's investor protection mandate is fulfilled, we urge that this proposed rule change be rejected. PIABA thanks you for the opportunity to comment on this important topic.

Sincerely,



Michael C. Bixby, President
Public Investors Advocate Bar Association

Exhibit A

Registered Representative	Securities Violation Details
Patrick Churchville (CRD#: 2245842)	FINRA panel found that Churchville’s member firm failed to supervise Churchville’s private equity fraud conducted through his IA. The award was later confirmed in court. Churchville’s fraud caused \$27 million in losses to more than 220 victims and was subject to an SEC action and criminal charges.
Adam Nugent (CRD#: 4549399)	SEC found that advisor Adam E. Nugent defrauded clients to invest in Agronomic Capital, LP. In addition, to Agronomic, Mr. Nugent also engaged in other PSTs including the Auto Loan Fund LLC, Union Commercial Service Group, Candra Capital LLC, Mountain Bike, and in one instance a personal loan to finance Mr. Nugent’s business endeavors. Mr. Nugent was dually registered as an IA through Foresight Wealth Management (“FWM”) while also being registered as a broker. Investors brought a claim against the broker-dealer alleging over \$13 million in investor losses.
<i>In re Purshe Kaplan Sterling Investments, Inc.</i> , Docket No. E-2021-0014 (Mass. Jan. 4, 2024)	From September 2016 through 2024 the State of Massachusetts found that PKS failed to have in place written policies and procedures to review the investment advisory transactions of its dually registered advisors (“DRAs”) in 2017 and 2018 for transactions that occurred in accounts managed solely by unaffiliated registered investment advisers. The unaffiliated RIA engaged in leveraged ETF transactions that were not supervised and PKS never flagged any of the transactions for review.
Brendan Shaw (CRD#: 4721215)	PKS paid a \$1.6 million settlement with 50 clients for failing to supervise Brendan Shaw. Mr. Shaw defrauded the Claimants by trading their accounts through his RIA firm, Thomsen Financial Advisors LLC (“TFA”). Mr. Shaw and his business partner engaged in reckless options trading that caused his clients tremendous losses.
Dean Mustaphalli (CRD#: 2792038)	Some victims have allege that Mustaphalli’s member firm failed to supervise a hedge fund operated through his IA. Mustaphalli’s fraud caused \$10 million in losses to 58 victims and was subject of an action by the New York Attorney General’s office.
Cory Burnell (CRD#: 3260340)	Some victims have allege that Burnell’s member firm failed to supervise extraordinarily risky leveraged ETF trades conducted through Burnell’s IA. Burnell’s fraud caused about 30 investors more than \$2 million.
Tamara Steele (CRD#: 3227494)	Some victims have allege that Steele’s member firm failed to supervise private placement sales conducted through Steele’s IA. Steele’s sales caused approximately 100 investors more than \$7.5 million in losses
Vetea Ribet (CRD#: 4823379)	Mr. Ribet was an IA through Westside Investment Management’s (“WIM”). Mr. Ribet recommended that an investor engage in a speculative options investment strategy involving a bear call spread that caused over \$2 million in losses. Correspondence showed that Mr. Ribet represented the speculative strategy to as conservative.